

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010

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

AS OF 31.12.10

(in thousands of Euro)

STATEMENT OF FINANCIAL POSITION

ASSETS	at 31.12.10	at 31.12.09
1 INTANGIBLE ASSETS	1,642,445	1,960,296
1.1 Goodwill	1,523,280	1,656,682
1.2 Other intangible assets	119,165	303,614
2 PROPERTY AND EQUIPMENT	598,072	504,111
2.1 Buildings	504,218	406,725
2.2 Other tangible assets	93,854	97,386
3 REINSURANCE ASSET	823,184	870,300
4 INVESTMENTS	36,031,914	34,641,048
4.1 Investment property	2,912,189	3,030,524
4.2 Investments in subsidiaries, associates and joint ventures	353,014	341,999
4.3 Investments held to maturity	592,138	808,473
4.4 Loans and receivables	3,159,211	2,908,010
4.5 Financial assets available-for-sale	20,275,298	18,896,934
4.6 Financial assets at fair value through profit or loss	8,740,064	8,655,108
5 OTHER RECEIVABLES	2,314,653	2,423,474
5.1 Receivables from direct insurance operations	1,747,611	1,817,234
5.2 Receivables from reinsurance operations	101,773	133,333
5.3 Other receivables	465,269	472,907
6 OTHER ASSETS	996,578	4,923,669
6.1 Non-current assets or disposal group classified as held for sale	3,452	4,106,065
6.2 Deferred acquisition costs	87,603	142,111
6.3 Deferred tax assets	361,199	174,234
6.4 Tax receivable assets	388,015	304,769
6.5 Other assets	156,309	196,490
7 CASH AND CASH EQUIVALENTS	628,404	591,245
TOTAL ASSETS	43,035,250	45,914,143

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(In thousands of Euros)

STATEMENT OF FINANCIAL POSITION

SHAREHOLDERS' EQUITY AND LIABILITIES	at 31.12.10	at 31.12.09
1 SHAREHOLDERS' EQUITY	2,270,116	3,413,899
1.1 Shareholders' equity attributable to the Group	350,230	633,345
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	263,360	393,006
1.1.5 (Treasury shares)	(43,183)	(43,183)
1.1.6 Reserve for currency translation differences	(18,713)	(1,275)
1.1.7 Unrealized gain or loss on financial assets available for sale	338	(2,204)
1.1.8 Other unrealized gains and losses through equity	9,608	11,057
1.1.9 Net loss for the year attributable to the Group	(271,541)	(134,417)
1.2 Shareholder's equity attributable to non-controlling interests	1,919,886	2,780,554
1.2.1 Non-controlling interest capital and reserves	2,627,767	3,088,469
1.2.2 Unrealized gains and losses through equity	(31,256)	(29,518)
1.2.3 Net loss for the year pertaining to non-controlling interests	(676,625)	(278,397)
2 PROVISIONS	359,982	322,038
2.1 Provisions for fiscal nature	2,182	2,273
2.2 Other provisions	357,800	319,765
3 INSURANCE CONTRACT LIABILITIES	34,827,972	31,718,050
4 FINANCIAL LIABILITIES	4,187,367	5,102,503
4.1 Financial liabilities at fair value through profit or loss	1,677,807	2,099,531
4.2 Other financial liabilities	2,509,560	3,002,972
5 PAYABLES	839,437	852,339
5.1 Payables from direct insurance operations	91,887	135,466
5.2 Payables from reinsurance operations	106,862	99,010
5.3 Other payables	640,688	617,863
6 OTHER LIABILITIES	550,376	4,505,314
6.1 Liabilities directly associated with non-current assets or disposal group classified as held for sale	-	3,873,998
6.2 Deferred tax liabilities	132,060	137,761
6.3 Tax payables	54,931	17,539
6.4 Other liabilities	363,385	476,016
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43,035,250	45,914,143

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(in thousands of Euros)

INCOME STATEMENT	2010	2009
1.1 Net premiums	12,585,297	11,888,742
1.1.1 Gross premiums written	12,911,503	12,268,043
1.1.2 Premiums ceded to reinsurers	(326,206)	(379,301)
1.2 Fee and Commission income	57,317	70,686
1.3 Income and charges from financial instruments at fair value through profit and loss	378,291	900,347
1.4 Income from investments in subsidiaries, associates and joint ventures	55,795	14,212
1.5 Income from other financial instruments and investment property	1,283,378	1,128,931
1.5.1 Interest income	722,362	766,175
1.5.2 Other income	169,736	159,468
1.5.3 Realized profits	390,804	198,697
1.5.4 Unrealized gains and reversal of impairment losses	476	4,591
1.6 Other income	551,762	691,528
1 TOTAL INCOME	14,911,840	14,694,446
2.1 Net insurance benefit and claims	(12,152,941)	(11,872,025)
2.1.2 Claims paid and change in insurance contract liabilities	(12,341,912)	(12,155,745)
2.1.3 Reinsurers' share	188,971	283,720
2.2 Fee and commission expenses	(28,421)	(38,261)
2.3 Expenses from investments in subsidiaries, associates and joint ventures	(21,558)	(82,926)
2.4 Expenses from other financial instruments and investment property	(826,033)	(507,280)
2.4.1 Interest expense	(88,072)	(111,548)
2.4.2 Other expenses	(77,999)	(65,698)
2.4.3 Realized losses	(166,095)	(110,428)
2.4.4 Unrealized losses and impairment losses	(493,867)	(219,606)
2.5 Operating expenses	(1,928,904)	(1,919,914)
2.5.1 Commissions and other acquisition expenses	(1,426,987)	(1,458,127)
2.5.2 Investment management cost	(14,645)	(12,643)
2.5.3 Other administrative expenses	(487,272)	(449,144)
2.6 Other expenses	(981,028)	(820,352)
2 TOTAL EXPENSES	(15,938,885)	(15,240,758)
LOSS BEFORE TAXES	(1,027,045)	(546,312)
3 TAXES	77,117	132,816
LOSS AFTER TAXES	(949,928)	(413,496)
4 PROFIT FROM DISCONTINUED OPERATIONS	1,762	682
LOSS FOR THE YEAR	(948,166)	(412,814)
Loss for the year attributable to the equity shareholders of the parent	(271,541)	(134,417)
Loss for the year attributable to non-controlling interests	(676,625)	(278,397)

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

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31.12.10

(in thousands of Euros)

STATEMENT OF COMPREHENSIVE INCOME	2010	2009
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(948,166)	(412,814)
Change in reserve for translation differences	(17,438)	(8,015)
Profit or loss on available-for-sale financial assets	25,019	379,582
Profit or loss on cash flow hedging instruments	(16,524)	(3,816)
Profit or loss on instruments hedging a net investment in a foreign-managed portfolio	-	-
Change in the shareholders' equity of investee companies	646	2,613
Change in the revaluation reserve for intangible assets	-	-
Change in the revaluation reserve for property, plant and equipment	(8,764)	(678)
Income and expenses on non-current assets held for sale or in a discontinued group	675	(685)
Actuarial gains and losses and adjustments to defined benefit plans	(2,522)	(175)
Other elements	826	(56)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	(18,082)	368,770
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	(966,248)	(44,044)
of which attributable to the Group	(287,885)	(36,074)
of which attributable to non-controlling interests	(678,363)	(7,970)

Premafin HP S.p.A. is a public limited company incorporated under the Italian law: 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 and in the section entitled "Segment Information".

In accordance with the requirements of IAS 1.8 - *Presentation of Financial Statements* these consolidated financial statements comprise 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, as per Article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Premafin HP S.p.A. aim to present a financial statements model that complies with 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, and subsequent amendments.

The consolidated financial statements of Premafin HP have been prepared in accordance with the IAS/IFRS on an ongoing concern basis..

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

In particular:

- the "Unrealized gain and loss on financial assets" available-for-sale" relate to the recorded effects of the evaluation of the related financial instruments net of the effects attributable to the policyholders and recorded as a deferred liability to 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 unrealized gains and losses recorded directly in equity;
- the "Adjustments for reclassification to the income statement" column shows gains and losses previously recognised directly in equity which are reclassified to the income statement in accordance with international accounting standards;
- the "Transfers" column 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 available-for-sale financial assets attributable to policyholders and recordable under insurance liabilities.

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PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31.12.10
(in millions of euros)
STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY

	Balance at 31.12.08	Change to closing balances	Allocation	reclassification to the income statement	Transfers	Balance at 31.12.09	Balance at 31.12.09	Change to closing balances	Allocation	reclassification to the income statement	Transfers	Balance at 31.12.10
Share capital	410,340	-	-	-	-	410,340	410,340	-	-	-	-	410,340
Other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity	410,340	-	-	-	-	410,340	410,340	-	-	-	-	410,340
Capital reserves	21	-	-	-	-	21	21	-	-	-	-	21
Retained earnings and other capital reserves	395,807	-	(2,801)	-	-	393,006	393,006	(129,646)	-	-	-	263,360
Attributable to the Group	(43,183)	-	-	-	-	(43,183)	(43,183)	-	-	-	-	(43,183)
Profit (loss) for the year	6,634	-	(141,051)	-	-	(134,417)	(134,417)	(137,124)	-	-	-	(271,541)
Other components of comprehensive income	(90,765)	-	81,341	17,002	-	7,578	7,578	(60,324)	45,203	(1,224)	(8,767)	(8,767)
Total pertaining to the Group	678,854	-	(62,511)	17,002	-	633,345	633,345	(327,094)	45,203	(1,224)	(8,767)	350,230
Shareholders' equity	3,140,774	-	(52,305)	-	-	3,088,469	3,088,469	(460,702)	-	-	-	2,627,767
Profit (loss) for the year	62,177	-	(340,574)	-	-	(278,397)	(278,397)	(398,228)	-	-	-	(676,625)
Attributable to non-controlling interests	(299,945)	-	208,013	62,414	-	(29,518)	(29,518)	(141,263)	141,736	(2,211)	(31,256)	(31,256)
Interests pertaining to non-controlling interests	2,903,006	-	(184,866)	62,414	-	2,780,554	2,780,554	(1,000,103)	141,736	(2,211)	(31,256)	1,919,886
Total	3,581,860	-	(247,377)	79,416	-	3,413,899	3,413,899	(1,327,287)	186,939	(3,435)	(31,256)	2,270,116

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

With regard to the cash flow statement, the attachment required by Regulation 7/07 and which complies with IAS 7 is provided herein. IAS 7 provides for a free-form statement with a series of minimum requirements for the preparation of cash flow statements and for the presentation of cash flows deriving from operating activities, and requires either the use of the direct 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 investing and financing activities.

The cash flow statement shown below, prepared using the indirect method, gives separate presentation of the net cash flow deriving from operating activities and the net cash flows from investing and financing activities.

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CASH FLOW STATEMENT

(indirect method)

(in thousands of Euros)

	at 31.12.10	at 31.12.09
Loss before taxes	(1,027,045)	(543,863)
Non-cash adjustments	4,148,823	4,234,645
Change in Non-Life unearned premiums reserve	35,638	23,277
Change in the claims reserve and other Non-Life technical reserves	217,426	310,595
Change in the actuarial reserves and other Life technical reserves	3,233,185	3,649,380
Change in deferred acquisition costs	54,508	84,858
Change in provisions	61,529	(161,697)
Non-cash income and charges from financial instruments, investment property and equity investments	230,202	47,031
Other movements	316,335	281,201
Change in receivables and payables from operating activities	(188,208)	(234,773)
Change in receivables and payables from direct insurance and reinsurance operations	(141,597)	(120,833)
Change in other receivables and payables	(46,611)	(113,940)
Taxes paid	(29,466)	(35,385)
Net liquidity generated/absorbed by monetary elements pertaining to investing and financing activities	(584,988)	(2,213,134)
Liabilities from financial contracts issued by insurance companies	(449,522)	17,722
Payables to bank and interbank customers	(52,101)	376,355
Loans and receivables in respect of bank and interbank customers	(48,347)	(375,231)
Other financial instruments at fair value through profit or loss	(35,018)	(2,231,980)
TOTAL NET LIQUIDITY FROM OPERATING ACTIVITIES	2,319,116	1,207,490
Net liquidity generated (absorbed) by investment property	84,100	82,815
Net liquidity generated (absorbed) by equity investments in subsidiaries, associates and joint ventures	47,047	(80,935)
Net liquidity generated (absorbed) by loans and receivables	(385,148)	49,268
Net liquidity generated (absorbed) by investments held to maturity	216,335	(56,000)
Net liquidity generated (absorbed) by available-for-sale financial assets	(2,034,837)	(743,306)
Net liquidity generated (absorbed) by tangible and intangible assets	(16,970)	(83,948)
Other net liquidity flows generated (absorbed) by investment	228,635	6,256
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	(1,860,838)	(825,850)
Net liquidity generated (absorbed) by equity instruments pertaining to the Group	18,666	13,971
Net liquidity generated (absorbed) by own shares	-	(19,360)
Distribution of dividends pertaining to the Group	-	-
Net liquidity generated (absorbed) by capital and reserves pertaining to non-controlling interests	(211,208)	(34,800)
Net liquidity generated (absorbed) by subordinated liabilities and by equity instruments	-	-
Net liquidity generated (absorbed) by miscellaneous financial liabilities	(228,577)	(526,989)
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	(421,119)	(567,178)
Impact of exchange differences on cash and cash equivalents	(3,282)	(2,892)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	591,245	776,783
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,159	(185,538)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	628,404	591,245

PREMAFIN FINANZIARIA S.p.A.
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CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010
NOTES TO THE FINANCIAL STATEMENTS

PART A

ACCOUNTING POLICIES

Section 1 – Declaration of compliance with international accounting standards

These consolidated financial statements were prepared in accordance with the IAS/IFRS international accounting standards issued by the IASB (International Accounting Standard Board), as approved to date by the European Union and as currently interpreted by official bodies.

Following the entry into force of Regulation (EC) 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 within the EU of the international accounting standards – known as IAS for those issued up to 2001 and IFRS for those issued thereafter, as well as the relative interpretations, known as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) – is subject to an homologation process, to ensure that the international accounting standards are compatible with EU Directives, and is concluded with the publication of the documents adopted in the Official Gazette of the European Union.

Legislative framework

The accounting standards adopted are consistent with those used in the previous year, except for new standards and/or interpretations, or amendments thereto, with effect from 1 January 2010. In particular:

- IFRS 2 *Share-based payments* – Group cash-settled share-based payment transactions
- IFRS 3 - *Business combinations* (Revised) and IAS 27 - *Consolidated and separate financial statements* (Amendment); including consequent amendments to: IFRS 2, IFRS 5, IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 - *Financial Instruments Recognition and measurement* – Eligible hedged items
- IFRIC 17 - *Distributions of non-cash assets to owners*.

The scope of the above standards and interpretations is described below.

IFRS 2

On 23 March 2010, the European Commission approved Regulation 244/2010 published in OJEU L. 77 of 24 March 2010. The Regulation endorses the document “Amendments to IFRS 2 - *Share-based payments*” published on 18 June 2009 by the IASB. The amendment to IFRS 2 clarifies the scope and accounting of group cash-settled share-based payment transactions.

This change must be applied both for financial years beginning on 1 January 2010 or after that date, as well as retroactively in accordance with the requirements of IAS 8 and

the transitional rules of IFRS 2. The amendment had no impact on the Group's equity, financial or economic position.

IFRS 3 and IAS 27

On 10 January 2008, the IASB issued the revised version of IFRS 3 and of IAS 27, thus completing the second phase of the business combinations project. IFRS 3 made significant changes to the accounting treatment of business combinations, the valuation of non-controlling interests, transaction costs accounting, initial recognition, subsequent valuation of contingent considerations and business combinations achieved in stages.

Goodwill and minority interests: a new option under IFRS 3 allows the acquirer to recognise the entire amount of goodwill recognised for the acquiree, as well as to limit itself to the portion corresponding to its own interest, therefore including the "non-controlling interest" portion (an expression replacing the wording "minority interests"). Under this procedure, known as the "full goodwill method", the effect on non-controlling interests is recognised as a component of consolidated shareholders' equity (the portion on the "full statement of comprehensive income" pertaining to non-controlling interests is allocated to them even if this means that their value will become negative). The method may be adopted on a case-by-case basis.

As a result of the amendments to IAS 27, a change in the ownership structure of a subsidiary (without loss of control) is accounted for as a transaction between shareholders. Therefore, such transactions no longer generate adjustments of goodwill or profit or loss. In addition, the amended standard introduces changes with regard to accounting for loss of control of a subsidiary; the transaction causes the fair value measurement of the portion still owned, and the difference with respect to the book value is recognised as profit or loss in the income statement; the provisions of IAS 28, 31 or 39, depending on the circumstances, are then applied to the portion retained.

The amendments to IFRS 3 and IAS 27 must be applied going forward for business combinations and the purchase or sale of controlling interests, as well as to transactions with minority shareholders of subsidiaries occurring after 1 January 2010.

These standards are to be applied going forward and have not entailed significant effects.

IAS 39

The amendment clarifies that an entity is allowed to designate a portion of changes in fair value or cash flows to a financial instrument as a hedged item. The amendment also clarifies that inflation may be considered a risk to be hedged, since, based on contractual provisions, changes in inflation alter the cash flows of financial instruments recognised in the financial statements.

The application of the standard has had no significant effect on the Group's consolidated financial statements.

IFRIC 17

On 26 November 2009, the European Commission approved Regulation 1142/2009 published in OJEU L. 312/8 of 27 November 2009. The Regulation endorses the document "IFRIC 17 - *Distributions of non-cash assets to owners*" published on 27

November 2008 by the International Financial Reporting Interpretations Committee (IFRIC). This interpretation provides a guideline on the accounting treatment of agreements pursuant to which an entity distributes non-cash assets to shareholders, either as distributions of reserves or as dividends. This interpretation has no effect on the Group's equity, financial or economic position.

No significant effects on the financial statements are currently foreseen relative to the more important international accounting standards, interpretations and their respective amendments, already approved by the IASB and endorsed by the European Union that have not yet entered into force and have not been adopted early by the Group (IAS 32, IAS 24, IFRIC 19). . In terms of standards for which the approval process is still under way, in particular IFRS 9, the current best practice on interpretation and any improvements do not allow for a reasonable estimate of the respective impacts to be made at this time.

With regard to Bank of Italy/Consob/ISVAP Document 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 payables, 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.

Basis of Presentation

The financial statements have been prepared in accordance with the going concern concept. 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 FINANCIAL STATEMENTS USED FOR CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the financial statements of the Group companies, as approved 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 METHODS

- 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 Fondiaria-SAI has the power to exercise control as defined by paragraph 4 of IAS 27, also taking account also of 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 in virtue of an agreement with other investors
- the power to determine the financial and operating strategy of the entity under a clause in the company's by-laws, or of 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 eliminated against the relative equity, and the total assets and liabilities as well as the income and charges of the subsidiary companies are recorded in the consolidated financial statements.

The share of net equity and of results for the year attributable to non-controlling interests are recorded under specific headings in the statement of financial position and income statement.

The differences between the carrying value of the investments and the Group share of equity at the acquisition date are allocated to specific tangible fixed assets, when the higher cost reflects their fair value, and to otherspecific 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 non-controlling interests and the tax effect, and, residually, to the goodwill item, in the event that the higher price paid reflects the value of prospective future operating results.

- **Proportional consolidation**

In accordance with IAS 31, the consolidated financial statements also include companies in which the Parent company has joint control with the other shareholders on the basis of a contractual agreement..

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**

Associates are valued using the equity method in accordance with IAS 28. An associate 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**

The other consolidation operations mainly consist of the standardisation of the financial statements of the companies to be consolidated in terms of substance (the valuation criteria for financial statement entries) and in terms of presentation..

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.

The consolidation procedure included the following :

- elimination of dividends paid or resolved upon by consolidated companies
- elimination of inter-company transactions, both in the statement of financial position in the income statement
- elimination of profit and loss deriving from sale/purchase transactions between Group companies and relating to equity values, even 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 2010, as do all of the financial statements of the fully consolidated companies.

There were therefore no problems with standardised accounting in respect of reporting periods, since the financial years of the companies included in the 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 for the year for items in the income statement.

The exchange rates utilised for the principal currencies other than the Euro are reported 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 consistent with those used in the previous year. We would point out that during the first half of 2010, and also with effect on the comparative figures in this document, the Group restated the book value of some of the

properties of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni, previously recognised under property and equipment, and reclassified to investment property.

The current classification was adopted after the partial, non-proportional spin-off of the former Immobiliare Lombarda completed in the previous year, in that it provides for a more relevant representation of property asset management policies, which are geared toward a greater asset stability over time than the approach of the former Immobiliare Lombarda, from which these investments derive.

The carrying value of the reclassification made amounted to Euro 431 million at 31 December 2009. This reclassification has no significant effect on the income statement for the period and for previous periods, since the Group has used the cost valuation method for both property and equipment and for investment property.

In accordance with IAS 1, paragraph 39, the following information is provided in relation to the above: :

STATEMENT OF FINANCIAL POSITION – ASSETS

<i>(in thousands of assets)</i>	31/12/2010	31/12/2009	01/01/2009
INTANGIBLE ASSETS	1,642,445	1,960,296	1,963,678
PROPERTY, PLANT AND EQUIPMENT	598,072	504,111	788,680
of which "Buildings"	504,218	406,725	602,128
REINSURANCE ASSETS	823,184	870,300	833,548
INVESTMENTS	36,031,914	34,641,048	33,887,586
of which "Investment property"	2,912,189	3,030,524	2,942,543
OTHER RECEIVABLES	2,314,653	2,423,474	2,521,304
OTHER ASSETS	996,578	4,923,669	947,501
CASH AND CASH EQUIVALENTS	628,404	591,245	776,783
TOTAL ASSETS	43,035,250	45,914,143	41,719,080

STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(in thousands of Euros)</i>	31/12/2010	31/12/2009	01/01/2009
SHAREHOLDERS' EQUITY	2,270,116	3,413,899	3,581,860
PROVISIONS	359,982	322,038	487,751
INSURANCE CONTRACT LIABILITIES	34,827,972	31,718,050	29,321,536
FINANCIAL LIABILITIES	4,187,367	5,102,503	6,630,756
PAYABLES	839,437	852,339	962,379
OTHER LIABILITIES	550,376	4,505,314	734,798
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43,035,250	45,914,143	41,719,080

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

ASSETS

1. INTANGIBLE ASSETS

Goodwill

In accordance with IAS 38 - *Intangible assets* and IFRS 3, goodwill is considered to have an indefinite useful life, and therefore is not systematically amortised, but rather is subject to impairment testing on an annual basis or within a shorter period when events or circumstances occur that could give rise to 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.
- Determined the recoverable value of cash generating units as being the higher of their fair value and their value in use.
- Identified the future cash flows of these cash generating units in cases where value in use has been used for goodwill.
- Appropriately discounted the cash flows in order to determine the “recoverable value” of the goodwill and record any impairment.

Further details of the business combinations and the other corporate combinations completed in 2010 are provided in part F of these explanatory notes.

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 on an annual basis, 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, starting up and expansion costs and research and advertising costs are charged to the income statement when incurred.

Intangible assets that may be capitalised are amortised on a straight-line basis over the estimated useful lives of the assets, subject to verification that no impairment indicators exist. There are no intangible assets generated internally.

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

2. PROPERTY AND EQUIPMENT

This item includes buildings for use by the Group and other tangible fixed assets.

IAS 16 – *Property, plant and equipment* stipulates that buildings for use by the enterprise be initially recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the recalculated value 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 its own use and for investment use. Reference should be made to the section relating to investment property.

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership have been transferred to the Group, are recognised as assets of the Group at their fair value or, if this is lower, at the current value of the minimum lease payments. The corresponding liability due to the lessor is recorded in the financial statements under payables. The relative costs are recorded in accordance with the procedures established by IAS 17.

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) or 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 work of an extraordinary nature, which increase the value permanently, or the purchase cost of equity 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.– REINSURANCE ASSETS

The item includes the commitments of reinsurers deriving from reinsurance contracts governed by IFRS 4. The provisions required of reinsurance companies are recognised and recorded in accordance with with the principles applicable to the underlying direct insurance contracts.

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 the properties held by the enterprise for investment purposes, provides that these be recorded at cost at the moment of acquisition, while in subsequent evaluations the entity can choose between the cost value and the 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.

Unless otherwise indicated, the Group has chosen to use cost as the principal valuation for all buildings used by the entity, held as investment property and rented/leased to third parties.

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

- separate the value of the land from the value of wholly owned buildings located thereon, as the former is not subject to depreciation, given its **unlimited duration**;
- record depreciation on the net value thus determined, applying specific technical and economic depreciation rates determined in relation to the expected residual useful lives of the individual components of the buildings, represented by the structure and related plant.

Investment property is subject to impairment testing, including the comparison between carrying value and the estimated fair value determined by independent valuation experts.

The revaluations carried out on buildings in previous years were not excluded from the process of recalculating costs, as they concur 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.

On the other hand, we have used fair value as a substitute for cost for the properties transferred to the Tikal closed-end property fund, in continuation of the option adopted in the first-time adoption phase.

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

investments in subsidiaries, associates and joint ventures

The item includes equity investments in associates valued at equity, and certain equity investments in subsidiaries which the Group regards as non-material and which are therefore maintained at cost. As previously described in the section relating to consolidation methods, no entity subject to joint control with other parties (joint ventures) is included in this item, due to the 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 **which, having the necessary characteristics, are initially recognised in this category**;
- “loans and receivables” which, in addition to receivables and loans as defined by the Italian accounting principles, also includes unlisted debt securities not destined for sale 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” represents a residual category that comprises those securities that cannot be classified in any of the above categories.

At initial recognition, financial assets are recorded at fair value, which generally corresponds to the price paid for their acquisition. Subsequently, in accordance with IAS 39, different valuation criteria are applied to the various categories of financial instruments. In particular:

- 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 measured at fair value, and the differences are recorded directly in a specific reserve in shareholders’ equity. 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, any gains or losses deriving from the sale/purchase of treasury shares is recorded in the income statement, while the amount paid or received is recorded directly in shareholders’ 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 clearer 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 acquisitions of further equity investments in companies that are already subsidiaries, the difference between the purchase cost and book value of the non-controlling interest shareholdings acquired, is recorded in shareholders’ equity, in accordance with the economic entity theory.

Reclassification of financial instruments

We would point out that, 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 to the category “Loans and receivables” provided that it complies, at the acquisition date, with the requirements for this classification and that the company also has both the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The choices made and the effects thereof are recorded in the notes to the financial statements.

Using this option, the Group reclassified at 1 January 2009 certain debt securities appearing in the financial statements as of 31 December 2008 for Euro 808,419 thousand from the “Available for sale” category to the “Loans and receivables”

category. These securities, mainly containing subordination clauses and issued by corporate entities, were measured at fair value at 31 December 2008 by mark to model, with the objective of providing the utmost transparency and clarity in financial statement valuations. This intention is not easily reconciled with the nature of the securities and with the difficulty of defining and therefore providing an objective fair value, due to the current economic and financial crisis, which does not permit normal pricing, particularly for these types of securities.

The value transferred is equal to 2.4% of total Group investments at 1 January 2009: therefore this reclassification was not considered significant for the purposes of preparing the appendix “Analysis of reclassified financial assets and effects on the income statement and total income”.

For the residual value of the financial instruments transferred, reference should be made to the comments on the “Loans and receivables” item in the notes to the financial statements.

We would point out that the carrying value of the securities transferred on 31 December 2010 amounts to Euro 806,460 thousand and the fair value on the date, determined based on the aforesaid mark to model method, substantially confirms the carrying value at that date. There was no permanent loss in value on any security and the effect of the amortised cost resulted in the recognition of income in the income statement of Euro 10,990 thousand. The residual negative AFS reserve on these securities at 1 January 2009 amounted to Euro 75,222 thousand and was amortised according to the rules set out in IAS 39.

Loans and receivables

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

In particular, this 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.

Investments held to maturity

This item includes financial instruments with fixed maturities and fixed or determinable payments, which the Group has both the intention and capacity to hold until maturity. Specifically, it includes debt financial instruments of the Life segment servicing policies with specific provisions. Investments held to maturity are measured at 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 knowledgeable and independent parties, at a certain measurement date; therefore, it is the price that would be paid in an ordinary

transaction, or in a transaction involving willing market participants, therefore excluding forced transactions.

Measurement of the fair value of the financial instruments is based on the assumption that the company and the Group are going concerns.

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

Level 1: Quoted price in active markets

The valuation is the market price of identical financial instruments based on 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 assets or through valuation techniques for which all the important inputs (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 made by management. In the event that fair value cannot be reasonably determined, the financial instrument is valued at cost.

Additional information required by IFRS 7 is indicated in the notes to the consolidated financial statements.

Financial assets available-for-sale

This item includes all non-derivative financial assets, designated as available for sale. The item relates to the majority 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 designated as belonging to 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, is 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
- breach of contract or non-payment of interest or capital
- the risk of commencement or the commencement of receivership of the issuer
- the elimination of an active market for the financial assets subject to valuation
- data which 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 assets 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” in July 2009, it became clear that the two “significant or prolonged” criteria must be applied separately and not jointly. The requirement of the abovementioned Joint Document 4 of 3 March 2010 had already been applied by the Group from 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. reduction of the market value of more than 60% 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.

The use of 60% rather than 80% as the significant criterion is to be understood as a more prudent criterion in line with prevailing market practices.

For AFS financial instruments 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 on 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. These 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 held for sale or assets of a discontinued group, pursuant to IFRS 5. These assets are recorded at cost and valued at the lower of their carrying 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 fiscal charge for the period, determined in accordance with current fiscal regulations. Where there exist timing differences between the result for the year and the taxable income, deferred tax is calculated taking into account the nominal tax rate in force at the time of their estimated reversal and making appropriate adjustments in the event of a change in rates compared with those applied in previous years.

Deferred tax assets are recorded up to the limit of their probable recovery in relation to the entity's capacity to generate future 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 passed into law by Article 1 of Law 265/2002, as subsequently amended. This is in compliance with Regulation 7 of 13 July 2007, even if the above-mentioned assets do not relate to income taxes.

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

Other assets

This item includes transitory reinsurance accounts, deferred commissions payable for contracts not falling within the scope of IFRS 4 and other sundry assets that do not come under the abovementioned asset categories.

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 state 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 that specified period unless there is evidence that some other method would better represent the state of completion.

On the basis of the above considerations, the amortisation of the costs incurred on financial contracts and, conversely, the portion of revenue not yet matured relative to these contracts were determined using the straight-line method.

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

For index-linked products, the DIR and DAC estimates, amortised for the period from commencement to the valuation date, are calculated with direct reference to the portfolio in force, taking into account the total loading and acquisition provisions by tranche.

For unit-linked financial products, the revenue flows, loading and management commissions (the latter estimated) are deemed higher than the relative cost flows and 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

Attributable 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 available-for-sale financial assets 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 carrying value of the shares of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

Attributable to non-controlling interests

This item includes the equity instruments and components and the related equity reserves attributable to non-controlling 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. Where the actuarial effects are significant, the provisions are determined by discounting the expected future cash flows using a rate of discount which reflects the current market cost of money; in this case the adjustment made for the passage of time is recorded as a financial charge..

3. INSURANCE CONTRACT LIABILITIES

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

The general regulations on insurance contract liabilities, pursuant to Articles 36 and 37 of Legislative Decree 209/05, state that the insurance contract liabilities must always be sufficient to permit companies to meet, as far as is reasonably foreseeable, their commitments on insurance contracts; therefore they are calculated according to individual financial statement criteria and no recalculation of the insurance contract liabilities was made as per IFRS 4.

In particular:

:

Non-Life premium provision

Article 37 of Legislative Decree 209/05 requires recognition of the premium provision under two components: the “provision for premium fractions” and the “provision for risks in progress”.

- *Provision for premium fractions*

This is calculated in all classes, applying the pro-rata method analytically, on the basis of gross 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 Article 15 *et seq.* of ISVAP Regulation 16/2008.

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 provisions were made in accordance with Article 12 of ISVAP Regulation 16.

- *Provision for risks in progress*

This component of the premium provision 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 provisions for premium fractions, to the extent that the expected costs of these risks exceed the provision for premium fractions.

The calculation procedure adopted for the provision of this provision 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 provision

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

The claims provision was valued according to the provisions of Articles 27 *et seq.* of Regulation 16/08, taking the last cost as the calculation criterion, to take into account all foreseeable future expenses, based on historical and projected data. This also includes the estimate relating to the claims incurred but not reported at year-end.

Specifically:

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 provision as described below.

a.1 Provision for claims incurred and reported

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

The claims provision 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 last cost of the claims.

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

The average statistical cost was defined by grouping claims into standardised 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 standardised 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 all of Italy 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 subsequent changes, it was necessary to separately value the claims provision 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 provision 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, this historical series is not managed in a linear fashion, which is the basis of any actuarial statistical method. For this reason the Fisher-Lange model was updated to include operational discontinuities and take these 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 the determination of the Motor TPL provision is based on the following principles:

- the Fisher Lange method was confirmed as the benchmark actuarial statistical method. This choice was dictated by the need to prepare the provisions estimate taking into account the changes made to settlement policies both as a result of direct indemnity, as well as due to the changes introduced in the new claims management system implemented around the middle of 2009.
- The valuation was made on claims classified per year of occurrence net of late claims and, therefore, the final estimate does not contain the IBNR allowance, which is estimated separately.

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 provision was calculated by applying a percentage, based on observable experience, to the total provision, whose last cost valuation included this component.

a.2 Provision for claims incurred but not reported

The provision for claims incurred but not 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 provision at last cost is carried out by year, the estimate includes the provision necessary to meet the claims attributable to the year but not yet reported at 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 IBNR number in line with the actual in order to obtain the definitive estimate.

In order to quantify the allocation to the total claims provision, the strength of the IBNR provision compared with the previous year based on the results recorded in

the year is analysed, and subsequently a consistent amount is allocated both in terms of total cost 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 last cost of the claims. These models take into account past experience in relation to the adequacy of the claim provision 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, the external expenses are directly attributed to the individual claims, while the individual expenses are broken down by class and, within this, by year, based on the amount of the payment (indemnity plus external expenses)
- on the provision, external and internal expenses are a component of the valuation of the provision at last cost and are subsequently determined by applying to the total provision a percentage defined based on experience of trends in settlement expenses.

– *Late claims provision*

Given that the valuation of the claims provision at last cost is carried out by year, the claims provision 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 provisions

Also included, in accordance with Article 37, paragraph 8 of Legislative Decree 209/05, is the ageing provision comprising the insurance contracts against long term health and for which the company has renounced the right of withdrawal; the provision was calculated in accordance with paragraph 8 of the above-mentioned Article.

Catastrophic and equalisation provisions

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 provisions 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 provision for premium fractions of individual contracts, and calculated using the pro-rata method, for the purpose of strengthening the provisions to cover these catastrophic risks.

These additional provisions are therefore made not against claims already occurring (which gives rise to a contractual obligation of the insurer, to be recorded in the claims provision) 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 provisions

The actuarial provision 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 actuarial provisions are not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical provisions.

The actuarial provision also includes the additional provision on the revaluation service contracts, pursuant to ISVAP Regulation 21 and the additional provisions for the base techniques to take into account the higher charges which the company must incur against the existing differences between the interest rate given to the policyholders and the trend in the expected yields of the separated managements over the next four years.

These provisions are for commitments relating to life insurance policies and those with discretionary profit-sharing.

Shadow Accounting

In order to provide better data disclosure and pursuant to paragraph 30 of IFRS 4, the value of the actuarial provision relating to discretionary profit-sharing contracts (including the separate managements in the Life class) was correlated with the value of the relative assets determined in accordance with IAS 39.

The securities included in the separate managements 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 separate managements thus determines the returns of policyholders and therefore affects the amount of the actuarial provision.

The technical provisions for the contracts included in the separate managements 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 provisions of these contracts take into account the portion pertaining to policyholders of the latent capital gains or losses of the securities assigned to the separate managements. 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 separate management, for each minimum guaranteed line, in order not to infringe on the rights of the policyholders. 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 and in respect of the minimum provisioning levels emerging from the liability adequacy test.

Liability Adequacy Test (LAT)

In accordance with IFRS 4, insurance companies must carry out an adequacy test on insurance contract liabilities 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 insurance contract liabilities recorded in the financial statements in relation to estimated future cash flows must be fully recognised in the income statement.

In relation to this it is noted that the Italian regulations do not explicitly provide for tests on the appropriateness of the insurance contract liabilities. 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 actuarial provisions are calculated using demographic and financial assumptions to determine the pure premium (first order technical bases), in turn supplemented by additional technical provisions based on current assumptions at the time of valuation (second order technical bases). These include:

- the provision 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 provision for demographic risk, pursuant to Article 50, paragraph 2 of ISVAP Regulation 21
- the additional provisions to guarantee the result and/or repayment of the 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 Part F, relating to the uncertainty of financial insurance flows.

With regard to the Non-Life segment, the component of the premium provision attributable to the provision for risks in progress, 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 provision, the Italian regulations established that this must be calculated in accordance with the criterion of last cost, i.e. the total sum paid to the beneficiary at the time of compensation. Also in this case the calculation of the claims provision in accordance with Italian GAAP based on the principle of last 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 recorded at fair value through profit or loss

This item includes financial liabilities recorded 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.

The 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, are also included.

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 employee leaving indemnity.

Employee leaving indemnity and other employee benefits

Following the pension reforms, as from 1 January 2007, with the coming 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 employee leaving indemnity accruing after 1 January 2007 to the INPS Treasury Fund or to a supplementary pension fund. This choice must be made by 30 June 2007, i.e. within six months of the assumption 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, as the benefit to be valued was already fully accrued, giving rise to the “curtailment” recorded in the income statement for 2007 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 funds are instead regarded as a defined contribution plans 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 provision, the amounts recorded up to 31 December 2006 were reclassified to “Retained earnings (losses)”.

Service bonus pursuant to Article 32 of the CCNL collective agreement

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, a provision is made annually for each employee in service of the amount accrued at this date. The provision is used to cover the bonuses paid out. This provision also qualifies in accordance with IAS 19 as an “Other long-term employee benefit”.

6. OTHER LIABILITIES

Current and deferred tax liabilities

This item includes 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

As from the date of the coming into force of IFRS 4, those contracts which, despite their insignificant insurance risk component, though legally insurance contracts, do not fall under the scope of IFRS 4 were reclassified. In particular all the contracts relating to the Life classes (except those with discretionary profit participation for which IFRS 4 provides adoption of the current accounting principles 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 provisions of IAS 39 (“deposit accounting” method). The contracts which comply with the definition of IFRS 4 are recorded in accordance with the current rules of Italian GAAP and the relative provisions 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 profit-sharing 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 analysis made on the policies in portfolio, all the contracts of the Non-Life sector are recorded in accordance with IFRS 4, as are all the contracts of the Life sector, with the exception of the unit-linked contracts of some portfolio indices, which were valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (measured at fair value through profit or loss) from the component of premiums attributable to the services on behalf of the policyholders, valued in accordance with IAS 18.

PREMIUMS FOR THE YEAR

The gross premiums written include the amounts matured during the year for the insurance contracts, as defined by IFRS 4 - *Insurance contracts*. The 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.

The contracts recorded in application of IFRS 4 are treated in accordance with the accounting principles of the statutory accounts. In particular, in accordance with Article 45 of Legislative Decree 173/1997 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 the 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.

FEE AND COMMISSION INCOME AND EXPENSES

These items include commissions relating to investment contracts not included within the scope of IFRS 4. As already mentioned in the comment on premiums, 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 carrying value of the financial instruments recorded in this category.

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

This includes income deriving 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 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 the investments classified in the category “available-for-sale”;
- income and charges on loans and receivables
- income and charges relating to investment property.

OTHER INCOME

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 activities 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.

Claims paid and change in insurance contract liabilities

This item comprises:

- amounts paid, net of recovery
- changes in claims provisions and other insurance contract liabilities in the Non-Life class
- changes in actuarial provisions and other technical provisions in the Life class
- The changes in insurance contract liabilities relating to the contracts for which the investment risk is on policyholder relating to insurance contracts and financial instruments applied in accordance with IFRS 4.

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

INVESTMENT EXPENSE

Charges from 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 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 cost

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 EXPENSES

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.

INCOMETAXES

The income taxes recorded in the income statement include all taxes, current and deferred, calculated on group income on the basis of the nominal tax rates in force at the date of the financial statements, except for those directly recorded in equity, in that the

relative adjustments to assets and liabilities in the accounts 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 current taxes relating to previous years
- charges (or income) for deferred taxes relating to the emergence and reversal, during the year, of 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 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

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 or loss in the segment including revenues and expenses and 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 based on the nature of their products and services, for each business segment, which represents a strategic business unit offering different products and services.

The Non-Life segment provides insurance cover 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 insurance contract liabilities of the Group and actively operates in the management and enhancement of investment property.

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

Reciprocal receivables and payables, as well as inter-group costs and revenues, are directly derecognised 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 a significant element of judgement based on estimates and assumptions which are uncertain at the time of their formulation.

For the 2010 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. Summarised information is provided below, pursuant to paragraph 116 of IAS 1. Adequate and exhaustive information is provided in the relative sections of the notes to the financial statements, 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 past experience, as well as other factors considered appropriate in specific cases, based on all the information available.

It is possible, however, that variations in the estimates and assumptions adopted could 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.

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 determination of the fair value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity lie, in

this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;

- in the definition of the parameters 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 way 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. The information on financial risks is contained in Part E – Information on risks and uncertainties.

Section 5 – Consolidation area

At 31 December 2010, the total Group, including the Parent Company, was made up of 123 Companies, of which 17 operated in the insurance sector, 1 in the banking sector, 48 in the property and agricultural sector, and 25 in the financial services sector; with the remainder being miscellaneous service companies. The companies have 21 overseas offices.

86 companies were consolidated using the line-by-line method and 19 companies were consolidated using the equity method. The remaining companies are consolidated under the proportional method or maintained at book value where their size or nature of operations are not significant for the purposes of a true and accurate representation in these financial statements.

There are 96 subsidiary companies, of which six are controlled directly by the Parent Company.

Subsidiaries which due to their size limitations or the nature of the activities carried out are not significant for purposes of a true and fair representation of the present accounts are excluded.

During 2010, the consolidation area of the Fondiaria-SAI Group saw the following changes:

- sale of 51% of BIPIEMME VITA S.p.A.
- transfer of 100% of BANCA GESFID S.A.
- sale of 100% of CRIVELLI S.r.l.
- transfer of 100% of AGRISAI S.r.l.
- sale of 90% of SAI ASSET MANAGEMENT SGR S.p.A.

In addition, the following transactions are reported:

- incorporation of the financial company SAI NETWORK S.p.A.
- merger by incorporation into Milano Assicurazioni S.p.A. of MERIDIANO ORIZZONTI S.r.l.
- merger by incorporation into Milano Assicurazioni S.p.A. of DIALOGO VITA S.p.A.
- merger by incorporation into Fondiaria-SAI S.p.A. of SYSTEMA VITA S.p.A.

- merger by incorporation into Fondiaria-SAI S.p.A. of ITALIBERIA INVERSIONES FINANCIERAS SL
- merger by incorporation into HYPO GARANT of DDOR Penzija Plus AD and name change of the surviving company to DDOR GARANT
- transfer of 40% of the shares of DIALOGO VITA S.p.A. from Fondiaria-SAI to Milano Assicurazioni, which now holds control and subsequent merger by incorporation of DIALOGO VITA S.p.A. into Milano Assicurazioni
- transfer of 100% of the shares of SAINT GEORGE CAPITAL MANAGEMENT S.A. from Banca Gesfid S.A. to Saifin-Finanziaria S.p.A., which now holds control
- transfer of 100% of the shares of APB CAR SERVICE S.r.l. from SAI HOLDING S.p.A. to AUTO PRESTO E BENE S.p.A., which now holds control
- name change for Casa di Cura Villanova S.r.l. to CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.
- name change and change of legal form for Hedf Isola S.c.s. into ISOLA S.C.A.
- name change and change of corporate purpose for Meridiano Quarto S.r.l. into APB CAR SERVICE S.r.l.
- name change for AGRISAI S.r.l. to AGRISAI - Società Agricola S.r.l.
- name change for CAPITALIA ASSICURAZIONI S.p.A. to INCONTRA ASSICURAZIONI S.p.A.
- change of legal form for Auto Presto&Bene S.r.l. to AUTO PRESTO&BENE S.p.A.
- change of legal form for Garibaldi S.c.s. to GARIBALDI S.C.A.

Full consolidation continues for the closed-end Tikal and Athens property funds, of which the Group holds control, determining management policy guidelines and directives. This approach is consistent with the requirements provided on the subject by IAS 27 and especially by its Basis for Conclusion.

In addition, pursuant to SIC 12, ADMIRAL FINANCE S.r.l., the securitisation vehicle for the loans granted by the subsidiary Banca-SAI, is fully consolidated.

Lastly, pursuant to IAS 27, paragraph 40 d), the associate Fondiaria-SAI Servizi Tecnologici S.p.A. is valued at equity since, even though Fondiaria-SAI holds the majority of voting rights (51%), the operating control of the associate lies with the other partner in accordance with governance agreements made.

Name - Registered office	Currency	Percentage held			Group Holding	
		Share capital	Direct	Indirect		
SUBSIDIARIES						
Companies consolidated line-by-line						
APB CAR SERVICE S.r.l. (EX MERIDIANO QUARTO) - Turin	Euro	10.000		Auto Presto & Bene S.p.A.	100,00%	33,063%
Atahotels Compagnia Italiana aziende turistiche alberghiere S.p.A. - Milan	Euro	17.340.000		Fondiarria-SAI S.p.A.	51,00%	
				Milano Assicurazioni S.p.A.	49,00%	27,045%
ATAVALUE S.r.l. - Turin	Euro	10.000		SAI Holding Italia S.p.A.	100,00%	33,063%
ATHENS R.E. FUND - SPECULATIVE FUND				Milano Assicurazioni S.p.A.	100,00%	20,780%
Auto Presto & Bene S.r.l. - Turin	Euro	5.000.000		Fondiarria-SAI S.p.A.	100,00%	33,063%
Banca SAI S.p.A. - Turin	Euro	116.677.161		Fondiarria-SAI S.p.A.	100,00%	33,063%
BIM VITA S.p.A. - Turin	Euro	7.500.000		Fondiarria-SAI S.p.A.	50,00%	16,531%
Bramante S.r.l. - Milan	Euro	10.000		Immobiliare Fondiarria-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%	20,780%
Carpaccio S.r.l. - Milan	Euro	10.000		Immobiliare Fondiarria-SAI S.r.l.	100,00%	33,063%
Casa di Cura Villa Donatello S.p.A. - Florence	Euro	361.200		Fondiarria-SAI S.p.A.	100,00%	33,063%
Cascine Tremo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiarria-SAI S.r.l.	100,00%	33,063%
Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l. (EX Casa Di Cura Villanova) - Sesto Fiorentino (Fi)	Euro	182.000		Fondiarria-SAI S.p.A.	100,00%	33,063%
Città della salute Scrl	Euro	100.000		Casa di Cura Villa Donatello	50,00%	
				Centro Oncologico Fiorentino Casa di Cura Villanova	45,00%	
				Donatello Day Surgery S.r.l.	2,50%	
				Florence Centro Chirurgia AMBULATORIALE	2,50%	33,063%
Colpetrone S.r.l. - Umbertide (PG)	Euro	10.000		Saiaagricola S.p.A.	100,00%	32,229%
Consorzio Castello - Florence	Euro	51.000		Nuove Iniziative Toscane S.r.l.	99,66%	32,567%
DDOR Novi Sad Ado - Novi Sad (Serbia)	RSD	2.579.597.280		Fondiarria-SAI S.p.A.	99,99%	33,059%
DDOR Re Joint Stock Reinsurance Company - Novi Sad (Serbia)	Euro	5.130.604		The Lawrence Re Ireland Ltd	99,998%	
				DDOR Novi Sad ADO	0,002%	33,063%
Dialogo Assicurazioni S.p.A. - Milan	Euro	8.831.774,00		Milano Assicurazioni S.p.A.	99,85%	20,750%
Dominion Insurance Holding Ltd - London (GB)	GBP	35.438.267,65		Finsai International S.A.	100,00%	33,059%
Donatello Day Surgery S.r.l. - Florence	Euro	20.000		Centro Oncologico Fiorentino Casa di Cura Villanova	100,00%	33,063%
Europa Tutela Giudiziaria S.p.A. - Milan	Euro	5.160.000		Fondiarria-SAI S.p.A.	100,00%	33,063%
Eurosai Finanziaria di Partecipazioni S.r.l. - Turin	Euro	100.000		Fondiarria-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%	73,23%
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		Fondiarria-SAI S.p.A.	19,92%	
				Sainternational S.A.	43,92%	
				Sailux SA	36,15%	33,059%
Florence Centro di Chirurgia Ambulatoriale S.r.l. - Florence	Euro	10.400		Centro Oncologico Fiorentino Casa di Cura Villanova	100,00%	33,063%
Fondiarria-SAI Nederland B.V. - Amsterdam (NL)	Euro	19.070		Fondiarria-SAI S.p.A.	100,00%	33,063%
Gruppo Fondiarria-SAI Servizi S.c.r.l. - Milan	Euro	5.200.000		Fondiarria-SAI S.p.A.	64,12%	
				Milano Assicurazioni S.p.A.	34,19%	
				Systema Compagnia S.p.A.	0,18%	
				Dialogo Assicurazioni S.p.A.	0,20%	
				Europa Tutela giudiziaria S.p.A.	0,02%	
				Finitalia S.p.A.	0,02%	
				Incontra Assicurazioni S.p.A.	0,02%	
				BANCA SAI S.p.A.	0,02%	
				Pronto Assistance S.p.A.	0,02%	
				Sai Mercati Mobiliari Sim S.p.A.	0,02%	
				Liguria Assicurazioni S.p.A.	0,02%	
				Liguria Vita S.p.A.	0,02%	
				Pronto Assistance Servizi S.p.A.	0,02%	
				Sistemi Sanitari Scrl	0,02%	
				BIM VITA S.p.A.	0,02%	
				SIAT S.p.A.	0,11%	
				AUTO PRESTO & BENE S.r.l.	0,02%	
				Immobiliare Lombarda S.p.A.	0,02%	28,797%
Fondiarria-SAI S.p.A. - Florence	Euro	167.043.712	28,09%	Finadin - S.p.A. Finanziaria di Investimenti	3,03%	33,063%
Immobiliare Fondiarria-SAI S.r.l. - Milan	Euro	20.000		Fondiarria-SAI S.p.A.	100,00%	33,063%
Immobiliare Litorella S.r.l. - Milan	Euro	10.329		Immobiliare Fondiarria-SAI S.r.l.	100,00%	33,063%
Immobiliare Lombarda S.p.A. - Milan	Euro	24.493.509,56		Fondiarria-SAI S.p.A.	64,17%	
				Milano Assicurazioni S.p.A.	35,83%	28,662%
Immobiliare Milano Assicurazioni S.r.l. - Turin	Euro	20.000		Milano Assicurazioni S.p.A.	100,00%	20,780%
Incontra Assicurazioni S.p.A. - Milan	Euro	5.200.000		Fondiarria-SAI S.p.A.	51,00%	16,862%
Iniziativa Valorizzazioni Edili - IN.V.ED. S.r.l. - Rome	Euro	10.329		Immobiliare Fondiarria-SAI S.r.l.	100,00%	33,063%
Insiediamenti Avanzati Nel Territorio I.A.T. S.p.A. - Rome	Euro	2.580.000		Immobiliare Fondiarria-SAI S.r.l.	100,00%	33,063%
International Strategy S.r.l. - Milan	Euro	26.000	100,00%			100,00%
Italresidence S.r.l. - Pieve Emanuele (Mi)	Euro	100.000		Atahotels S.p.A.	100,00%	27,045%
Liguria Società di Assicurazioni S.p.A. - Segrate (Mi)	Euro	36.800.000		Milano Assicurazioni S.p.A.	99,97%	20,773%

Name - Registered office	Currency	Percentage held			Group Holding
		Share capital	Direct	Indirect	
Name - Registered office	Currency	Share capital	Direct	Indirect	Group Holding
Liguria Vita S.p.A. - Segrate (Mi)	Euro	6.000.000		100,00%	20,773%
Marina di Loano S.p.A. - Milan	Euro	5.536.000		100,00%	33,063%
Masaccio S.r.l. - Milan	Euro	10.000		100,00%	33,063%
Meridiano Aurora S.r.l. - Milan	Euro	10.000		100,00%	33,063%
Meridiano Bellarmino S.r.l. - Turin	Euro	10.000		100,00%	33,063%
Meridiano Bruzzano S.r.l. - Turin	Euro	10.000		100,00%	33,063%
Meridiano Primo S.r.l. - Turin	Euro	10.000		100,00%	33,063%
Meridiano Secondo S.r.l. - Turin	Euro	10.000		100,00%	33,063%
Milano Assicurazioni S.p.A. - Milan	Euro	305.851.341,12	0,00%	60,58%	
				Fondiarìa SAI S.p.A.	
				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 S.A.	0,20%
					20,780%
Mizar S.r.l. - Rome	Euro	10.329		100,00%	33,063%
Nuova Impresa Edificatrice Moderna S.r.l. - Rome	Euro	10.329		100,00%	33,063%
Nuove Iniziative Toscane S.r.l. - Florence	Euro	26.000.000		96,88%	
				Milano Assicurazioni S.p.A.	3,12%
					32,679%
Pontorno S.r.l. - Milan	Euro	50.000		100,00%	33,063%
Popolare Vita S.p.A. - Verona	Euro	179.600.005		24,39%	
				SAI Holding Italia S.p.A.	25,61%
					16,531%
Progetto Bicocca La Piazza S.r.l. in liquidation - Milan	Euro	3.151.800		74,00%	24,466%
Pronto Assistance S.p.A. - Turin	Euro	2.500.000		100,00%	33,063%
Pronto Assistance Servizi Scarl. - Turin	Euro	516.000		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%
				Incontra 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%
					26,328%
Ristrutturazioni Edili Moderne - R.EDIL.MO S.r.l. - Rome	Euro	10.329		100,00%	33,063%
SAI Holding Italia S.p.A. - Turin	Euro	50.000.000		100,00%	33,063%
SAI Investimenti S.G.R. S.p.A. - Turin	Euro	3.913.588	20,00%	51,00%	
				Milano Assicurazioni S.p.A.	29,00%
					42,889%
Sai Mercatili Mobiliari Sim S.p.A. - Milan	Euro	20.000.000		100,00%	33,063%
SAI NETWORK S.p.A. - Turin	Euro	8.000.000		18,00%	
				Banca SAI S.p.A.	64,00%
				Milano Assicurazioni S.p.A.	18,00%
					30,851%
Saigricola S.p.A. Società Agricola - Turin	Euro	66.000.000		92,01%	
				Milano Assicurazioni S.p.A.	6,80%
				Pronto Assistance S.p.A.	1,19%
					32,229%
Saifin - Saifinanziaria S.p.A. - Turin	Euro	102.258.000		100,00%	33,063%
SAILUX S.A. - Luxembourg	Euro	30.000.000		99,99%	
				Saifin - Saifinanziaria S.p.A.	
				Finsai International	0,01%
					33,063%
Saint George Capital Management S.p.A. - Lugano (CH)	Sw.fr.	1.200.000		100,00%	33,063%
Sainternational S.A. - Luxembourg	Euro	154.000.000		99,99%	33,059%
Santa Maria del Fico S.r.l. - Umbertide (PG)	Euro	78.000		100,00%	32,229%
Scontofin S.A. - Luxembourg	Euro	75.000		70,00%	
				Finadin - S.p.A. Finanziaria di Investimenti	
				Sailux S.A.	19,00%
					51,285%
Service Gruppo Fondiarìa-Sai S.r.l. - Florence	Euro	104.000		70,00%	
				Milano Assicurazioni S.p.A.	30,00%
					29,379%
Siat Società Italiana Assicurazioni e Riassicurazioni S.p.A. - Genoa	Euro	38.000.000		94,69%	31,307%
SIM Etoile S.A.S. - Paris	Euro	3.049.011,34		99,99%	33,059%
Sintesi Seconda S.r.l. - Milan	Euro	10.400		100,00%	20,780%
Sistemi Sanitari S.c.r.l. - Milan	Euro	1.000.000		78,31%	
				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.c.a.r.l.	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 Management S.p.A.	0,01%
				Gruppo Fondiarìa-SAI Servizi S.c.r.l.	0,09%
				SAI Investimenti Sgr	0,01%
				Service gruppo Fondiarìa-SAI	0,01%
				Saigricola S.p.A. Società agricola	0,05%
				Immobiliare Lombarda S.p.A.	0,20%
				Siat S.p.A.	0,20%
				Auto Presto & Bene s.p.a.	0,20%
					30,487%

Name - Registered office	Currency	Percentage held			Group Holding
		Share capital	Direct	Indirect	
Società Edilizia Immobiliare Sarda S.E.I.S. S.p.A. - Rome	Euro	3.877.500		51,67%	17,083%
Sogeiint S.r.l. - Milan	Euro	100.000		100,00%	20,780%
SRP Asset Management S.A. - Lugano	Sw.fr.	1.000.000		100,00%	33,059%
Stimma S.r.l. - Florence	Euro	10.000		100,00%	33,063%
Systema Compagnia di Assicurazioni S.p.A. - Milan	Euro	5.164.600		100,00%	20,780%
The Lawrence Life Assurance Co. Ltd - Dublin (IRL)	Euro	802.886		100,00%	16,531%
The Lawrence Re Ireland Ltd - Dublin (IRL)	Euro	635.000		100,00%	33,063%
Tikal R.E. Fund				59,65%	
				35,36%	27,068%
Trenno Ovest S.r.l. - Turin	Euro	10.000		100,00%	33,063%
Villa Ragionieri S.r.l. - Florence	Euro	78.000		100,00%	33,063%

Companies valued at book value

Ata Benessere S.r.l. in liquidation - Milan	Euro	100.000		100,00%	27,045%
Atahotels Suisse sa in liquidation - Lugano	CHF	100.000		98,00%	26,503%
DDOR auto Doo - Novi Sad (Serbia)	Euro	9.260,97		100,00%	33,059%
DDOR Garant - Belgrade (Serbia)	RSD	3.309.619		32,46%	33,059%
Global Card Service S.r.l. - Segrate (MI)	Euro	98.800		51,00%	
				44,00%	19,735%
Hotel Terme di Saint Vincent Srl - Saint-Vincent (Ao)	Euro	15.300		100,00%	27,045%
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		100,00%	27,045%
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. - Milan	Euro	500.000		100,00%	27,045%

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

ASSOCIATES

Companies valued using the equity method

A 7 S.r.l. - Milan	Euro	200.000		20,00%	4,156%
Borsoetto S.r.l. - Turin	Euro	2.971.782		44,93%	9,337%
Butterfly AM S.a.r.l. - Luxembourg	Euro	29.165		28,57%	9,446%
City Life S.r.l. - Milan	Euro	313.059		27,20%	5,650%
Consulenza Aziendale per l'informatica SCAI S.p.A. - Turin	Euro	1.040.000		30,07%	9,942%
formerly Var S.c.s. - Luxembourg	Euro	2.509.521	13,55%	12,19%	
				6,78%	18,993%
Fin. Priv. S.r.l. - Milan	Euro	20.000		28,57%	9,446%
Fondiarria-SAI Servizi Tecnologici S.r.l. - Florence	Euro	120.000		51,00%	16,862%
Rho property fund				30,54%	
				12,38%	12,670%
Garibaldi S.C.A. - Luxembourg	Euro	31.000		32,00%	6,649%
IGLI S.p.A. - Milan	Euro	24.120.000		16,67%	
				16,67%	8,973%
Isola S.e.a. (ex HEDF Isola) - Luxembourg	Euro	31.000		29,56%	6,143%
Metropolis S.p.A. - Florence	Euro	1.120.000		29,73%	6,179%
Penta Domus SpA - Turin	Euro	120.000		20,00%	4,156%
Progetto Alfieri S.p.A. - Rome	Euro	120.000		19,00%	6,282%
Servizi Immobiliari Martinelli S.p.A. - Cinisello Balsamo (MI)	Euro	100.000		20,00%	4,156%
Società Fumivie del Piccolo San Bernardo S.p.A. - La Thuile (AO)	Euro	9.213.417,50		27,38%	9,053%
Sviluppo Centro Est S.r.l. - Rome	Euro	10.000		40,00%	8,312%
Tre Torri Contractor S.c.r.l. - Milan	Euro	10.000		50,00%	14,329%
Valore Immobiliare S.r.l. - Milan	Euro	10.000		50,00%	10,392%

Companies valued at book value

MB Venture Capital Fund I Participating Company DI N.V. - Amsterdam	Euro	50.000		30,00%	9,919%
Quintogest S.p.A. - Milan	Euro	3.000.000		49,00%	16,201%
Società Finanz. Per Le Gest. Assicurative S.r.l. in liquid. - Rome	Euro	47.664.600		14,91%	
				7,50%	6,487%
Soaimpanti - Organismi di Attestazione S.p.A. in liquidation - Milan	Euro	84.601		21,64%	7,154%
Ufficio Centrale Italiano S.c.a.r.l. - Milan	Euro	510.000		14,14%	
				0,10%	
				10,98%	
				0,31%	
				0,0002%	
				0,0001%	
				0,0024%	7,046%

PART B

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Details of and further notes to the consolidated 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

These comprise the following:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Goodwill	1,523,280	1,656,682	(133,401)
Other intangible assets	119,165	303,614	(184,449)
Total	1,642,445	1,960,296	(317,850)

Goodwill

As required by IFRS 3.75, the reconciliation of the carrying value of goodwill at the beginning of the year and at the end of the year is shown below

<i>(in thousands of Euros)</i>	31.12.10	31.12.09
Value at start of year	1,656,682	1,704,396
Permanent losses in value recorded in previous years (-)	(36,044)	(10,981)
Increases in the year	-	10,577
Reduction for sale or recording of available-for-sale assets	-	(20,845)
Losses in value recorded in the year	(71,079)	(25,063)
Exchange difference	(16,279)	(1,402)
Other movements	(10,000)	-
Value at year-end	1,523,280	1,656,682

The valuation losses refer to impairments made on goodwill as follows:

<i>(in thousands of Euros)</i>	
DDOR Novi Sad ADO	45,890
Atahotels	7,803
Incontra Assicurazioni	7,684
Marina di Loano	5,946
Liguria Assicurazioni	3,079
Profilo Life portfolio	677
Total	71,079

Other movements” include the adjustment to the purchase price for Liguria Assicurazioni, defined at year-end and amounting to Euro 10,000 thousand.

With reference to the adjustment of the purchase price, we would point out that the contract for the purchase of Liguria Assicurazioni S.p.A. by Fondiaria-SAI provided for procedures for adjusting the price paid by Fondiaria-SAI to De Longhi Holding SA (formerly Guala Consultadoria e Investimentos Lda) in May 2006, following:

- verification, to be carried out after the approval of the 2010 financial statements, of the appropriateness of the claims provisions of Liguria Assicurazioni appearing on the company’s financial statements as of 31 December 2005

- verification of the appropriateness of the premium provisions for the Collateral class appearing on the transfer statement of financial position prepared at 31 May 2006, at the time of the closing of the transaction.

Note that Milano Assicurazioni, due to the transferral of the investment in Liguria Assicurazioni by Fondiaria-SAI, was included in every credit/debit relationship between Fondiaria-SAI and De Longhi Holding.

This having been said, towards the end of the year Fondiaria-SAI verified that it would be possible to enter a settlement agreement with the De Longhi Group that would enable it to define the still pending price adjustment procedures governed by the purchase and sale contract earlier than the date stipulated in the contract for 2011.

The reduction for exchange differences relates to the depreciation of the Serbian dinar against the Euro.

Goodwill is comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	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	530	65,499	(64,969)
Consolidation differences	850,608	919,041	(68,433)
Value at year-end	1,523,280	1,656,682	(133,402)

The analysis of goodwill by origin is shown below:

(in thousands of Euros)

Goodwill of Premafin Group	31.12.10	31.12.09
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.	179,201	179,201
on Milano Assicurazioni S.p.A. for the former Previdente Vita	3,275	3,275
on Milano Assicurazioni S.p.A. for Dialogo Assicurazioni	49	49
Total goodwill of the Fondiaria-SAI Group from the aggregation of the Fondiaria Group	788,329	788,329
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
Other goodwill	31.12.10	31.12.09
Goodwill relating to the transfer in 2001 of the	0	677
<i>Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano (*)</i>	<i>1,052</i>	<i>1,052</i>
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	0	38
Goodwill on Atahotels	0	579
<i>Consolidation difference:</i>		
On Liguria Assicurazioni Group	55,714	68,793
On Incontra Assicurazioni S.p.A.	13,432	21,116
<i>On SASA Danni S.p.A. now incorporated into Milano (*)</i>	<i>8,424</i>	<i>8,424</i>
On Immobiliare Fondiaria-SAI S.r.l. for Marina di Loano S.p.A.	0	5,908
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.:	54,710	63,675
On DDOR Novi Sad ADO	73,216	162,464
On Atahotels S.p.A.	0	7,224
Total other goodwill	669,665	803,067
Total Group goodwill	1,523,280	1,656,682

(*) Allocated to the Milano Life and Non-Life CGUs

Introduction

The notes below report the principal assumptions on which the impairment tests were carried out for the year 2010 on the goodwill recorded in the financial statements.

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

In accordance with IAS 36 - *Impairment in asset value*, IAS 38 *Intangible assets* and IFRS 3 *Business combinations*, given that goodwill has an indefinite useful life, it is not subject to amortisation, but rather to impairment testing in order to identify the existence of any permanent 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 was made of the business combinations which took place before that date, as permitted by IFRS 1.

In accordance with paragraph 80 of IAS 36, goodwill was allocated, irrespective of its origin, to those CGUs expected to benefit from synergies deriving from business combinations.

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.

Four Cash Generating Units (CGUs) were identified as significant beneficiaries of the synergies of the combination, represented by the Life and Non-Life sectors operating with the Fondiaria-SAI 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 book value of the CGUs was calculated in line with the calculation of the cash flows suitable to identify recoverable value: 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 carrying value of the CGU.

Unlike previous years, goodwill is no longer allocated separately to the CGUs identified with the Sai and Fondiaria brands, although the allocation originally attributed to the Non-Life class and the Life class of the legal entity is respected. In fact, the recoverable value of the CGUs was calculated by considering the cash flows of the Fondiaria-SAI Non-Life CGU and the Fondiaria-SAI Life CGU, dispensing with brand-related distinctions.

Therefore, at 31 December 2010 the goodwill allocated to the CGUs was as follows:

(in thousands of Euros)

CGU	Fondiaria-SAI		Milano Assicurazioni (*)		Total
	Fondiaria Non-	Fondiaria Life	Milano Non-Life	Milano Life	
	1	2	5	6	
Accounting goodwill allocated	467,480	91,994	296,060	52,791	908,325

(*) Values at 100%

Other goodwill arising after 1 January 2004

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

(in thousands of Euros)

Goodwill allocated	2010	2009
Gruppo Liguria Assicurazioni (100%)	55,714	68,793
Incontra Assicurazioni S.p.A. (51%)	13,432	21,116
Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%)	1,279	1,279
Popolare Vita (50% + 1 share)	461,308	461,308
DDOR (99.99%)	73,216	162,464
Atahotels (100%)	-	7,224
Marina di Loano (100%)		5,908

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

Recoverable value of the CGUs

The recoverable value 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 a result of the significant drop in share prices for Fondiaria-SAI and Milano, the test based on fair value, which pegs goodwill to the share price of benchmark entities, does not express the real value of the CGUs in question, considering that market capitalisation expresses values below proportional equity. To calculate recoverable value and make the subsequent comparison with the book value of the CGUs the value in use was used, which allows for an impairment judgement based on the principles of economic rationality. Note that IAS 36, which sets out the method for calculating recoverable value described, does not express any preference between value in use and realisable value.

The methods used to calculate value 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 appraisal value is used to calculate the value in use of the Life classes.

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

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

CGU	Method	Flows considered	Ke%	Terminal value	Growth factor %
FONDIARIA-SAI					
Non-Life segment	DDM	2011 budget + forecasts	9.5	Yes	2
Life segment	Appraisal Value		7.9	-	-
MILANO ASS.NI					
Non-Life segment	DDM	2011 budget + forecasts	9.4	Yes	2
Life segment	Appraisal Value		7.9	-	-
INCONTRA ASSICURAZIONI					
	DCF	Budget 2011	9.5	Yes	2
GRUPPO LIGURIA ASS.NI					
	DDM+ANAV	2011 budget + forecasts	9.4	Yes	2
DDOR NOVISAD					
	DDM	Plan 2011-14	16.0	Yes	3
POPOLARE VITA					
	Sum-of-the-Parts	Plan 2011-17	9.3	No	-
FLORENCE					
	DCF	Budget 2011	8.8	Yes	2
ATAHOTELS(*)					
	DCF	Plan 2011-12	10.30	Yes	2

* this relates to Wacc

Regarding the flows used for the valuations, the table above shows that for Fondiaria-SAI and Milano Assicurazioni, these derive firstly from the 2011 budget and, with respect to 2012 and 2013, from the key performance indicators approved by the respective Boards of Directors on 27 January 2011. Projections for 2014-2015 are based on growth estimates and validated at board meetings exclusively for purposes of supporting the impairment test.

The recoverable value of the CGUs relative to Fondiaria-SAI, Milano Assicurazioni and Liguria Assicurazioni was calculated using an analytical approach based on the DDM approach for the Non-Life CGUs and the appraisal value approach for the Life CGUs. Therefore, a separate valuation was made of the recoverable value of the Non-Life segment and of the Life segment, taking into account in the Non-Life segment the need to set up regulatory capital (DDM in the excess capital version).

In particular:

1. The Non-Life segment was valued using the DDM method, taking as a reference the expected dividend flows for 2011-2015 taken from the Fondiaria-SAI Group budget for 2011 and projections for 2012-2015. Based on the valuations made, besides the parameters shown in the table, there are the following flow indicators:
 - for 2012-2013, business plan data based on projections relative to the trend in premiums issued, combined ratio and financial profitability
 - for the 2014-2015 projections, assumptions based on a gradual premium growth of 2%, on gradual alignment of the historical combined ratio ranging from 96% to 96.6% and on a return on investments of close to 3%. These are data aimed at reflecting a sustainable profitability level with gradual alignment both with the historical combined ratio and the historical return on investments.
2. The Life segment was valued using the appraisal value method, i.e. the sum of adjusted equity, value in force (Vif) and goodwill attributable to future new business.

In particular, the Vif derives from an estimate of its value as of 31 December 2010, net of the cost of capital and taxes.

Goodwill is based on the calculation of new business value at 31 December 2010, to which a multiplication factor of five was applied in line with market practice.

Incontra Assicurazioni, (formerly Capitalia Assicurazioni), does not have a multi-year business plan approved by its management bodies, only the original plan underlying the

acquisition, which was not considered sufficiently reliable to identify the cash flows produced by the CGU, given the actual results realised in the past three years. Consequently:

- the partnership agreement signed with Capitalia was based on the achievement of set targets in the business plan through its distribution network. Following the incorporation by the UniCredit Group there was a slowdown in the project
- over the years, the investee company has significantly changed its product mix.

Given that the subsidiary did not have a business plan updated for current scenarios, cash flows taken from the 2010 actual results were used, excluding any changes arising from improvement and/or optimisation of business performance – optimisation which formed the basis for the variables underlying the price paid for the acquisition of Incontra Assicurazioni. The future cash flows were projected assuming a discounting rate of 9.5% in line with the rate used for the Fondiaria-SAI Group.

For DDOR Novi Sad ADO, the impairment test took the expected results of the 2010-2014 business plan approved by the Board of Directors on 1 February 2011 as flows. The projections were then extended until 2015 to calculate a sustainable income level. The company was valued using the DDM method in the excess capital variant, which is based not only on the parameters shown in the table, but also on a minimum capital solvency factor, assumed to be 120% of the constituent elements calculated according to the rules currently in force in Serbia.

In accordance with paragraph 54 of IAS 36, the discount rate utilised a K_e in line with the foreign currency in which the estimated future financial cash flows are recorded. The comparable transactions multiples method was used as the control method. For this purpose, a sample of transactions deemed comparable taking place in Eastern Europe from 2007-2010 was chosen, and the implied multiple used is the price/book value.

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 calculated in turn based on the Vif at 31 December 2010 and based on goodwill at maturity, consistent with plan flows and the agreements made with the bank counterpart.

The specific variables considered were:

- discounting of future profit from the Life and Pensions business associated with shareholder agreements for 2010-2017
- the synergies resulting from the outsourcing contract between the Parent Company and the subsidiary
- the valuation of the selling price estimating the expected new business value as of 31 December 2017 based on the plan's determining factors
- the adjusted shareholders' equity and the Vif on that date.

The comparable transaction multiples method was used as a control method for the purposes of checking the results obtained.

. The multiple used was goodwill on gross premiums, relative to transactions completed in Italy in the period 2008-2011.

This control method also confirmed the recoverability of the goodwill recognised, since it identifies a valuation range whose upper end is approximately Euro 670 million.

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, as approved by the Board of Directors, applies to the period 2011-2013 and discounts initiatives realistically related to increasing the efficiency of structures, particularly in terms of cost containment, as well as the failure to meet certain plan objectives for the previous year. In this context, the valuations made identify a recoverable value amounting at the lower end to approximately Euro 3 million.

However, it was decided to apply impairment to the entire residual goodwill, in view of the high volatility of the actual operating results of the Atahotels Group and because the business plan discounts a series of restructuring interventions that entail a degree of uncertainty regarding the time horizon for their achievement.

For Florence Centro Chirurgia Ambulatoriale S.r.l., the test was conducted based on the expected flows under the 2011 budget.

Excess in the recoverable value compared with the value of the CGUs

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

<i>(in millions of Euros)</i>	Recoverable		
	value	Book value	Excess
Fondiarria-SAI Non-Life	278	221	57
Fondiarria-SAI Life	149	89	60
Milano Assicurazioni Non-Life	240	133	107
Milano Assicurazioni Life	89	64	25
Incontra Assicurazioni	6	6	-
Gruppo Liguria Assicurazioni	26	26	-
DDOR NOVI SAD	43	43	-
POPOLARE VITA	205	205	-
ATAHOTELS	1	-	1

All of the valuations made were subject to sensitivity analyses.

Specifically, in relation to the Fondiarria-SAI Non-Life, Milano Assicurazioni Non-Life and the Liguria Assicurazioni Group CGUs, the sensitivity analyses were made based on two different scenarios (the figures shown below refer to 100%):

- a “BASE” SCENARIO, under which variations were assumed in the combined ratio and the target return on investments in the order of +/- 0.25%
- a “STRESS” SCENARIO, in which the following variations were assumed:
 - variations in the combined ratio target to bring it into line, at the lower end, with the expected value in the last year of the projections
 - variations of +/- 12.5% in the solvency margin target (assumed to be 120% of the constituent elements calculated according to Solvency I rules)
 - combined variations in the target combined ratio and the target solvency margin mentioned in the previous two points
 - variations in the target return on investments to bring it into line, at the lower end, with the value in the last year of the projections
 - combined variations in the target return on investments described in the previous point and the discount rate in the +/- 0.25% range.

Summarised below are the minimum and the maximum values resulting from the “base” scenario test and from all of the tests performed under the “stress” scenario:

- Fondiarria-SAI Non-Life CGU:
 - “base” scenario: Euro 658-1,023 million

- “stress” scenario: Euro 522-1,188 million
- Milano Assicurazioni Non-Life CGU:
 - “base” scenario: Euro 649-804 million
 - “stress” scenario: Euro 601-857 million
- Liguria Assicurazioni Group CGU:
 - “base” scenario: Euro 71-85 million
 - “stress” scenario: Euro 66-90 million.

In relation to the Fondiaria-SAI Life and Milano Assicurazioni Life CGUs, the sensitivity analyses performed were the following:

- variations of the synthetic multiples in a 3x-7x range to estimate goodwill attributable to new business
- variations of +/-0.5% in the discount rate used to estimate the Vif and the NBV
- solvency margins of 120% and 150%.

The ranges of values obtained from the sensitivity analyses are as follows:

- Fondiaria-SAI Life CGU:
 - range: Euro 404-497 million
- Milano Assicurazioni Life CGU:
 - range: Euro 257-281 million.

The results obtained in relation to the Fondiaria-SAI and Milano Assicurazioni Non-Life and Life CGUs confirm, in all scenarios, an excess of recoverable value over book value. Based on the analyses performed, we do not foresee any reasonable variation of key variables for those CGUs that would wipe out the difference between recoverable value and book value.

The recoverable value of the DDOR Novi Sad ADO CGU was calculated as being within a range of Euro 125-147 million. The lower end derives from sensitivity analyses assuming a variation of +0.25% in the discount rate and of -0.25% in the long-term growth rate (rate g). The upper end derives from the application of comparable transaction multiples.

The recoverable value of the Popolare Vita CGU, calculated based on the Sum-of-the-Parts method, was subjected to sensitivity analyses in relation to the Group share of Vif as of 31 December 2010, discounting a rate ranging from 7.35%-8.35%. This led to the calculation of a range of values of Euro 618-623 million.

Other intangible assets

Other intangible assets amount to Euro 119,164 thousand (Euro 303,614 thousand at 31 December 2009) and comprise the following:

<i>(in thousands of Euros)</i>	Gross book value	Amortisation and impairment	Net value 2010	Net value 2009
		provision		
Study and research expenses	224,456	(196,658)	27,798	31,339
Utilisation rights	18,730	(11,929)	6,801	6,028
Other intangible assets	265,086	(180,521)	84,565	266,247
Total	508,272	(389,108)	119,164	303,614

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 2010, 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.

These charges are incurred primarily by the Consortium Fondiaria-SAI Servizi Group S.c.a.r.l., which is responsible for the management of existing resources, assets and services and of new acquisitions relating to the functioning of the entire Group.

The utilisation rights mainly reflect to the acquisition by the Group of licences for the use of software. Their amortisation period is three years.

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

<i>(s in thousands of Euros)</i>	2010	2009	Change
Liguria Assicurazioni S.p.A.	17,150	24,246	(7,096)
Banca Gesfid S.A.	0	15,415	(15,415)
Popolare Vita S.p.A.	0	16,433	(16,433)
DDOR Novi Sad ADO	15,624	25,490	(9,866)
TOTAL	32,774	81,584	(48,810)

The change includes approximately Euro 2 million in exchange effects on the Voba of DDOR Novi Sad ADO.

These amounts result from the recognition of the Voba (Value Of Business Acquired) or, in the case of Life companies, of the Vif (Value In Force), at the time of the business combination transactions.

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

The amounts recognised in the income statement for the above assets during 2010 amount to Euro 39,348 thousand (Euro 36,987 thousand in 2009).

The reconciliation of the opening and closing book values of other intangible assets is shown below:

<i>(values in € thousands)</i>	Study and research expenses		Utilisation rights		Other intangible assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Value at beginning of year	31,339	34,167	6,025	3,703	266,247	221,412	303,611	259,282
Increases, of which:								
- purchased and generated internally	12,997	15,365	3,512	5,007	6,769	47,335	23,278	67,707
- from business combinations	-	-	0	22	0	52,198	0	52,220
- for changes in consolidation method	-	-	0	-	-	-	0	-
Decreases for sales and reclassifications	-	-	(271)	(12)	(125,712)	(6,384)	(125,983)	(6,396)
Impairment recorded in the year	-	-	-	-	(7,286)	(13,0)	(7,286)	(13,0)
Restatement recorded in the year	-	-	-	-	-	-	0	-
Amortisation charge for the year	(16,538)	(18,193)	(2,381)	(2,657)	(49,280)	(45,737)	(68,199)	(66,587)
Exchange difference	-	-	(84)	(35,0)	(6,500)	(2,564)	(6,584)	(2,599)
Other movements	-	-	-	-	327,0	-	327	-
Value at year-end	27,798	31,339	6,801	6,028	84,565	266,247	119,164	303,614

The “Decreases for sales and reclassifications” item for other intangible assets includes Euro -116,341 thousand relating to the reclassification of costs for work carried out to expand the port of Loano incurred by the subsidiary Marina di Loano S.p.A. and the deconsolidation of the Veneria property, formerly owned by Saiagricola and contributed to Agrisai, then sold.

During the year, the subsidiary Atahotels recognised impairment losses of Euro 7,286 thousand on leasehold improvements. These impairments are the result of analyses conducted on profit recovery on some hotel structures which, in view of current results and future forecasts, do not allow for the recoverability of the capitalisations recorded.

2. PROPERTY AND EQUIPMENT

These total Euro 598,072 thousand (Euro 934,680 thousand at 31 December 2009), down by Euro 336,608 thousand.

Property and equipment are comprised as follows:

	Property		Land		Other property, plant and equipment		Total	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
<i>(in thousands of Euros)</i>								
Gross book value	513,422	846,958	28,192	35,397	215,069	213,330	756,683	1,095,685
Depreciation and impairment provision	(37,396)	(45,062)	-	0	(121,215)	(115,943)	(158,611)	(161,005)
Net value	476,026	801,896	28,192	35,397	93,854	97,387	598,072	934,680

The movements during the period are shown below:

	Property		Land		Other property, plant and equipment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<i>(in thousands of Euros)</i>								
Value at beginning of year	371,328	980,548	35,397	81,046	97,482	186,552	504,207	1,248,146
Increases	47,122	77,690	0	0	18,463	24,008	65,585	101,698
Disposals	(38,606)	(98,281)	(7,205)	(46,098)	(7,163)	(3,140)	(52,974)	(147,519)
Reclassified or transferred from/to other categories	107,357	(140,137)	0	(1,792)	21	(124,576)	107,378	(266,505)
Other from business combinations	0	142	0	2,241	0	24,830	0	27,213
Impairment recorded in the year	(3,575)	(10,149)	0	0	(4,142)	0	(7,717)	(10,149)
Restatement recorded in the year	0	0	0	0	0	0	0	0
Depreciation charge for the year	(3,513)	(4,426)	0	0	(10,590)	(10,070)	(14,103)	(14,496)
Exchange difference	(4,087)	(3,491)	0	0	(217)	(217)	(4,304)	(3,708)
Other movements	0	0	0	0	0	0	0	0
Total	476,026	801,896	28,192	35,397	93,854	97,387	598,072	934,680

Disposals partly concern the deconsolidation of Crivelli S.r.l. and Banca Gesfid SA.

The impairment losses relate to assets owned by the subsidiaries Immobiliare Fondiaria-SAI and Atahotels, the carrying value of which was greater than the relative market value and which were therefore regarded as showing permanent losses in value.

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

- Euro 112,881 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 1,929 thousand in decreases on some properties held by Fondiaria-SAI
- Euro 3,574 thousand on properties held by the subsidiary DDOR Novi Sad ADO reclassified under investment property.

The category "Land" represents the indefinite useful life component separated from wholly owned buildings in direct use. The separation is made based on specific independent expert valuations carried out at the transition date (1 January 2004), or at the acquisition date, if later..

The buildings included under property and equipment include those intended for business operations (i.e. direct use properties). These properties were recognised at cost and are depreciated on a straight-line basis over their useful lives, only for those components subject to a defined 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 reductions in value, losses or disposals or damage.

The item also includes properties owned by Immobiliare Fondiaria-SAI (except for the subsidiary Società Edilizia Immobiliare Sarda S.E.I.S.) which are regarded as inventory and are therefore valued pursuant to IAS 2.

The Group carries out annual independent expert valuations to measure the fair value of its land and buildings. In particular, for the insurance companies of the Group, this process is in response to specific provisions of the Supervisory Authority and to the requirements of IAS 40.

With regard to buildings intended for company use, we would point out that the carrying value at the year-end is Euro 147 million lower than the appraisal value based on market values (Euro 280 million at 31 December 2009).

Other property and equipment mainly includes tangible fixed assets used by the Group in order to carry out its business,, such as furnishings and office equipment, as well as the closing inventories of companies operating in the agricultural sector, valued in accordance with IAS 2.

The figures at 31 December 2009 have been restated: the item does not include part of the properties of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (equal to Euro 431 million), which were reclassified under investment property in view of the change in the use of these assets and the completion of the corporate reorganisation of the former Immobiliare Lombarda.

3. REINSURANCE ASSETS

These total Euro 823,184 thousand (Euro 870,300 thousand at 31 December 2009) representing a decrease of of Euro 47,116 thousand with respect to the previous year. They are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Non-Life insurance contract liabilities attributable to reinsures			
Premium provision	154,404	142,751	11,653
Claims provision	502,315	547,418	(45,103)
Other provisions	-	-	
Life insurance contract liabilities attributable to reinsures			-
Actuarial provision	163,914	178,430	(14,516)
Provision for sums to be paid	2,551	1,700	851
Other provision	-	1	(1)
Total	823,184	870,300	(47,116)

Of this sum, Euro 543 million refers to reinsurance expense, while Euro 280 million concerns retrocessionaire reserves.

4. INVESTMENTS

These comprise the following:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Investment property	2,912,189	2,599,955	312,234
Investments in subsidiaries, associates and joint ventures	353,014	341,999	11,015
Investments held to maturity	592,138	808,473	(216,335)
Loans and receivables	3,159,211	2,908,010	251,201
Financial assets available-for-sale	20,275,298	18,896,934	1,378,364
Financial assets at fair value through profit or loss	8,740,064	8,655,108	84,956
Total	36,031,914	34,210,479	1,821,435

4.1 Investment property

The item includes all the properties 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 the former, having an indefinite useful life, must not be depreciated.

The separation of the land component from the building component is based on updated appraisal values at the date of transition to the international accounting standards and, for acquisitions subsequent to 1 January 2004, on the appraisal prepared at the time of purchase.

The part of the property referring to buildings is depreciated on a straight-line basis over the residual useful life of the components therein. Of the significant components, those relating to the equipment of the building are depreciated separately. The depreciation rate used for the “building” component was between 0.80% and 3%, while the depreciation rate relating to the “equipment” component was between 3.4% and 16.0%.

The Group calculates the fair value of investment property annually, on the basis of valuations by independent experts, which offer specialist valuation services for these types of investments. 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 2010 was more than Euro 924 million lower than the expert valuation (Euro 893 million at 31 December 2009).

As already mentioned in the Directors’ Report, the figures at 31 December 2009 were restated as a result of the abovementioned reclassification under this item of part of the properties held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (see the section on property and equipment for the factors determining this reclassification).

The analysis of investment property and the variation during the year are shown below.

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Gross book value	3,287,927	3,341,205	(53,278)
Depreciation and impairment provision	(375,738)	(310,681)	(65,057)
Net value	2,912,189	3,030,524	(118,335)

The movements in the carrying value of investment property are shown below:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09
Value at beginning of year	3,030,524	2,483,077
Increases for purchases and incremental expenses	39,695.0	180,226.0
Property from business combinations	-	-
Sales and reclassifications	(60,565.0)	(203,775.0)
Amortisation and depreciation in the year	(72,688.0)	(59,843.0)
Impairment/restatement recorded in the year	(29,684.0)	(7,058.0)
Exchange difference	(604.0)	-
Transfers to/from other categories (IAS 2 or IAS 16)	5,511.0	637,897.0
Other movements	-	-
Value at year-end	2,912,189	3,030,524

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

- Euro 1,929 thousand relating to properties owned by Fondiaria-SAI reclassified under “Property and equipment”

- Euro 3,574 thousand relating to properties owned by the subsidiary DDOR Novi Sad ADO reclassified under “Property and equipment”
- Euro 3,460 thousand relating to the reclassification of assets owned by the subsidiary Marina di Loano under “Other intangible assets”
- Euro 3,452 thousand relating to the reclassification of the building owned by the subsidiary Liguria Assicurazioni located in Segrate at Via delle Regioni 40 under “Non-current assets or disposal group classified as held for sale ”.

The sales almost exclusively concern the sale of the property located at Via Cordusio in Milan, owned by the subsidiary Milano Assicurazioni.

The impairments refer to properties owned by Fondiaria-SAI and by other subsidiaries, the book value of which was greater than the market value and which were therefore regarded as showing permanent losses in value.

During the year, rental income from investment property amounted to more than Euro 92 million (Euro 100 million at 31 December 2009).

There are no significant limits on the realisation of the investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of six buildings belonging to the Tikal fund, which are mortgaged to secure the loans received on them.

4.2 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 certain 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.

Reference should be made to the appendix for details of investments in non-consolidated subsidiaries.

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Subsidiaries	2,635	2,690	(55)
Associates	350,379	339,309	11,070
Total	353,014	341,999	11,015

The more significant investments, including investments in associates, consist of:

- Citylife S.r.l. for Euro 78.1 million
- Rho property fund for Euro 57.1 million
- IGLI S.p.A. for Euro 56.7 million
- Garibaldi S.C.A. for Euro 45.9 million
- Fin.Priv. S.r.l. for Euro 27.7 million
- Isola S.C.A. for Euro 10.9 million
- Valore Immobiliare S.r.l. for Euro 8.1 million
- Ex-Var S.c.s (formerly Ex-Var S.c.a.) for Euro 36 million.

4.3 Investments held to maturity

These total Euro 592,138 thousand (Euro 808,473 thousand at 31 December 2009) and consist of debt securities.

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 assets as defined by the current segment regulations. The variation with respect to the previous year is due mainly to redemptions involving the subsidiary Popolare Vita. The redemptions phenomenon with this type of contract is a one-off event not under the Group's control and therefore is not contrary to the objective intention and capacity to hold such assets to maturity.

This category includes listed securities of Euro 592,138 thousand, the current market value of which is Euro 645,799 thousand. The decrease during the year is due to the redemption or expiry of the Life policies underlying such financial instruments.

4.4 Loans and receivables

These amount to Euro 3,159,211 thousand (Euro 2,908,010 thousand at 31 December 2009) and are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Receivables from banks for interbank deposits and from bank customers	764,173	976,933	(212,760)
Debt securities	1,825,970	1,020,996	804,973
Repurchasing transactions	-	136,193	(136,193)
Loans on life policies	53,597	61,327	(7,730)
Deposits held by reinsurers	27,417	28,570	(1,153)
Receivables from sub-agents for redress and indemnities paid to agents terminated	240,821	232,305	8,516
Other loans and receivables	247,233	451,686	(204,452)
Total	3,159,211	2,908,010	251,201

Receivables from banks include the receivables of the subsidiary BancaSai in respect of other credit institutions for deposits of Euro 78,590 thousand (Euro 470,085 thousand at 31 December 2009), as well as loans to bank customers of Euro 685,583 thousand (Euro 506,848 thousand at 31 December 2009). At 31 December 2009, the figures included the contribution of Banca Gesfid (sold in September 2010) respectively for Euro 210,741 thousand and Euro 50,366 thousand.

Debt securities are comprised principally of corporate bond issues : these are mainly financial structures with subordination clauses transferred to this category in 2009. The book value of the securities transferred amounted to Euro 806,460 thousand at 31 December 2010, and the fair value at this date, calculated using the abovementioned mark to model method, basically confirms the book value. There was no permanent impairment on any security, and the amortised cost effect resulted in the recognition of income of Euro 10,990 thousand in the income statement. The negative AFS reserve recognised on these securities at 1 January 2009 amounted to Euro 75,222 thousand, and is amortised according to IAS 39 rules. The residual negative AFS reserve amounts to Euro 61,133 thousand.

Further details regarding the above classification are provided in the section relating to accounting standards.

This item also includes the book values of certain debt securities (in particular the special Ania issues) for which for which a valuation at amortised cost, rather than at fair value, was deemed appropriate given the lack of an active benchmark market. The item refers to financial assets for which it is believed that fair value cannot be accurately calculated.

The reasons for the increase are due to the underwriting, towards the end of 2010, of certain private placements of Italian sovereign bonds, which serve the purpose both of ensuring stable returns for the Group and eliminating the volatility effect in the valuation of such instruments when subscribed in traditional market contexts. The classification in this category is therefore due to the lack of an active benchmark market.

“Other loans and receivables” includes Euro 207.3 million (Euro 209.6 million at 31 December 2009) relative to consumer loans held by subsidiary Finitalia in respect of customers.

On 27 September 2010, the bonds with an overall nominal value of Euro 180.4 million, recorded under other loans and receivables, which refer to the Sainternational mandatory reimbursable bond loan, were repaid by delivery of 44,000,000 ordinary shares of Intesa SanPaolo, formally owned by Fondiaria-SAI, at an exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% over the price of ordinary shares of Intesa SanPaolo at the time that the offer price was set.

4.5 Financial assets available-for-sale

Financial assets available-for-sale include debt and equity securities, as well as quotas in unit trust funds, 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.

They are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Equity securities	1,481,428	1,669,996	(188,569)
Investment fund units	839,740	963,466	(123,726)
Debt securities	17,952,179	16,261,500	1,690,679
Other financial investments	1,951	1,972	(21)
Total	20,275,298	18,896,934	1,378,363

The increase in the item is due mainly to the investments of the subsidiary Popolare Vita as a result of the increase in premiums.

The equities in the AFS category include listed equity securities for Euro 1,275.3 million, while listed debt securities amount to Euro 17,906.6 million.

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

<i>(in thousands of Euros)</i>	% of equity investment (1)	Financial statement value 2010	Financial statement value 2009
Assicurazioni Generali S.p.A.	1.13	252,141	292,390
Unicredito S.p.A.	0.35	104,701	98,406
Gemina S.p.A.	4.18	32,578	35,252
Mediobanca S.p.A.	3.84	220,778	274,603
Monte dei Paschi S.p.A.	0.40	23,071	33,294
RCS S.p.A.	5.46	41,134	50,703
Pirelli & C. S.A. p.a.	4.48	129,701	98,792
Total		804,104	883,440
Other investments		471,201	675,219
Grand total		1,275,305	1,558,659

(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.

With regard to the composition of the AFS reserve (portion attributable to the Group and gross of both fiscal effects and of amounts paid back to Life policyholders in accordance with the shadow accounting method), the gross amount, negative by Euro 99 million, includes a negative component of Euro 124 million with reference to debt securities and investment fund units and a positive component of Euro 25 million (Euro 22 million relative to Banca d'Italia) with reference to equity securities. With regard to Group impairment policy relating to the AFS financial instruments, see the section on accounting standards.

For the purposes of the recording impairment, the Group has defined the conditions of a prolonged or significant reduction of fair value, defined alternatively based on:

1. a reduction in the market value of more than 60% 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.

We would point out that, as of this year, in view of persistent market price stasis and for the purposes of prudence, the Group decided to reduce the threshold from 80% to 60% for the reduction in market value compared with book value. This reduction, however, has not produced significant effects on the income statement, mainly due to the occurrence of the first impairment condition. The retroactive application of the same threshold would not have had significant effects on the financial statements of the previous year.

For those AFS financial instruments which do not satisfy the criteria stated above, in the presence of significant capital losses on equities further analytical evaluations were nevertheless carried out, in order to ascertain the presence of any impairment indicators. Where such analyses indicate difficulty in recovering the book value, the entire negative reserve is recognised in the income statement, even when the above thresholds are not breached. In this regard, the Group examined all positions in the portfolio for which the capital loss was greater than Euro 1 million or the negative AFS reserve ranged from 20% to 60% of the original book value.

Consequently, for investments showing a significant decrease in fair value (generally between 20% and 60% and therefore not included in automatic testing), impairment testing was carried out on the basis of a mixed valuation approach, differentiated by the quality and the size of the investments in question.

Therefore:

1. for the significant investments of the Group, such as:
 - Assicurazioni Generali
 - Banca Intermobiliare
 - Monte dei Paschi di Siena
 - UniCreditthe listed stock market prices at 31 December 2010 showed values below the original cost of the investments.

This situation has persisted over the last 24 months with consequent recognition in the income statement (impairment) of the entire negative AFS reserve. The effect on the income statement for the period relative to these securities was approximately Euro 335 million.

2. For investments not falling under point 1) but which nevertheless show significant amounts both in terms of book value and capital losses, and for fund

units, we checked whether or not any of the qualitative requirements under paragraph 59 of IAS 39 existed (and if so, impairment was recognised immediately in the income statement) and if not, where possible, carried out analytical valuations.

3. For all other investments, given their fragmentation and the lower significance of the related capital losses (as already mentioned or because they were lower than the threshold of Euro 1 million in absolute value, or because the negative AFS reserve was within 20% of the cost), impairment was recognised 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 occurs. 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.

Therefore, reductions in value for impairment on AFS assets amount to a total of Euro 389.3 million (Euro 157 million at 31 December 2009) and are summarised by type in the following table:

	2010	2009
SHARES	377,4*	109.2
BONDS	-	6.2
INVESTMENT FUND UNITS	11.9	41.6
TOTAL	389.3	157.0

Of this sum, Euro 335 million related to UniCredit, Generali, MPS and Banca Intermobiliare securities

4.6 Financial assets at fair value through profit or loss

These comprise the following:

:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Equity securities	32,502	97,858	(65,356)
Investment fund units	459,899	410,088	49,811
Debt securities	7,758,431	7,470,196	288,235
Other financial investments	489,231	676,966	(187,735)
Total	8,740,063	8,655,108	84,955

The component relative to financial assets at fair value through profit or loss amounts to Euro 8,740,063 thousand (Euro 8,655,108 thousand at 31 December 2009) and includes investments for which the risk is on Life policyholders and which derive from the management of pension funds of Euro 8,553 million (Euro 8,324 million at 31 December 2009).

We would point out 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 no listed price is available, the reference price used 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:

- 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 related 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, regarded 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 regarded as active when the prices reflect normal market operations, are regularly and readily available through stock exchanges, listing services and brokers, and represent regular and effective transactions through financial brokers.

The following are usually regarded as active markets:

- regulated securities and derivatives markets, with the exception of the Luxembourg financial market
- the secondary market of fund units, expressed by official NAVs (Net Asset Values) 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
- organised exchange systems
- 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 mark to market valuation is not applicable, technical valuations based on observable market parameters must be used, using 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 affect 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, using the market multiples of similar companies and, secondarily, through financial, profitability and asset valuation methods.

Shown below is the summary table with the breakdown by level of hierarchy of the financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Financial assets available for sale	19,229	867	77	20,173
Equity securities	1,323	-	77	1,400
Investment fund units	17,906	45	-	17,951
Debt securities	-	820	-	820
Other financial investments available for sale	-	2	-	2
Financial assets at fair value through the profit or loss account	54	8,686	-	8,740
Equity securities	1	-	-	1
Investment fund units	53	108	-	161
Debt securities	-	23	-	23
Derivatives	-	2	-	2
Financial assets where risk is on policyholders and from pension fund management	-	8,553	-	8,553
Other financial instruments at fair value through profit or loss	-	-	-	0
Financial assets at fair value	19,283	9,553	77	28,913
Financial liabilities at fair value through profit or loss	-	1,647	-	1,647
Liabilities from financial contracts issued by insurance companies	-	1,609	-	1,609
Derivatives	-	36	-	36
Other financial liabilities	-	2	-	2
Financial liabilities at fair value	-	1,647	-	1,647

Financial assets available-for-sale do not include unlisted equity securities of Euro 130 million.

The value recorded in AFS level 3 represents the investment held in Banca d'Italia, previously recognised at cost; due to its particular nature, this value derives from the measurement of the investment at fair value, based on an estimate of discounted future cash flows from the investment, taking into account the dividend payment policies of the issuer. This valuation takes into account widespread market practice and has also been used in view of a future measurement of the equity instruments at fair value, as provided for in IFRS 9, issued in November 2009 and currently in the process of being endorsed by the European Community.

FINANCIAL DERIVATIVE TRANSACTIONS

The Group makes limited use of financial derivatives. In fact, the characteristics and peculiarities of the insurance business mean that the use of financial derivatives is governed by special framework resolutions issued by the Supervision Authority with Provision 297/1996. On 31 January 2011, the ISVAP issued Regulation 36 concerning investment guidelines, including investments in derivatives and structured securities, and revoked Resolution 297/1996, *inter alia*.

Specifically, Regulation 36 confirms that financial derivative transactions for the purpose of efficient management are to be limited to a tolerable level of the available solvency margin. In this context, note that the Group's financial derivative transactions

are intended primarily to hedge equity risk through the use of options designated as fair value hedges and for hedging risks deriving from variations in interest rates on debt exposures with banks through the use of interest rate swaps (IRS) designated as cash flow hedges.

Fair value hedges

On 31 December 2010, the Group held combined put-call options through Fondiaria-SAI S.p.A., with the same contractual characteristics (underlier, notional amount, maturity, strike) with a notional amount of 9,263,266 options (average strike of Euro 5.9978) to hedge the price risk on 9,263,266 ordinary shares of Pirelli & C. in the Non-Life sector, classified under equity securities available for sale, equal to 43.44% of the Group's overall exposure (43.72% for Fondiaria-SAI).

(in thousands of Euros)

Derivative put purchases – call sales to hedge shares	Number of options		Company	Assets for hedging contracts		Liabilities for hedging contracts		Adjustment in book value of AFS shares hedged	
	2010	2009		2010	2009	2010	2009	2010	2009
Pirelli & Co ord (Non-Life sector)	9,263,266	1,581,818	Fondiaria-SAI	-	4,895	787.00	-	787.00	(4,895)
Pirelli & Co ord (Life sector)	-	6,233,748	Fondiaria-SAI	-	-	-	9,243	-	9,243
Mediobanca (Non-Life sector)	-	8,575,294	Fondiaria-SAI	-	195	-	-	-	(195)
Mediobanca (Life sector)	-	602,700	Milano Ass.ni	-	484	-	-	-	(484)
Total				-	5,574	787	9,243	787	3,669

The fair value of the options at 31 December 2010 amounted to a liability of Euro 787 thousand (overall assets of Euro 4,895 thousand at 31 December 2009). Since the hedge inception date, the positive and negative changes in the period deriving from the measurement of the options at fair value are recognised in the income statement under “Income and charges from financial assets at fair value through profit or loss”. At the same time, the book value of the hedged assets is adjusted as a result of changes during the period in the fair value of the hedged ordinary shares of Pirelli & C. with the resulting recognition of changes for the period in “Income and charges from financial instruments at fair value through profit or loss”. During 2010 the options underwent a negative change of Euro 5,682 thousand as a result of the fair value on the options still in existence at 31 December 2010, which was fully offset by the positive change in the period in the fair value of the hedged shares. The fair value hedges through options were assessed as effective and, at 31 December 2010, there were no ineffective hedged items requiring recognition in the income statement.

During 2010, after the realisation of the Mediobanca shares and of the ordinary shares of Pirelli & C. in the Life sector and the simultaneous early closure of the put/call options designated as partial hedges for investments, the Group interrupted the respective hedges in existence at 31 December 2009. After the closure of the derivative instruments, the Group eliminated from the books the fair market value in existence at 31 December 2009, which amounted to an asset of Euro 679 thousand (of which Fondiaria-SAI: Euro 195 thousand and Milano Assicurazioni S.p.A.: Euro 484 thousand) for the options hedging the Mediobanca shares and a liability of Euro 9,243 for the options hedging the ordinary shares of Pirelli & C. in the Life sector.

On 31 December 2010, through the wholly owned subsidiary BancaSai S.p.A., the Group held IRS contracts hedging the interest rate risk from fixed-rate loans to customers. Specifically, two portfolio hedging transactions were structured, the first with underlying customer mortgages as the asset assigned and not cancelled at fixed rate against the Admiral securitisation transaction and the second relative to mortgages disbursed to customers comprising bank employees. The value of the derivatives used to hedge the underlying portfolios amounted, respectively, to a notional amount of Euro 25 million with a negative fair value at 31 December 2010 of Euro 820 thousand, and a notional amount of Euro 3.6 million with a negative fair value at 31 December 2010 of Euro 114 thousand.

Cash flow hedging instruments

In view of the type of hedge involved, at 31 December 2010 the Group held Interest Rate Swaps (IRSs) to manage the risks deriving from changes in interest rates on debt exposures with banks, converting a part of these loans from variable-rate loans to fixed-rate loans.

The notional amount of these instruments amounted to Euro 875 million (Euro 988 million at 31 December 2009).

The fair value of the IRSs designated as cash flow hedges at 31 December 2010 amounted to a liability of Euro 34 million (Euro 11 million at 31 December 2009). The equity reserve, which includes the negative fair value of the hedging instruments at 31 December 2010, stated net of the portion attributed to non-controlling interests and net of the tax impact, amounted to a negative reserve of Euro 24 million (negative reserve of Euro 7 million at 31 December 2009).

As far as the Parent Company is concerned, the IRSs originally stipulated to hedge existing loans have lost their effectiveness over time and are therefore classified as non-hedging instruments.

The main contractual conditions of these IRSs are described in detail below:

(in thousands of Euros)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value at 31.12.10	Fair value at 31.12.09
Fondiarria-SAI S.p.A.	200,000	23.7.13	3.970	Euribor 6 m Act/360	(11,025)	(7,929)
Fondiarria-SAI S.p.A.	100,000	23.7.13	3.930	Euribor 6 m Act/361	(5,497)	(3,832)
Fondiarria-SAI S.p.A.	100,000	23.7.13	3.990	Euribor 6 m Act/360	(5,562)	(4,031)
Fondiarria-SAI S.p.A.	150,000	14.7.16	3.180	Euribor 6 m Act/360	(4,308)	1,691
Fondiarria-SAI S.p.A.	100,000	30.12.15	3.080	Euribor 6 m Act/360	(2,612)	2,291
Fondiarria-SAI S.p.A.	100,000	14.7.18	3.309	Euribor 6 m Act/360	(2,006)	2,260
Milano assicurazioni	50,000	14.7.16	3.180	Euribor 6 m Act/360	(1,506)	(620)
Tikal R.E.	25,000	30.12.09	3.185	Euribor 6 m Act/360	(453)	(452)
Tikal R.E.	30,000	30.12.16	3.140	Euribor 6 m Act/360	(470)	-
Marina di Loano	20,000	31.12.14	2.550	Euribor 3 m 30/360	(517)	(107)
Total	875,000				(33,956)	(10,729)

Derivatives not designated as hedging instruments

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

During the year, call options were undertaken on the Eurostoxx 50 index; the options were closed prior to the expiry date, with a negative net result on the income statement of Euro 737 thousand for Fondiarria-SAI, and Euro 737 thousand for Milano Assicurazioni.

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 these hedges for the current year, amounting to Euro 899 thousand for Fondiarria-SAI, and Euro 52 thousand for Milano Assicurazioni, were recognised in the income statement for the year under financial charges. Following the early closure of certain credit default swap contracts, Fondiarria-SAI recorded Euro 64 thousand as income from sale and Euro 21 thousand as asset charges. In any case, even considering

the limited cost of the hedges themselves, 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:

(s in thousands of Euros)

Company	Notional	Expiry	Counterparty	Issuer hedged	Cost	Market value at 31.12.10
Fondiaria-SAI S.p.A.	15,000	20.6.11	BNP Paribas	Banco Popolare sub. Republic of Serbia	100 bps per year	261
Fondiaria-SAI S.p.A.	25,000	20.3.13	Morgan Stanley		295.2 bps per year	(360)
Milano Assicurazioni S.p.A.	4,411	20.3.14	BNP Paribas	Merrill Lynch	123 bps per year	55
Milano Assicurazioni S.p.A.	9,350	20.3.13	BNP Paribas	Morgan Stanley	100 bps per year	23
Total	53,761					(21)

At 31 December 2010, the Group had range accrual swap contracts indexed to the trend in the constant maturity swap (CMS) 30-10-year rate and not designated as cash flow, fair value or net investment hedges. The transaction was carried out to benefit from a widening of the long-term interest rate curve. The main characteristics are described in the table below:

(in thousands of Euros)

(values in € thousands)	Notional	Expiry	Counterparty	Rate to be received by counterparty	Rate to be paid by counterparty (*)	Market value at 31.12.10
Fondiaria-SAI s.p.A.	2,500	7.5.20	Banca IMI	3% per annum	6.50% annually	170
Fondiaria-SAI s.p.A.	5,000	1.4.20	BNP Paribas	3% per annum	5.25% annually	(301)
Fondiaria-SAI s.p.A.	3,750	28.10.20	Banca IMI	3% per annum	6.525% annually	273
Milano Assicurazioni S.p.A.	2,500	7.5.20	Banca IMI	3% per annum	6.50% annually	170
Milano Assicurazioni S.p.A.	5,000	1.4.20	BNP Paribas	3% per annum	5.25% annually	(272)
Milano Assicurazioni S.p.A.	3,750	28.10.20	Banca IMI	3% per annum	6.525% annually	273
Total by company	22,500					313

(*) considering the days on which the 30-year CMS rate and the 10-year CMS rate are positive.

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

(s in thousands of Euros)	Notional	Expiry	% fixed rate	Variable rate	Fair value at 31.12.10	31.12.09
Premafin HP S.p.A.	32,500	31.12.13	3.654	Euribor 3 m 30/360	(1,419)	(1,713)
Premafin HP S.p.A.	32,500	31.12.13	2.805	Euribor 3 m 30/360	(848)	(803)
Premafin HP S.p.A.	26,000	31.12.14	3.050	Euribor 6 m Act/360	(828)	(815)
Immobiliare Milano	14,286	31.12.12	3.770	Euribor 6 m 30/360	(417)	(721)
Immobiliare Milano	14,286	31.12.12	3.695	Euribor 6 m 30/360	(403)	(693)
Total by company	119,572				(3,915)	(4,745)

During 2010, the Group recorded a positive impact on the income statement of Euro 689 thousand and a negative impact on the income statement of Euro 345 thousand due to the early closure or expiry of forward variance swaps. As far as Milano Assicurazioni is concerned, the impact on the income statement from the early closure or maturity of forward variance swaps was positive for Euro 344 thousand and negative for Euro 172 thousand.

During 2010, Fondiaria-SAI recorded a positive impact on the income statement of Euro 81 thousand due to the maturing of convexity trade contracts entered into during the year. As far as Milano Assicurazioni is concerned, the impact on the income statement from maturing convexity trade contracts was positive for Euro 81 thousand.

5. OTHER RECEIVABLES

These are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Receivables from direct insurance operations	1,747,611	1,817,234	(69,623)
Receivables from reinsurance operations	101,773	133,333	(31,560)
Other receivables	465,269	472,907	(7,638)
Total	2,314,653	2,423,474	(108,821)

The Group believes 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 breakdown of receivables deriving from direct insurance operations is as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Receivables from policyholders for premiums in the year	815,440	831,950	(16,510)
Receivables from policyholders for premiums in previous years	37,596	23,517	14,079
Receivables from insurance brokers	692,812	733,741	(40,929)
Receivables from insurance companies	91,489	134,497	(43,008)
Amounts to be recovered from policyholders and third parties	110,274	93,529	16,745
Total	1,747,611	1,817,234	(69,623)

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

Reinsurance receivables include Euro 99,320 thousand (Euro 119,687 thousand in 2009) for receivables from insurance and reinsurance companies for reinsurance transactions and Euro 2,453 thousand (Euro 13,646 thousand in 2009) in respect of reinsurance brokers. During the year no significant write-downs were made on reinsurance assets.

Other receivables include trade receivables of Euro 82,523 thousand, consisting primarily of receivables from customers, as well as receivables from the fiscal authorities of Euro 228,086 thousand for tax refunds requested, VAT credits and payments on account for insurance tax (Decree Law 282/04).

6. OTHER ASSETS

These total Euro 996,578 thousand (Euro 4,923,669 thousand in 2009), representing a decrease of Euro 3,927,091 thousand on the previous year.

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Non-current assets or assets of a discontinued group held for sale	3,452	4,106,065	(4,102,613)
Deferred acquisition costs	87,603	142,111	(54,508)
Deferred tax assets	361,199	174,234	186,965
Current tax assets	388,015	304,769	83,246
Other assets	156,309	196,490	(40,181)
Total	996,578	4,923,669	(3,927,091)

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

These amounted to Euro 3,452 thousand at 31 December 2010 (Euro 4,106,065 thousand at 31 December 2009).

They relate to the property owned by the subsidiary Liguria Assicurazioni located in Segrate at Via delle Regioni, 40.

The balance at 31 December 2009 was represented mainly by the assets of Biemme Vita S.p.A., sold during the year 2010.

6.2 Deferred acquisition costs

The deferred acquisition costs of Euro 87,602 thousand (Euro 142,111 thousand at 31 December 2009) refer mainly to acquisition fees to be amortised on long-term contracts in the Non-Life and Life segments relating to the traditional companies. These amounts are deferred and amortised over approximately seven years for the Non-Life classes and six years for the Life classes, in accordance with the analysis of the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

These show a decrease of Euro 54,508 thousand with respect to the year 2009. We would point out that Fondiaria-SIA and Milano Assicurazioni no longer record upfront commissions in the Non-Life sector, given that the remuneration policy for agency networks has changed substantially following the abolition of long-term contracts in accordance with the Bersani decrees. The increase in the year refers exclusively to the contribution of DDOR. The increase in the Life sector relates almost exclusively to the contribution of the subsidiary Popolare Vita and relates to the upfront commissions paid to the sales network on unit-linked contracts with significant insurance risks.

The amortisation period in this case was estimated as three years. In this time period the charge would in any case be recovered both through the relative management fees and through any redemption penalty charges.

The following table shows the movements in these costs during the year:

	31.12.10			31.12.09
<i>(in thousands of Euros)</i>	Non-Life	Life	Total	Total
Balance at beginning of year	111,436	30,675	142,111	226,969
Increases in the year	57	20,907	20,964	15,088
Amortisation in the year (-)	(55,224)	(9,689)	(64,913)	(96,016)
Impairment recorded in the year (-)	(3,377)	(6,488)	(9,865)	(3,424)
Other movements	(645)	(50)	(695)	(506)
Balance at end of year	52,247	35,355	87,602	142,111

The impairment loss 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 amount to Euro 361,199 thousand (Euro 174,234 thousand in 2009) and are on the total amount of the temporary differences between the carrying 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 based on the capacity to generate sufficient future taxable income.

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

6.4 Tax receivable assets

These amount to Euro 388,015 thousand (Euro 304,769 thousand at 31 December 2009) and refer to receivables from financial authorities for payments on account for tax, for withholding tax and income tax credits.

The item also includes the amounts paid on account pursuant to Article 1, paragraph 2 of Decree Law 209/02, converted into Article 1 of Law 265/2002, as subsequently amended. This is in compliance with ISVAP Regulation 7/07, since it involves assets that do not fall within the scope of IAS 12.

The balance at the end of the year takes into account the offsets made with current tax liabilities due to a direct legal right for these items to be set off by the individual companies of the Group and by Fondiaria-SAI on behalf of all of the companies which, in participating in its tax consolidation, settle IRES income taxes jointly.

The item also does not include the amount reclassified to

The item also does not include the amount reclassified to the heading "Other receivables", for various tax credits for which refunds have been requested..

6.5 Other assets

Other assets amounted to Euro 156,309 thousand (Euro 196,490 thousand at 31 December 2009), and comprise the following:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Transitory reinsurance accounts	3,477	2,451	1,026
Deferred commission expense for Life policyholder investment management services	7,664	20,482	(12,818)
Actuarial reserve tax on account as per Leg. Decree 209/03	60,373	57,614	2,759
Indemnities paid and not applied	15,889	20,297	(4,408)
Other assets	68,906	95,646	(26,740)
Total	156,309	196,490	(40,181)

7. CASH AND CASH EQUIVALENTS

These total Euro 628,404 thousand (Euro 591,245 thousand at 31 December 2009).

These comprise the liquid assets held by the Group and deposits and bank current accounts with maturity of less than 15 days. They include highly liquid assets in the strictest sense (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 carrying 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 duration of the deposits, if less than three months.

STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

1. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity of Euro 2,270,116 thousand, which includes the results for the year and non-controlling interests, has decreased by Euro 1,143,783 thousand with respect to the year 2009.

The movements during the year are shown below:

<i>(in thousands)</i>	31.12.10	31.12.09	Change
SHAREHOLDERS' EQUITY	2,270,116	3,413,899	(1,143,783)
attributable to the Group	350,230	633,345	(283,115)
Share capital	410,340	410,340	-
Other equity instruments	-	-	-
Capital reserves	21	21	-
Earnings and other capital reserves	263,360	393,006	(129,646)
(Treasury shares)	(43,183)	(43,183)	-
Reserve for currency translation differences	(18,713)	(1,275)	(17,438)
Profit or loss on available-for-sale financial assets	338	(2,204)	2,542
Other gains or losses recorded directly in equity	9,608	11,057	(1,449)
Profit (loss) for the year pertaining to the Group	(271,541)	(134,417)	(137,124)
Attributable to non-controlling interests	1,919,886	2,780,554	(860,668)
Non-controlling interest capital and reserves	2,627,767	3,088,469	(460,702)
Profit and loss recorded directly in equity	(31,256)	(29,518)	(1,738)
Profit (loss) for the year Attributable to non-controlling interests	(676,625)	(278,397)	(398,228)
Total	2,270,116	3,413,899	(1,143,783)

Share capital

The subscribed and paid-up share capital is Euro 410,340,220 ordinary shares. Each ordinary share carries the right to vote at ordinary and extraordinary shareholders' meetings.

At the time of distribution of earnings or in the event of the winding up of the company, the ordinary shares do not entail any privileges.

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

Retained earnings and other capital reserves include the other equity reserves in the separate financial statements of the Parent Company, modified by the allocation of the result for 2010 (see the notes to the separate financial statements of the Parent Company for the changes therein) in addition to the consolidation reserves.

1.1.5 Treasuryshares

These amounted to Euro 43 million (Euro 43 million at 31 December 2009). The item includes the book value of the shares 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).

In accordance with IAS 32, these treasury shares show a negative balance in shareholders' equity.

1.1.6 Reserve for currency translation differences

This item, for Euro 18,713 thousand (Euro 1,275 thousand at 31 December 2009), includes the differences arising from the translation into Euros of the financial statements of certain foreign subsidiaries situated in countries outside the Eurozone.

1.1.7 Unrealized gain or loss on financial assets available for sale

This item, which shows a net gain of Euro 338 thousand, includes profit and loss from the valuation of financial assets available-for-sale. This is shown net of both the related deferred tax liability, and of the portion attributable to policyholders and allocated to insurance liabilities. In particular, the item includes a loss of Euro 99 million for AFS financial instruments in the portfolio and a gain of Euro 80 million, due to the application of the shadow accounting method. Added to this is a gain of Euro 19 million, due to the tax impacts of the above two phenomena.

1.1.8 Other unrealized gains and losses through equity

This item, amounting to Euro 9.6 million, includes Euro -8 million relative to profit or loss on cash flow hedging instruments, plus Euro 17.9 million in reserves, including the reversal of capital gains realised on the partial sale of shares or units in subsidiaries.

In fact, as described in the accounting principles, transactions involving shares of subsidiaries which do not result in loss or acquisition of control do not impact consolidated earnings, since they are treated as simple changes to the ownership structure of the Group. The separated managements of the Life sector are an exception to this.

The residual amount refers principally to actuarial losses due to application of IAS 19.

1.2 Shareholders' equity attributable to non-controlling interests Shareholders' equity, including the result for the year, attributable to non-controlling interests shows a decrease of Euro 861 million, attributable in part to minority shares of the Fondiaria-SAI Group.

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

The table below shows the reconciliation between the net profit/loss and shareholders' equity of the Parent Company at year-end with that of the Group, as per Consob Communication DEM 6064293.

	Net profit/(loss) for the year	
(in thousands of Euros)	31.12.10	31.12.09
Result of Premafin HP S.p.A. according to Italian accounting standards	(102,762)	(3,896)
IAS 38 - Intangible assets		
- Goodwill	3,195	815
- Other intangible assets		
IAS 19 Employee benefits	(7)	(31)
IAS 37 - Provisions, contingent liabilities and assets	(1,030)	383
- Risk provisions	(1,030)	383
IAS 39 Financial instruments	3,065	4,569
- Financial assets		
- Financial liabilities	3,065	4,569
Stock options		(379)
Tax effect on IAS/IFRS adjustments		0
Result of Premafin HP S.p.A. according to IAS/IFRS accounting standards	(97,539)	1,461
Consolidation adjustments:		
Result for the year and differences between the book value and the shareholders' equity of the companies consolidated:		
basis	(670,923)	(70,570)
- with the equity method	(38,414)	(11,109)
Application of group accounting principles, translation adjustment and other	(39,679)	(49,257)
Voba amortisation	(86,472)	(54,085)
Elimination of effects of intragroup transactions:		
- Intragroup dividends	(29,742)	(166,809)
- Other intragroup transactions	(3,804)	(99,008)
- Tax effects of consolidation adjustments	18,407	36,563
Consolidated result according to IAS/IFRS standards	(948,166)	(412,814)
Non-controlling interests	(676,625)	(278,397)

	Shareholders' equity net of result	
	31.12.10	31.12.09
<i>(in thousands of Euros)</i>		
Shareholders' equity of Premafin HP S.p.A. according to Italian accounting standards	581,721	688,379
IAS 38 - Intangible assets		
IAS 19 TFR	(11)	(55)
IAS 37 - Provisions, contingent liabilities and assets	1,570	1,187
IAS 39 Financial instruments		
Financial assets	-	-
Financial liabilities	15,973	3,306
IFRS 2 - Share-based payment	-	379
Tax effect on IAS/IFRS adjustments		
Shareholders' equity of Premafin HP S.p.A. according to IAS/IFRS standards	599,253	693,196
Result for the year and differences between the book value and the shareholders' equity of the companies consolidated:		
- on a line-by-line basis	1,822,241	3,403,761
- with the equity method	(612)	(3,792)
Elimination of effects of intragroup transactions:		
- Intragroup dividends	44,705	54,765
- Other intragroup transactions	(191,138)	(98,885)
- Application of group accounting standards	92,292	(141,549)
- Effect of currency translation of financial statements	(52,741)	(7,900)
- Tax effects of consolidation adjustments	(701)	(29,701)
- Elimination of treasury shares	(43,183)	(43,183)
Consolidated Shareholders' equity as per IAS/IFRS	2,270,116	3,826,712
Non-controlling interests	1,919,886	3,058,950
Group shareholders' equity according to IAS/IFRS standards	350,230	767,762

2. PROVISIONS

These total Euro 359,982 thousand (Euro 322,038 thousand at 31 December 2009) and are comprised of the following:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Provisions of a fiscal nature	2,182	2,273	(91)
Other provisions	357,800	319,765	38,035
Value at year-end	359,982	322,038	37,944

Other provisions include amounts for which uncertainty exists regarding the date of payment or the amount of future expenses required to comply with the obligation.

The following movements took place during the year :

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<i>(in thousands of Euros)</i>	Urbanisation charges	Non-fiscal disputes	Personnel charges	Non-recoverable amounts from brokers	Other charges	Total
Value at beginning of year	4,514	147,394	30,253	27,122	110,482	319,765
Increases in the year		12,385	8,313	3,998	50,358	75,054
Utilisation in year for charges incurred		(4,050)	(422)	0	(36,152)	(40,624)
Utilisation reversed through income statement		0	0	0	0	0
Change for financial charges accrued or for changes in interest rates		3,605	0	0	0	3,605
Balance sheet value at year-end	4,514	159,334	38,144	31,120	124,688	357,800

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 expected date of payment is not considered sufficiently distant to warrant discounting. The net effect on the income statement for the year of the discounts made is negative for Euro 4.6 million and derives from the recalculation of the estimated dates of potential payments.

The provision also includes amounts accrued against the “OPA” litigation described in the disputes in course section of the Directors’ Report. Given the importance of this dispute, and the fact that its progress currently appears favourable to the Group in view of the findings of the Milan Appeals Court, it is considered appropriate, pursuant to IAS 37.92, not to provide details of the amounts accrued.

Personnel charges

The provision includes probable liabilities arising from past employment services. In particular, the provision includes charges for holidays not taken and leaving incentive costs already formally agreed upon 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.

Non-recoverable amounts from brokers

The provision includes the best estimate made for valuing 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 during the period.

Other charges

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

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

Provision has been accrued, pursuant to IAS 37.92, relative to the tax inspections involving the 2005 tax year as a result of which the Fiscal authorities are charging the Group with attempted tax evasion. As already mentioned in the Directors' Report, the proceedings are underway to resolve the case by means of a negotiated settlement agreement.

The provisions for risks and charges in the financial statements are deemed sufficient to cover the expenses resulting from any worst-case scenario outcome in disputes and litigation in course.

With reference to the provisions of IAS 37, we would point out that the Group is not aware of any potential assets or liabilities of a significant size for which it is necessary to provide specific information, except for the following.

Castello Area

Criminal proceedings are pending before the Court of Florence, instigated by the Florence Public Prosecutor's Office, in connection with property development in an area of the Municipality of Florence, the Piana di Castello, owned by NIT S.r.l., a company in the Fondiaria-SAI Group.

The criminal charge on which these proceedings are based is corruption.

In closing the preliminary investigations, the Florence Public Prosecutor's Office asked the Preliminary Hearing Judge to order the defendants to stand trial, also requesting that Fondiaria-SAI be ordered to stand trial for management offences pursuant to Articles 5 and 25 of Legislative Decree 231/2001, in relation to the offence referred to in Articles 319 and 321 of the Penal Code.

Currently, the proceeding is in the Preliminary Hearing phase. If convicted, the Group could be ordered to pay a fine.

It should be noted that, at the request of the Florence Public Prosecutor's Office, on 26 November 2008 a sequestration order was implemented for the entire Castello Area, on which Judicial Police seals were affixed. This order was also served on NIT, although neither the company nor its directors are under investigation. Currently, to the best of the company's knowledge, there appears to be no risk for the company or its directors and, from the documentation in our possession, neither the legality of the 2005 Planning Agreement nor the legality of future construction in the area are the subject of doubt.

The consolidated value of the inventory relating to the Castello Area on 31 December 2010, amounting to Euro 198.9 million, is lower than the appraisal value provided by the independent expert, Scenari Immobiliari, amounting to Euro 274.5 million.

3. INSURANCE CONTRACT LIABILITIES These total Euro 34,827,973 thousand and show an increase of Euro 3,109,925 thousand compared with 2009.

They are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Non-Life premium provision	2,777,937	2,730,646	47,291
Claims provision	9,097,596	8,924,047	173,549
Other provision	12,317	13,542	(1,225)
Total Non-Life	11,887,849	11,668,235	219,615
Actuarial provisions	16,073,412	13,518,260	2,555,152
Provision for sums to be paid	277,797	155,054	122,742
Insurance contract liabilities where risk is on policyholders	6,950,978	6,265,181	685,797
Other provisions	(362,064)	111,319	(473,383)
Total Life	22,940,123	20,049,814	2,890,309
Total insurance contract liabilities	34,827,972	31,718,049	3,109,924

With regard to the Non-Life segment, the premium provision includes a provision for premium fractions of Euro 2,743,968 thousand and a provision for risks in progress of Euro 33,969 thousand.

The other technical provisions of the Non-Life sector refer entirely to the ageing provision pursuant to Article 37 of Legislative Decree 209/05.

The claims provision includes an IBNR claims provision (IFRS 4 IG22C) of Euro 906,259 thousand.

With regard to the Life sector, the actuarial provisions include an additional provision for financial risk of Euro 58,364 thousand (Euro 48,078 thousand at 31 December 2009), as indicated in ISVAP Regulation 21 of 28 March 2008, and governed by Article 25, paragraph 12 of Legislative Decree 174/95.

The “Other technical provisions” in the Life sector includes deferred liabilities to policyholders against contracts with a discretionary profit-sharing component (IFRS 4.1G22f) for Euro -454,658 thousand (Euro 7,739 thousand at 31 December 2009). The residual amount principally relates to reserves for future expenses.

In particular, the Group regarded the revaluable contracts in the Life segment, related to the returns of the separated managements, as contracts containing a discretionary profit-sharing element. In this case, the insurer can intervene at his discretion and determine the rate of payment and the return. The shadow accounting method was applied to these contracts.

Financial liabilities relating to contracts with discretionary profit-sharing components, as defined by IFRS 4.2 b), are classified within the insurance contract liabilities; their book value amounted to Euro 9,180,195 thousand (Euro 6,360,701 thousand at 31 December 2009).

With regard to contracts of this type, in the absence of new regulations and a best practice method for measuring the fair value of the insurance contract liabilities, it is obviously difficult to provide precise quantifications since specific decisions need to be taken on this matter at a regulatory level.

Changes in the provisions during the year are shown below:

<i>(in thousands of Euros)</i>	Non-Life	Life	Total
Reserve at beginning of year	11,668,235	20,049,815	31,718,050
Increases in the year	3,051,343	6,493,086	9,544,429
Payments (-)	(3,456,493)	(3,722,962)	(7,179,455)
Profit or loss recorded in the income statement	636,544	121,188	757,732
Reserves acquired or transferred to other insurers	(4,407)	(20)	(4,427)
Exchange differences	(7,373)	(984)	(8,357)
Reserve at end of year	11,887,849	22,940,123	34,827,972

4. FINANCIAL LIABILITIES

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Financial liabilities at fair value through profit or loss	1,677,807	2,099,531	(421,724)
Other financial liabilities	2,509,560	3,002,972	(493,412)
Total	4,187,367	5,102,503	(915,136)

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 33,714 thousand (Euro 26,562 thousand at 31 December 2009). Of this amount, Euro 27,776 thousand refers to the equity swap entered into by the Parent Company on shares of Fondiaria-SAI S.p.A., the maturity of which was extended until 31 March 2013 on the basis of agreements dated 24 February 2011, subsequently amended on 22 March 2011.

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

These total Euro 1,644,093 thousand (Euro 2,069,636 thousand at 31 December 2009). 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.

The overall amount recognised is Euro 1,608,513 thousand (Euro 2,058,035 thousand at 31 December 2009).

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

4.2 Other financial liabilities

These total Euro 2,509,560 thousand (Euro 3,002,972 thousand at 31 December 2009). 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 248,006 thousand (Euro 266,089 thousand at 31 December 2009) and subordinate liabilities of Euro 1,041,446 thousand (Euro 1,040,425 thousand at 31 December 2009). Of the latter, Euro 151,807 thousand refer to the Milano Assicurazioni Group.

With regard to other payables to banks and other lenders, amounting to Euro 1,345,417 thousand (Euro 1,696,458 thousand in 2009), the more significant amounts are shown below:

- Euro 302.5 million for loans granted to the Parent Company Premafin HP S.p.A., renegotiated on 22 December 2010 with the restructuring of the amortisation schedule.
- Euro 131.8 million refers to the loan contracted by the closed-end Tikal 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 2008, 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 69.7 million refers entirely to the debt of the subsidiary Immobiliare Milano Assicurazioni. These refer mainly to Euro 36 million in bank loans falling due on 31 May 2011 at the 6-month Euribor interest rate plus 90 basis points, and Euro 25 million for two bank loans from Efibanca with variable due dates up to 2012 at a 6-month Euribor interest rate plus 83 basis points.
- Euro 82.1 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. Also note a mortgage loan for the subsidiary Meridiano Secondo falling due on 25 September 2012 at a 3-month Euribor interest rate plus 90 bps.
- Euro 30 million refers to loans taken out by Finadin, of which Euro 17.2 million was for the acquisition of 40% of the units of the property fund "Fondo Sei Portafoglio".

The item also includes deposits made by customers of the subsidiary BancaSai of Euro 303,753 thousand.

5. PAYABLES

These total Euro 839,437 thousand and are comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Payables from direct insurance operations	91,887	135,466	(43,579)
Payables from reinsurance operations	106,862	99,010	7,852
Other payables	640,688	617,863	22,825
Total	839,437	852,339	(12,902)

Payables deriving from direct insurance operations comprise:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Payables to insurance brokers	70,446	95,243	(24,797)
Payables to insurance companies	20,344	37,929	(17,585)
Payables for policyholder deposits	94	798	(704)
Payables for guarantee provisions for policyholders	1,003	1,496	(493)
Total	91,887	135,466	(43,579)

Payables from reinsurance operations refer to reinsurance companies for Euro 78,713 thousand (Euro 79,673 thousand in 2009) and Euro 28,149 thousand with reinsurance brokers (Euro 19,337 thousand in 2009).

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

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Trade payables	346,540	312,607	33,933
Employee leaving indemnity	78,130	88,704	(10,574)
Payables for taxes on policyholders	94,714	94,202	512
Payables for other taxes	73,290	58,947	14,343
Payables to social security and welfare institutions	22,470	23,879	(1,409)
Other payables	25,544	39,524	(13,980)
Total	640,688	617,863	22,825

Payables for other taxes include the amount of Euro 60,373 thousand for the instalment owed for tax on Life actuarial provisions as provided for by Article 1, paragraphs 2 and 2-bis of Decree Law 209/2002 (enacted as Law 265/2002).

Employee leaving indemnity

As a result of the Pension Reform introduced by the 2007 Finance Act (Law 296/2006) employees of private sector companies with 50 or more employees had the option by 30 June 2007 of allocating the employee leaving indemnity accrued from 1 January 2007 to complementary pension funds or of maintaining the amount within the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

Companies with fewer than 50 employees were not obliged to offer the above option to their employees.

Where no choice was made by employees, the leaving indemnity accrued remained within the companies.

For the purposes of the actuarial valuation of the liability related to the provision of the employee leaving indemnity in accordance with IAS 19, and applying the 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 employee leaving indemnity at the company to which they belong: the actuarial criteria provided by IAS 19 for defined-benefit plans were used.
- For employees choosing to allocate the employee leaving indemnity to supplementary pensions: the portions of the employee leaving indemnity accruing from 1 January 2007, as a defined-contribution plan, do not fall within the scope of IAS 19.

The changes during the year are shown below:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Balance at beginning of year	88,704	84,133	4,571
Provision to income statement for Interest Cost	1,609	2,421	(812)
Provision to income statement for Service Cost	132	288	(156)
Actuarial gains/losses	2,087	2,387	(300)
Utilisations	(13,425)	(9,938)	(3,487)
Changes in the consolidation area	(977)	9,413	(10,390)
Balance at year-end	78,130	88,704	(101,203)

The slight increase in market rates seen in 2010 leads to greater discounting of future cash flows and consequently to a decrease in the IAS liability.

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

(values in %)	Employee leaving indemnity provision			
	1	2	3	4
ATAHOTELS	5.54	3.86	1.50	5.63
BANCASAI	5.54	3.86	1.50	5.63
CASA DI CURA VILLA DONATELLO	5.54	3.86	1.50	5.63
CASA DI CURA VILLANOVA	5.54	3.86	1.50	5.63
DIALOGO	5.54	3.13	1.50	3.01
EUROPA	4.77	3.13	1.50	3.01
FINITALIA	5.54	3.13	1.50	3.01
FONDIARIA-SAI	5.54	3.86	1.50	5.63
GRUPPO FS SERVIZI	5.83	3.86	1.50	5.63
IMMOBILIARE LOMBARDA	4.77	3.86	1.50	5.63
ITALRESIDENCE	5.54	3.86	1.50	5.63
LIGURIA NON-LIFE	5.03	3.86	1.50	5.63
LIGURIA LIFE	5.76	3.86	1.50	5.63
MARINA DI LOANO	5.04	3.86	1.50	5.63
MILANO ASSICURAZIONI (*)	5.54	3.13	1.50	3.01
PREMAFIN	5.78	6.74	1.50	9.57
PRONTO ASSISTANCE	4.77	3.86	1.50	5.63
SIAT	5.76	3.86	1.50	5.63
SISTEMI SANITARI	5.54	3.86	1.50	5.63
SYSTEMA	4.77	3.13	1.50	5.63

(*) 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 increases: analysis of the historical data 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 assistance post service

The Group implemented various health assistance programmes for directors in pension plans and their families. This benefit is payable to surviving spouses and dependent 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.

(in thousands of Euros)

Company	Provision at 31-		Provision at 31-		Service Cost 2009
	Dec-10	Service Cost 2010	Dec-09		
Fondiarria-SAI	14,453	205	15,543		140
Milano	7,312	63	7,868		72
Siat	252	9	256		9
Total	22,017	277	23,667		221

(values in %)	Executive Assistance			
	1	2	3	4
Fondiarria-SAI	3.82	n.a.	1.50	6.97
Milano	3.82	n.a.	1.50	5.02
Siat	3.82	n.a.	1.50	6.97

1 = Discount rate

2 = Expected rate of salary increments

3 = Expected inflation rate

4 = Turnover

6. OTHER LIABILITIES

These comprise the following:

(in thousands of Euros)	31.12.10	31.12.09	Change
Current tax liabilities	54,931	17,539	37,392
Deferred tax liabilities	132,060	137,761	(5,701)
Liabilities in a discontinued group held for sale	-	3,873,998	(3,873,998)
Other liabilities	363,385	476,016	(112,631)
Total	550,376	4,505,314	(3,954,938)

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

The figure at 31 December 2009 was represented mainly by the liabilities of Biemme Vita S.p.A., sold off during the current year.

6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 132,060 thousand (Euro 137,761 thousand at 31 December 2009), 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 to the income statement for the year amounts to Euro 105,061 thousand (Euro 60,373 thousand in 2009).

6.3 Tax payables

This item amounted to Euro 54,931 thousand (Euro 17,539 thousand at 31 December 2009) and refers to the total income tax provision made by the Group at the year-end, calculated by applying the nominal tax rates in force at the balance sheet date to the respective taxable income, as determined on the basis of prudent estimates.

As previously mentioned in the notes relative to current and deferred tax assets, we would point out that the amount recorded at the 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 363,385 thousand (Euro 476,016 thousand at 31 December 2009) and were comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Commissions on premium collection	113,839	126,061	(12,222)
Deferred commission expense for Life policy holder investment management services	10,326	25,873	(15,547)
Cheques issued against claims and life sums collected by the beneficiaries after 30/06/08		32,033	(32,033)
Transitory reinsurance accounts	3,652	2,058	1,594
Other liabilities	235,568	289,991	(54,423)
Total	363,385	476,016	(112,631)

Risks and commitments not recorded in the statement of financial position

In accordance with the international accounting standards (IAS/IFRS), the financial statements must contain not only 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 shown “under the line” of the statement of financial position are separated into risks and commitments assumed by the company and assets of third parties held.

Secured guarantees by the Group in favour of third parties

This item amounted to Euro 1,145,628 thousand, compared with Euro 683,428 thousand for the previous year, and includes: Euro 853,814 thousand for own securities serving Parent Company financial transactions; Euro 111,200 thousand for mortgages on buildings owned in favour of lender banks; Euro 67,122 thousand for own securities serving financial transactions of the subsidiary Finadin; Euro 50,825 thousand for secured guarantees relative to bank deposits on which there is a pledge, in relation to claims disputes; and Euro 4,160 thousand relating to assets put on deposit to secure inward reinsurance transactions.

Other guarantees provided by the Group in favour of third parties

Other guarantees amounted to Euro 47,743 thousand, compared with Euro 53,182 thousand from the previous year, and mainly represent guarantees, such as declarations of indemnity provided to lending institutions for the granting of loans to associates.

Guarantees provided by third parties on behalf of the Group

At year-end, these amounted to Euro 115,425 thousand (Euro 129,448 thousand in 2009) and mainly included guarantees issued in favour of the Direct Indemnity Consortium and in favour of CONSAP to secure commitments deriving from the CARD agreement.

Guarantees received

The balance at year-end amounted to Euro 167,672 thousand (Euro 209,393 thousand in 2008) and was made up primarily of bank guarantees provided on behalf of third parties to guarantee policies issued in the Collateral class for Euro 100,000 thousand.

Of the secured guarantees received, Euro 50,000 thousand was written off on the amount of the pledge for the capitalisation policy set up to hedge any losses that Fondiaria-SAI might have suffered as a result of the acquisition in 2006 of Liguria Assicurazioni from De Longhi Holding SA (formerly Guala Consultadoria e Investimentos LDA). The parties deemed it advisable to enter into a settlement for the amount of Euro 10,000 thousand, resolving any pending disputes in connection with the purchase and sale contract.

Commitments

These amounted to Euro 232,450 thousand and included various commitments, ranging from the property sector to the securities market.

Commitments relating to real estate transactions included Euro 51,400 thousand yet to be paid for the completion of the property transactions of Milano-Isola and Rome, Via Fiorentini. These transactions, carried out 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 to be built on the land.

Milano Assicurazioni also signed commitments, such as loans disbursable in the form of profit participating bonds, to Garibaldi S.C.A. for Euro 26,700 thousand and to Isola S.C.A. for Euro 8,700 thousand.

The securities to be delivered amounted to Euro 45,980 thousand, and those to be received amounted to Euro 15,187 thousand, recorded against purchase and sale transactions made in 2010, and settled at the beginning of 2011.

With regard to financial commitments, we would point out that in 2010 the mandatory convertible bond issued on Intesa SanPaolo shares matured for Euro 180,400 thousand, and was settled by delivery of the shares, fully extinguishing the debt with the bondholders.

PART C

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1.1 NET PREMIUMS

Consolidated net premiums amounted to Euro 12,585,297 thousand (Euro 11,888,742 thousand in 2009).

The Group's gross premiums amounted to Euro 12,953,305 thousand, up 5.25% compared with 2009, and were comprised as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Gross Life premiums written	5,749,276	5,137,011	612,265
Gross Non-Life premiums written	7,204,029	7,169,616	34,413
Change in gross premium provision	41,802	38,584	3,218
Total Non-Life sector	7,162,227	7,131,032	31,195
GROSS PREMIUMS	12,911,503	12,268,043	643,460

The item "Gross premiums written" 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 premiums written among the different sectors/segments in the financial statements and the division between direct and indirect business, see the tables in the Directors' Report.

Premiums ceded, totalling Euro 337,932 thousand, accounted for 2.6% of total premiums issued (3.2% for 2009).

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Life sector	18,784	28,207	(9,423)
Non-Life sector	319,148	367,641	(48,493)
Change in reinsurers' provision	(11,726)	(16,547)	4,821
Total Non-Life sector	307,422	351,094	(43,672)
PREMIUMS CEDED TO REINSURERS	326,206	379,301	(53,095)

The Group's reinsurance policy has had a positive effect on the consolidated financial statements of Euro 55,710 thousand (Euro 57,802 thousand in the Non-Life sector).

In accordance with IFRS 4.37, b), ii), we would point out that the Group does not defer and amortise gains or losses deriving from reinsurance.

Further analysis of item 1.1 of the income statement, subdivided into Non-Life and Life sector, is provided in the appendix at the end of these financial statements.

1.2 FEE AND COMMISSION INCOME

Commission income for 2010 amounted to Euro 57,317 thousand, representing a decrease of Euro 13,369 thousand with respect to 2009..

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 16 million refers to the subsidiary Popolare Vita. It also includes approximately Euro 41 million of commission income accrued by the companies operating in the fund management and consumer credit sectors.

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

This item amounted to Euro 378,291 thousand, representing a decrease compared to the income of Euro 522,056 thousand recorded in 2009.

<i>(in thousands of Euros)</i>	Net interest	Other net income	Realised gains	Realised losses	Valuation gains and restated values	Valuation losses and restated values	Total	31.12.10	Total 31.12.09	Change
<i>Result of investments from:</i>										
- Financial assets held for trading	6.502	1.402	6.859	(1.208)	10.700	(31.634)	(7.379)	44.032	(51.411)	
- Financial assets designated at fair value through profit or loss	219.165	101.144	66.006	(32.761)	136.750	(87.450)	402.854	853.993	(451.139)	
- Financial liabilities held for trading	0	0	0	0	595	(17.779)	(17.184)	2.322	(19.506)	
Total	225.667	102.546	72.865	(33.969)	148.045	(136.863)	378.291	900.347	(522.056)	

The reasons for the significant decrease are attributable principally to the negative changes in fair value on investments where the risk is on 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 401,691 thousand relative to Class D investments, offset by a similar negative change in commitments to policyholders.

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

<i>(in thousands of Euros)</i>	Net interest	Other net income	Realised gains	Realised losses	Valuation gains and restated values	Valuation losses and restated values	Total	31.12.10	Total 31.12.09	Change
<i>Result from:</i>										
- Investment property	-	24.456	59.858	(1)	-	(102.371)	(18.058)	33.872	(51.930)	
- Investments in subsidiaries, associates and joint ventures	-	(38.839)	-	-	-	-	(38.839)	(93.362)	54.523	
- Investments held to maturity	-	(83)	-	-	-	-	(83)	(79)	(4)	
- Loans and receivables	110.635	305	1.969	(7.103)	215	(9)	106.012	99.793	6.219	
- Financial assets available-for-sale	591.048	87.530	297.129	(158.991)	261	(389.314)	427.663	571.633	(143.970)	
- Sundry receivables	12.689	(2.253)	-	-	-	-	10.436	38.239	(27.803)	
- Cash and cash equivalents	7.990	(470)	-	-	-	-	7.520	15.355	(7.835)	
- Other financial liabilities and sundry payables	(88.072)	1.298	0	-	-	(2.172)	(88.946)	(112.514)	23.568	
Total	634.290	71.944	358.956	(166.095)	476	(493.866)	405.705	552.937	(147.232)	

With respect to investments in subsidiaries, associates and joint ventures, the "Other net income" includes the negative effect of the valuation at equity of the associate Finadin, at the time of the standardisation of group accounting principles, due to the effect on this company's equity of the impairment of equity instruments held by it.

The gains and losses realised columns show the economic effects of the sale of various financial instruments.

The valuation capital losses on investment property include the depreciation recognised during the year, as well as the impairment losses recognised after comparing the book values with the expert values. These changes amounted to Euro 28.6 million and referred primarily to properties in the hotel sector.

The valuation losses on available-for-sale financial instruments, amounting to Euro 389 million, include the impairment registered in accordance with the valuation policy already described in the notes to the relative assets.

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

No interest income was accrued during the year on financial assets written down for impairment in previous years (IAS 32.94h).

Appendix 11 is shown at the foot of the financial statements.

1.6 OTHER REVENUES

Other revenues amounted to Euro 551,762 thousand (Euro 691,528 thousand in 2009) and are summarised in the following table:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Gains related to non-current assets	297	20	277
Other technical income	74,405	71,478	2,927
Utilisation of provisions	39,852	206,025	(166,173)
Exchange differences	22,431	3,385	19,046
Non-recurring income	28,639	24,313	4,326
Gains realised on property, plant and equipment	385	28,961	(28,576)
Other revenues	314,837	357,346	(42,509)
Change in building inventory (revenues)	60,493	0	60,493
Revenues from rental property recorded under intangible assets	10,423	0	10,423
Total	551,762	691,528	(142,970)

The item “Other revenues” includes the following income:

- Euro 119 million in revenues from the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano. The properties held by certain subsidiaries of Immobiliare Fondiaria-SAI are treated as inventory and are classified under property, plant and equipment: the respective change in inventory amounts to Euro 60 million
- Euro 113 million relating to operating revenues of the subsidiary Atahotels
- Euro 75 million in operating revenues of the subsidiary Auto Presto&Bene
- Euro 45 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 INSURANCE BENEFIT AND CLAIMS

The claims paid, including the sums for the Life sector and the relative expenses, gross of the share ceded to reinsurers, amounted to Euro 9,067,247 thousand, an increase of 9% compared with the previous year.

Claims costs, amounts paid and changes in insurance contract liabilities

<i>(in thousand of Euross)</i>	31.12.10	31.12.09	Change
Amounts paid	5,931,946	5,697,312	234,634
Change in recoveries	(143,211)	(127,487)	(15,724)
Change in other technical provisions	584	799	(215)
Change in claims provision	166,632	359,162	(192,530)
Total Non-Life	5,955,951	5,929,786	26,165
Amounts paid	3,135,301	2,620,620	514,681
Change in actuarial provisions and other technical provisions	2,513,322	1,319,332	1,193,989
Change in insurance contract liabilities where investment risk is on policyholders and from pension fund management	677,000	2,330,677	(1,653,677)
Change in Life sums to pay provision	60,338	(44,670)	105,008
Total Life	6,385,961	6,225,959	160,001
Total Non-Life + Life	12,341,912	12,155,745	186,166
Amounts paid	8,924,036	8,190,445	733,591
Change in provisions	3,417,876	3,965,300	(547,424)

Claims costs, reinsurers' portion

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Amounts paid	200,859	213,004	(12,145)
Change in recoveries	(27,722)	18,803	(46,525)
Change in other technical provision	-	-	-
Change in claims provision	(3,648)	27,092	(30,740)
Total Non-Life	169,489	258,899	(89,410)
Amounts paid	32,095	36,244	(4,149)
Change in actuarial provisions and other technical provisions	(13,870)	(10,866)	(3,004)
Change in Life sums to pay provision	1,257	(557)	1,814
Total Life	19,482	24,821	(5,339)
Total Non-Life + Life	188,971	283,720	(94,749)
Amounts paid net of recoveries	205,232	268,051	(62,819)
Change in provisions	(16,261)	15,669	(31,930)

The change in the net insurance contract liabilities of the Non-Life sector amounted to Euro 170,864 thousand, down by Euro 162,005 thousand from 2009.

The change in the net insurance contract liabilities of the Life sector, including the provision for sums payable, was Euro 3,263,273 thousand (Euro 3,616,762 thousand in 2009).

For further details on the Non-Life and Life segments of item 2.1 of the income statement, reference should be made to Appendix 10 at the foot of these financial statements.

2.2 FEE AND COMMISSION EXPENSES

The commission expense for 2010 amounted to Euro 28,421 thousand, representing a decrease of Euro 9,840 thousand with respect to 2009.

2.5 OPERATING EXPENSES

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Acquisition commissions and change in deferred acquisition costs	1,112,617	1,111,175	1,442
Other acquisition expenses	213,943	207,359	6,584
Collection commissions	39,108	39,179	(71)
Commissions and participation in reinsurers' profits	(80,131)	(92,715)	12,584
Total Non-Life	1,285,537	1,264,998	20,539
Acquisition commissions and changes in deferred acquisition costs	111,125	140,852	(29,727)
Other acquisition expenses	22,846	46,026	(23,180)
Collection commissions	8,873	10,132	(1,259)
Commissions and participation in reinsurers' profits	(1,394)	(3,881)	2,487
Total Life	141,450	193,129	(51,679)
Investment management expenses	14,645	12,643	2,002
Other administrative expenses	487,272	449,144	38,128
Total	1,928,904	1,919,914	8,990

The acquisition costs accrued during the year amounted to Euro 1,460,531 thousand, as shown in the table below:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Sustained and expensed during year	1,395,880	1,429,171	(33,291)
Amortisation of costs capitalised in previous years	64,651	76,241	(11,590)
Value at year-end	1,460,531	1,505,412	(44,881)

2.6 OTHER EXPENSES

Other expenses amounted to Euro 981,028 thousand (Euro 820,353 thousand in 2009), and are summarised in the table below:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Other technical insurance charges	281,458	268,085	13,373
Provisions	122,375	65,619	56,756
Losses on receivables	30,423	11,850	18,573
Non-recurring charges	31,754	29,650	2,104
Depreciation of property, plant and equipment	14,100	14,497	(397)
Amortisation of intangible assets	68,202	66,588	1,614
Exchange differences	6,693	596	6,097
Other costs	426,023	363,468	62,555
Total	981,028	820,353	160,674

In particular, "Other costs" includes Euro 71 million relative to losses in value following the impairment tests performed on goodwill; for further detail, see the comments on "Goodwill".

"Other costs" also include the following charges:

- Euro 122 million relating to operating costs of the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano

- Euro 74 million relating to operating costs of the subsidiary Atahotels
- Euro 75 million relating to labour costs and vehicle spare parts of the subsidiary Auto Presto&Bene
- Euro 35 million relating to the costs incurred by the retirement home subsidiaries of the Group for operating and personnel costs
- Euro 6 million relating to the operating costs of the subsidiary Saiagricola.

3. INCOMETAXES

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Costs (revenues) for current taxation	16,361	87,556	(71,195)
Adjustments for prior years' current taxation	2,208	17,544	(15,336)
Deferred tax liabilities arising in the year	146,265	26,540	119,725
(-) Deferred tax liabilities utilised in the year	(41,204)	(215,241)	174,037
(-) Deferred tax assets arising in the year	(279,667)	(108,588)	(171,079)
Deferred tax assets utilised in the year	78,092	76,527	1,565
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	828	(17,155)	17,983
Costs (revenues) relating to write-downs (restated values) of deferred tax assets recorded in the previous year	-	-	-
Changes due to changes in estimates pursuant to IAS 8	-	-	-
Total	(77,117)	(132,817)	55,700

Income tax for the year amounted to a net income of Euro 77,117 thousand (an income of Euro 132,817 thousand in 2009) representing the combined effect of current tax of Euro 18,568 thousand against a net deferred tax asset of Euro 95,685 thousand.

Current income taxes include tax adjustments relating to previous years for a total of Euro 2,208 thousand.

This amount is determined by increased taxes of Euro 2,748 thousand. Of these, Euro 2,582 thousand refer to the higher IRES income tax and IRAP regional tax paid by Fondiaria-SAI as a result of a tax inspection for 2007. On the other hand, lower current taxes as a result of tax refunds or adjustments of previous provisions amounted to Euro 540 thousand, of which Euro 526 thousand refers to the subsidiary Fondiaria Nederland.

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 certain 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 tax assets resulted in a reduction in the fiscal charge of Euro 95,685 thousand.

Of these, Euro 11,429 thousand refer to reversals of advance tax previously recorded by, among others, the subsidiary Fondiaria-SAI for Euro 10,535 thousand, Eurosai for Euro 284 thousand, and Italiberia for Euro 544 thousand.

The reconciliation between the fiscal charge recorded in the financial statements and the theoretical fiscal charge, calculated using the nominal IRES rate of 27.5% in force for the years 2009-2010 is as follows:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09	Change
Profit (loss) before taxes	(1,027,046)	(546,312)	(480,734)
Taxes on theoretical income (excluding IRAP)	(282,438)	(150,236)	(132,202)
Tax effect from changes in permanent differences in taxable income	146,418	13,355	133,063
Fiscal effect of use of prior years tax losses for which no deferred tax asset was recorded	(2,653)	(1,944)	(709)
Tax effect from share of results of associates	11,535	420	11,115
Tax effect from foreign tax rates	(4,323)	(7,968)	3,645
Tax effect from changes in the nominal rate	-	-	-
Other differences	35,526	27,730	7,796
Income tax (excluding IRAP regional tax)	(95,934)	(118,643)	22,709
IRAP	18,817	(14,174)	32,991
Total income taxes recognised for the year	(77,117)	(132,817)	55,700

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 146,418 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, as well as the greater impact of the fiscally irrelevant alignments made on equity securities meeting the requirements of Article 86 of Presidential Decree 917/1986 (PEX) recorded in the income statement for the year since they are regarded as impairment.

The increases include Euro 2,615 thousand due to the effect, in terms of greater taxes, of the tax exempt and thus fiscally irrelevant negative economic result contributed by the subsidiary Tikal property fund, not including consolidation adjustments.

The theoretical fiscal charge is reduced by Euro 2,653 thousand due to the use of previous tax losses against which no deferred tax asset was recognised, *inter alia*, in particular, by the foreign subsidiaries Finsai International for Euro 1,891 thousand, DDOR Novi Sad for Euro 193 thousand and by Immobiliare Lombarda for Euro 493 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 4,323 thousand.

This change is due primarily to the fact that corporate income tax was lower for the Irish companies Lawrence Life, by Euro 1,354 thousand, and Lawrence R.E., by Euro 1,820 thousand, and to the fact that taxes were lower for the Serbian subsidiary DDOR Novi Sad by Euro 992 thousand.

The other differences, which have an impact in terms of overall increased charges of Euro 30,213 thousand, are due to the combined effect of, *inter alia*:

- higher taxes of Euro 18,702 thousand relating to the estimated tax losses of certain subsidiaries, for which it was not considered appropriate, including for reasons of prudence, to record the deferred tax
- adjustments to deferred tax asset allowances made in previous years by the Parent Company of Euro 10,535 thousand, by Itiberia of Euro 544 thousand and by Eurosai of Euro 284 thousand.

In relation to the change in deferred tax liabilities, the provision of Euro 146,284 thousand relates, *inter alia*, to Euro 85,874 thousand in adjustments made pursuant to IAS 39 on net investment expenses on securities recorded, in particular, in the Life sector due to negative share prices at year-end, Euro 19,329 thousand in adjustments to the value of goodwill and other intangible assets, made pursuant to IAS 38, and Euro 27,004 thousand in adjustments made, pursuant to IFRS 4, on changes in insurance contract liabilities in the Non-Life sector and in actuarial provisions in the Life sector.

On the other hand, reversals of deferred tax liabilities amounted to Euro 41,242 thousand and are due, among other things, to Euro 22,609 thousand in the amortisation of deferred commission recognised at the time of consolidation.

The deferred tax assets arising in the year, net of those reversed, reduced the fiscal charge by Euro 200,680 thousand.

Taxes arising of Euro 279,600 thousand include Euro 24,703 thousand relating to the deduction of part of the change in the claims provisions of the Non-Life sector and Euro 24,247 thousand relating to write-downs on receivables from policyholders. Added to these amounts are the taxes accrued, for Euro 169,168 thousand, on tax losses made during the year, deemed congruent due to expected future taxable income during the period of reabsorption, and the taxes arising due to the lower depreciation of Euro 13,870 thousand made on properties for IAS purposes.

Meanwhile, reversals of prepaid taxes include Euro 21,865 thousand relating to the deduction of greater fiscal capital gains on equity securities due to capital losses of Euro 15,785 thousand on Lehman securities by the subsidiary Popolare Vita and Euro 10,546 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 timing of the reversal of these temporary differences. The temporary differences deriving from associates are not significant.

In addition to the information required by IAS 12 - *Income Taxes*, we would point out that the deferred tax assets and liabilities amount to Euro 361,194 thousand and Euro 132,060 thousand respectively, at the year-end.

4. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

These amount to Euro 1,762 thousand, and include Euro 2,464 thousand from net capital gains made following the completion of the transferral of the Trieste, Riva Tommaso Gulli property to the Rho fund and Euro 702 thousand from the capital loss

made following the completion of the disposal of the 51% stake in Bipiemme Vita.

FURTHER INFORMATION

With reference to the nature of costs for the year (IAS 1.93), in addition to that already disclosed under “Other costs” in the financial statements, we would point out that total Group personnel costs amount to Euro 437.8 million (Euro 430 million at 31 December 2009).

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 treasuryshares 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>(in thousands of Euros)</i>	31.12.10	31.12.09
Net profit attributable to the shareholders of the Parent Company	(271,541)	(134,417)
Weighted average number of ordinary shares used to calculate the basic earnings per share	382,775,895	382,775,895
Basic earnings per share	(0.709)	(0.351)
Dilution effect	0	
Weighted average number of ordinary shares used to calculate diluted earnings per share	382,775,895	382,775,895
Diluted earnings per share	(0.709)	(0.351)

It should also be noted that the net loss attributable to the ordinary shareholders of the Parent Company was obtained by deducting the share of the theoretical result pertaining to saving shareholders from the Group consolidated net profit (loss).

Dividends paid and proposed

The Parent Company has not distributed any dividends during the last two years.

Group solvency margin

In accordance with the provisions issued on the correct solvency margin and the application of prudential filters, as a result of IAS/IFRS standards being introduced into Italian law, for the year 2010 the ratio between the constituent items and the correct solvency margin required was 83% (106% at 31 December 2009).

This figure takes into account the fact that the insurance group has applied Regulation 37 of 15 March 2011 which, relative to debt securities to be held as long-term assets, net of the portion attributable to policyholders and recorded under insurance liabilities, allows for taking the positive difference between the value recognised on separate financial statements and the respective value recognised on the consolidated financial statements into account among the constituent items.

This amount does not exceed the amount of losses for 2010 arising from the valuation

of the said securities, as recognised under net equity in the consolidated financial statements. The impact of this option on the adjusted solvency tests at 31 December 2010 was 4%.

With respect to the initiatives undertaken by the Group to strengthen its capital after the end of the year, please refer to Part H – Other information.

Note that for 2011, the recovery of solvency will take place both through the capital increase resolved upon by the Shareholders' Meeting held on 26 January 2011 and through the disposal of unlisted assets belonging to the insurance, real estate and other sectors.

PART D – SEGMENT INFORMATION

In accordance with IAS 14, segment information provides the users of financial statements with an additional tool for a better understanding of 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 sector of activity, 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 insurance contract liabilities of the Group and actively operates in the management and enhancement of investment property.

The Other Assets 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 2010 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
AS OF 31.12.10
(n thousands of Euros)

STATEMENT OF FINANCIAL POSITION
BY BUSINESS SEGMENT

	NON-LIFE INSURANCE SECTOR		LIFE INSURANCE SECTOR		REAL ESTATE SECTOR		OTHER		INTER-SEGMENT ELIMINATIONS		TOTAL		
	at 31.12.10	at 31.12.09	at 31.12.10	at 31.12.09	at 31.12.10	at 31.12.09	at 31.12.10	at 31.12.09	at 31.12.10	at 31.12.09	at 31.12.10	at 31.12.09	
1	INTANGIBLE ASSETS												
	874,238	941,198	688,496	705,587	591	123,909	79,119	189,602	-	-	1,642,444	1,960,296	
2	PROPERTY, PLANT AND EQUIPMENT												
	108,871	116,464	6,800	7,800	376,926	250,211	105,501	129,663	(26)	(27)	598,072	504,111	
3	REINSURANCE ASSETS												
	656,719	690,169	166,465	180,131	-	-	-	-	-	-	823,184	870,300	
4	INVESTMENTS												
	8,727,774	8,842,056	24,963,481	22,931,287	1,532,880	1,619,842	1,205,115	1,780,977	(397,335)	(533,114)	36,031,915	34,641,048	
4.1	Investment property	1,567,370	1,602,876	26,949	27,085	1,276,207	1,350,578	41,663	49,985	-	-	2,912,189	3,030,524
4.2	Equity investments in subsidiaries, associates and joint ventures	399,995	412,334	62,151	62,143	140,999	140,216	(250,131)	(272,694)	-	-	353,014	341,999
4.3	Investments held to maturity	-	-	594,107	810,323	-	-	-	-	(1,969)	(1,850)	592,138	808,473
4.4	Loans and receivables	612,608	557,511	1,606,049	1,190,212	38,717	54,341	1,227,682	1,621,129	(325,845)	(515,184)	3,159,211	2,908,009
4.5	Available-for-sale financial assets	6,114,948	6,188,437	13,984,954	12,323,418	74,082	71,662	164,396	329,498	(63,082)	(16,080)	20,275,298	18,896,935
4.6	Financial assets at fair value through profit or loss	32,853	80,898	8,689,271	8,518,106	2,875	3,045	21,505	53,059	(6,439)	-	8,740,065	8,655,108
5	OTHER RECEIVABLES												
	2,245,576	2,290,858	234,974	318,909	80,707	90,245	317,881	320,212	(564,485)	(596,750)	2,314,653	2,423,474	
6	OTHER ASSETS												
	1,021,563	734,271	371,120	4,476,593	38,520	40,479	43,327	50,129	(477,952)	(377,803)	996,578	4,923,669	
6.1	Deferred acquisition costs	52,248	111,436	35,354	30,675	-	-	-	-	-	-	87,602	142,111
6.2	Other assets	969,315	622,835	335,766	4,445,918	38,520	40,479	43,327	50,129	(477,952)	(377,803)	908,976	4,781,558
7	CASH AND CASH EQUIVALENTS												
	547,610	596,641	340,800	132,603	64,529	65,137	69,355	169,995	(393,890)	(373,131)	628,404	591,245	
	TOTAL ASSETS	14,182,351	14,211,657	26,772,136	28,752,910	2,094,153	2,189,823	1,820,298	2,640,578	(1,833,688)	(1,880,825)	43,035,250	45,914,143
1	CAPITAL AND RESERVES												
												2,270,116	3,413,898
2	PROVISIONS												
	284,981	240,256	31,371	24,675	18,905	24,195	24,725	32,912	-	-	359,982	322,038	
3	INSURANCE CONTRACT LIABILITIES												
	11,887,849	11,668,235	22,940,123	20,049,815	-	-	-	-	-	-	34,827,972	31,718,050	
4	FINANCIAL LIABILITIES												
	1,133,249	1,191,283	2,133,561	2,706,691	292,424	304,825	1,404,127	1,800,005	(775,994)	(900,301)	4,187,367	5,102,503	
4.1	Financial liabilities at fair value through profit or loss	23,502	7,519	1,620,308	2,071,703	2,259	2,037	31,738	18,272	-	-	1,677,807	2,099,531
4.2	Other financial liabilities	1,109,747	1,183,764	513,253	634,988	290,165	302,788	1,372,389	1,781,733	(775,994)	(900,301)	2,509,560	3,002,972
5	PAYABLES												
	841,164	785,868	101,147	158,715	72,677	86,512	399,087	419,946	(574,638)	(598,701)	839,437	852,340	
6	OTHER LIABILITIES												
	493,399	537,508	481,721	4,241,938	30,618	30,740	26,735	76,922	(482,097)	(381,794)	550,376	4,505,314	
	TOTAL LIABILITIES, CAPITAL AND RESERVES											43,035,250	45,914,143

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31.12.10

(in thousands of Euros)

INCOME STATEMENT
BY BUSINESS SEGMENT

	NON-LIFE INSURANCE SECTOR			LIFE INSURANCE SECTOR			PROPERTYREAL ESTATE SECTOR			OTHER		INTER-SEGMENT ELIMINATIONS			TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
1.1 Net premiums	6,854,805	6,779,939	5,730,491	5,108,803	-	-	-	-	-	-	-	-	12,585,296	11,888,742		
1.1.1 Gross premiums	7,162,227	7,131,032	5,749,276	5,137,011	-	-	-	-	-	-	-	-	12,911,503	12,268,043		
1.1.2 Premiums ceded to reinsurers	(307,422)	(351,093)	(18,785)	(28,208)	-	-	-	-	-	-	-	-	(326,207)	(379,301)		
1.2 Fee and Commission income	-	-	16,526	23,258	-	-	43,180	52,155	(2,389)	(4,727)	-	-	57,317	70,686		
1.3 Net income from financial instruments recorded at fair value through profit or loss	(7,027)	81,249	399,632	818,083	(601)	(2,421)	(13,682)	3,436	(30)	-	-	-	378,292	900,347		
1.4 Income from equity investments in subsidiaries, associates and joint ventures	371	9,326	1	309	16,007	3,616	39,501	2,439	(85)	(1,478)	-	-	55,795	14,212		
1.5 Income from other financial instruments and investment property	401,002	360,678	805,903	663,927	39,196	53,969	80,263	80,006	(42,984)	(29,649)	-	-	1,283,380	1,128,931		
1.6 Other revenues	463,528	366,438	42,556	202,187	129,834	161,210	612,823	622,972	(696,980)	(661,279)	-	-	551,761	691,528		
1 TOTAL REVENUES	7,712,679	7,597,630	6,995,109	6,816,567	184,436	216,374	762,085	761,008	(742,468)	(697,133)	-	-	14,911,841	14,694,446		
2.1 Net charges relating to claims	(5,786,462)	(5,670,886)	(6,366,479)	(6,201,139)	-	-	-	-	-	-	-	-	(12,152,941)	(11,872,025)		
2.1.2 Amounts paid and changes in insurance contract liabilities	(5,955,951)	(5,929,785)	(6,385,961)	(6,225,960)	-	-	-	-	-	-	-	-	(12,341,912)	(12,155,745)		
2.1.3 Portion attributable to reinsurers	169,489	258,899	19,482	24,821	-	-	-	-	-	-	-	-	188,971	283,720		
2.2 Fee and Commission expense	-	-	(14,007)	(20,676)	-	-	(14,414)	(17,585)	-	-	-	-	(28,421)	(38,261)		
2.3 Charges from equity investments in subsidiaries, associates and joint ventures	(12,842)	(14,881)	-	(308)	(7,062)	(66,236)	(1,654)	(1,501)	-	-	-	-	(21,558)	(82,926)		
2.4 Charges from other financial instruments and investment property	(486,391)	(277,099)	(233,343)	(141,469)	(83,667)	(60,171)	(44,532)	(50,082)	21,902	21,542	-	-	(826,031)	(507,279)		
2.5 Operating expenses	(1,592,180)	(1,560,074)	(210,690)	(257,984)	(477)	(1,445)	(347,983)	(311,124)	222,423	210,713	-	-	(1,928,907)	(1,919,914)		
2.6 Other expenses	(795,890)	(573,102)	(98,372)	(110,112)	(144,144)	(182,118)	(441,105)	(418,422)	498,483	463,401	-	-	(981,028)	(820,353)		
2 TOTAL COSTS	(8,673,765)	(8,096,042)	(6,922,891)	(6,731,688)	(235,350)	(309,970)	(849,688)	(798,714)	742,808	695,656	-	-	(15,938,886)	(15,240,758)		
PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	(961,086)	(498,412)	72,218	84,879	(50,914)	(93,596)	(87,603)	(37,706)	340	(1,477)	-	-	(1,027,045)	(546,312)		

PART E – INFORMATION ON FINANCIAL RISKS

The Solvency II convergence project

In 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 measures for implementation of the Directive. The Group participated in all of the Quantitative Impact Studies, in preparation 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 along with a few other Italian companies. In 2007, 11 Group companies took part in QIS3 (with a coverage level of 94% of the provisions), while the following year saw the participation of all the consolidated insurance companies in QIS4, as did QIS5 in the latter part of 2010.

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

This adjustment took place through an initial analysis of the regulatory gaps – subsequently updated in view of the progressive consolidation of the regulatory framework – on the basis of which a strategic intervention plan was drawn up through 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 business management through greater knowledge in assuming risks and allocating capital. In support of this process of change, a Solvency II training and information project was begun during the year, which progressively involved all corporate levels, aimed at making the entire internal staff aware of the importance of adequate risk management.

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
- measures of 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 management

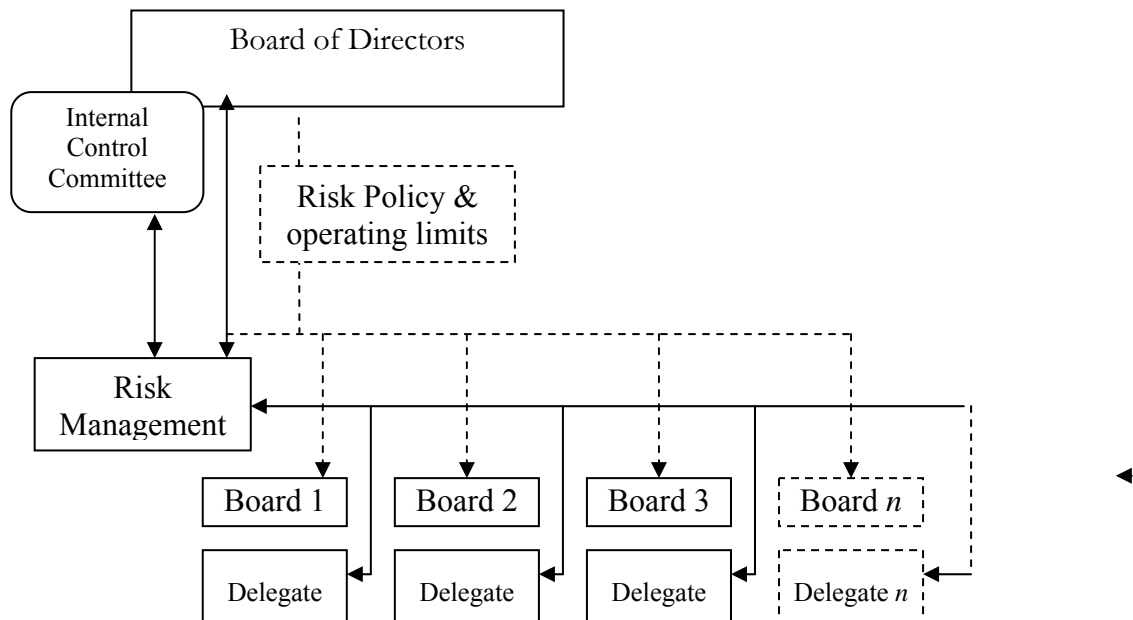
In February 2009, as part of the risk management system implementation plan, the Fondiaria-SAI Group risk policy was approved by the Board of Directors of Fondiaria-SAI, which established the following principal objectives:

- 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 basic organisational model within the risk management system involves the following functions:

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 - verification of the efficiency and effectiveness of the internal control and risk management system
Internal Control Committee	<ul style="list-style-type: none"> - advice and proposals to the Board of Directors relating to monitoring the adequacy and effective functioning of the internal control system and of the risk monitoring and management system
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 Solvency I excess capital, internal model, S&P model and standard Solvency II formula.
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 Management Department, in coordination with the Audit and Compliance Departments, operates at Group level through delegates within the individual companies, with the aim of guaranteeing a uniform approach to risk management in line with the guidelines established by the Board of Directors of Fondiaria-SAI. For details of the functions assigned to the other bodies involved in the risk management system, reference should be made to the other sections of these financial statements.



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. In addition to estimating the maximum potential loss, the approach adopted in monitoring total exposure also considers risks which, according to a cause-and-effect logic, may emerge as a consequence of other risks, although not always generating a directly measurable economic impact.

These risks, known as “second-level risks”, are:

- reputational risk, i.e. risk related to a deterioration in the corporate image and an increase in conflict with policyholders, due amongst other things to the low quality of the products offered, the placing of unsuitable policies or the unsatisfactory conduct of the sales networks
- risks related to the membership of a group, or “contagion” risk, i.e. risk that arises due to the interlinked nature of the other Group companies, whereby a difficult situation arising in one entity spreads, affecting the solvency of the entity
- the risk of conflicts of interest.

Particular attention must also 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 implementation of decisions or a failure to react swiftly and decisively to changes in the competitive environment.

The Risk Map at levels I and II represents point of reference for risk management activity. This structure, however, is not a static fixed element within the Model, in that the approach adopted, as set out above, must take into account not only all current risks but also possible future risks, in order to anticipate any possible threats arising from the context in which the Fondiaria-SAI Group operates.

Table 3 – Risk Map

	Non-Life	Life	Real estate	Other
Financial risks				
Market risks	√	√	√	√
Credit risk	√	√	√	√
Liquidity risk	√	√	√	√
Life technical risks				
Longevity		√		
Mortality:		√		
Disability		√		
Expense		√		
Redemption		√		
Catastrophe		√		
Non-Life technical risks				
Provision	√			
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 ensuring consistency between the assets and the liabilities structure, using ALM policies
- prudent management, limiting exposure in financial instrument securities with low credit ratings
- the use of derivative instruments primarily for hedging purposes.

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
- concentration by issuer/counterparty
- rating
- VaR
- duration gap (differentiated between Non-life and Life)
- minimum hedging on strategic investments

- liquidity, intended as a maximum percentage of “illiquid” instruments.

The structure of the asset portfolio in the Life sector is in line with the structure of the liabilities that these securities are intended to hedge. For the Non-Life sector, the assets are principally selected in view of foreseeable changes in the settlement of claims for which the provisions are intended.

The investment guidelines and the investment risk management system will be reviewed in light of the provisions of ISVAP Regulation 36 of 31/01/2011, which will soon enter into force.

Market risk

Market risk represents “the risk of unexpected losses due to changes in share prices, interest rates, property prices and exchange rates”.

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 the VaR and risk capital of the equity and bond portfolio as of 31 December 2010, calculated at a confidence level of 99.5%, is shown below.

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 long-term securities. In order to limit this risk, the Group uses a mixture of fixed income and variable rate securities. 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 reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the 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.

Table 4- Analysis of values and Value at Risk as of 31 December 2010

Type	% composition (listed value)	VaR rate/ price %	VaR exchange %	Total VaR %
Total listed shares	6.90	10.56	0.17	10.73
Total derivatives	0.00	N/A	0.00	N/A
Net equity exposure	6.90	10.11	0.17	10.28
Total securities	86.61	1.21	0.02	1.22
Total unlisted shares	2.69	4.01	0.03	4.04
Total	96.20	1.92	0.03	1.95
Other assets	3.80	1.20	0.01	1.21
Grand total	100.00	1.90	0.03	1.92

Table 5 – Analysis of values and Value at Risk as of 31 December 2009

Type	% composition (listed value)	VaR rate/ price %	VaR exchange %	Total VaR %
Total listed shares	8.20	12.84	0.31	13.15
Total derivatives	-0.02	604.30	0.00	604.30
Net equity exposure	8.18	11.55	0.31	11.86
Total “time deposit” funds	83.23	1.16	0.02	1.18
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
Grand total	100.00	2.31	0.04	2.35

- The percentage weight is calculated taking the listed value as a reference.
- The columns “VaR rate/price %” and “VaR exchange %” show the percentage on the market value.
- The following are not included in the scope of analysis: DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
- The VaR of the derivatives reduces the riskiness of the equity positions (hedging operations).
- The “Other assets” item includes structured securities.

Table 6 – Analysis of values and risk capital at 31 December 2010

Type	% composition (listed price)	Risk capital rate/price %	Risk Capital exchange %	Total risk capital %
Total listed shares	6.90	40.84	0.81	41.65
Total derivatives	0.00	N/A	0.00	N/A
Net equity exposure	6.90	37.88	0.81	38.69
Total securities	86.61	4.74	0.08	4.82
Total unlisted shares	2.69	17.51	0.12	17.63
Total	96.20	7.48	0.13	7.61
Other assets	3.80	4.73	0.04	4.77
Grand total	100.00	7.37	0.13	7.50

Table 7 – Analysis of values and risk capital at 31 December 2009

Type	% composition (listed value)	Risk capital rate/price %	Risk capital exchange %	Total risk capital %
Total listed shares	8.20	45.11	1.42	46.53
Total derivatives	-0.02	2114.09	0.00	2114.09
Net equity exposure	8.18	40.60	1.43	42.03
Total “time deposit” funds	83.23	4.07	0.08	4.15
Total unlisted shares	3.46	31.07	0.08	31.15
Total	94.88	8.20	0.20	8.40
Other assets	5.12	8.51	0.04	8.55
Grand total	100.00	8.22	0.19	8.41

- The percentage weight is calculated taking the listed value as a reference.
- The column “Risk capital rate/price %” and “Risk capital exchange %” shows the percentage on the market value.
- The following are not included in the scope of analysis: DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
- The risk capital of the derivatives reduces the riskiness of the equity positions (hedging operations).
- The “Other assets” item includes structured securities.

The reduction of portfolio risk compared with 31 December 2009 is mainly attributable to the equity component due to the contraction in volatility and the change in the method of measuring equity risk.

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.

Table 8 - Sensitivity analysis of the value of the bond component

(in millions of Euros)	31.12.10	+ 50 bps 31.12.09	31.12.10	- 50 bps 31.12.09
Total	(444)	(368)	471	391
of which Non-Life	(58)	(50)	60	52
of which Life	(386)	(318)	411	339

The held-to-maturity and loans and receivables categories are not included.

The table below shows the analysis of the duration, VaR and risk capital of the bond portfolio as of 31 December 2009 divided by type of issuer and maturity.

Table 9 - 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 Euro	78.53	5.18	1.16	4.59
<i>Variable rate</i>	<i>17.69</i>	<i>1.27</i>	<i>0.46</i>	<i>1.94</i>
<i>Fixed rate</i>	<i>60.84</i>	<i>6.27</i>	<i>1.37</i>	<i>5.37</i>
0,0 <= 1,5	6.75	0.83	0.42	0.26
1,5 <= 3,0	12.50	2.17	0.97	2.90
3,0 <= 5,5	12.59	3.89	1.35	5.31
5,5 <= 7	1.71	5.38	1.53	6.45
>7	27.29	10.12	1.78	7.72
Corporate Euro	20.20	4.18	1.26	4.92
<i>Variable rate</i>	<i>0.78</i>	<i>0.12</i>	<i>0.02</i>	<i>1.00</i>
<i>Fixed rate</i>	<i>19.42</i>	<i>4.34</i>	<i>1.31</i>	<i>5.07</i>
0,0 <= 1,5	1.53	0.71	0.36	0.28
1,5 <= 3,0	3.19	2.23	0.98	3.01
3,0 <= 5,5	7.37	3.54	1.27	4.89
5,5 <= 7	3.20	5.48	1.65	6.94
>7	4.13	7.38	1.71	7.33
Euro bond funds	0.93	1.07	0.47	0.86
<i>Fixed rate</i>	<i>0.93</i>	<i>1.07</i>	<i>0.47</i>	<i>0.86</i>
0,0 <= 1,5	0.77	0.63	0.32	0.12
3,0 <= 5,5	0.09	2.90	1.14	4.04
0,0 <= 1,5	0.07	3.66	1.28	4.95
3,0 <= 5,5	0.00	5.81	1.52	6.51
Government Non Euro	0.24	3.04	0.20	0.27
<i>Variable rate</i>	-	<i>0.17</i>	<i>0.02</i>	<i>0.00</i>
<i>Fixed rate</i>	<i>0.24</i>	<i>3.08</i>	<i>0.21</i>	<i>0.27</i>
0,0 <= 1,5	0.11	0.55	0.09	0.02
1,5 <= 3,0	0.02	1.99	0.27	0.29
3,0 <= 5,5	0.08	4.25	0.28	0.44
5,5 <= 7	0.00	5.83	0.39	1.24
>7	0.03	10.13	0.43	0.77
Corporate Non Euro	0.10	1.51	0.15	0.17
<i>Variable rate</i>	<i>0.01</i>	<i>0.07</i>	<i>0.00</i>	<i>0.52</i>
<i>Fixed rate</i>	<i>0.09</i>	<i>1.60</i>	<i>0.16</i>	<i>0.14</i>
0,0 <= 1,5	0.06	0.87	0.09	0.02
1,5 <= 3,0	0.03	2.24	0.25	0.29
3,0 <= 5,5	0.01	2.82	0.36	0.52
5,5 <= 7	-	5.33	0.22	0.35
Total bonds	99.07	4.97	1.18	4.64
Total	100.00	4.93	1.17	4.61

- *The percentage weight is calculated taking the values utilised in the analysis as a reference.*
- *The analysis does not include structured securities.*
- *The following are not included in the scope of analysis: DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.*

Equity 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.

The valuation of the assets utilises the volatility of the underlying assets or of their associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria is used as input for the calculation of the VaR and risk capital.

The graphs below show the breakdown of the equity portfolio by segment.

Fig. 10 Breakdown of the equity portfolio of the Fondiaria-SAI Group

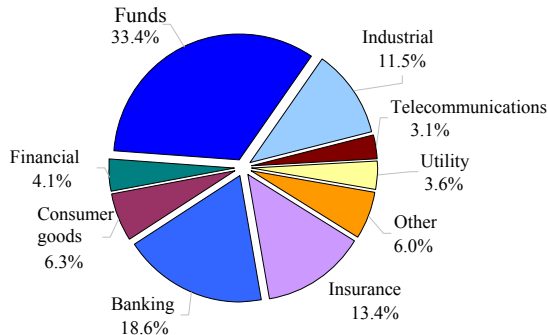


Fig. 11 Fondiaria-SAI Group Non-Life classes

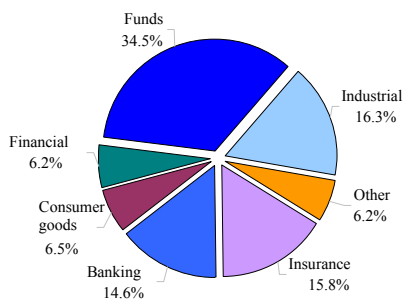
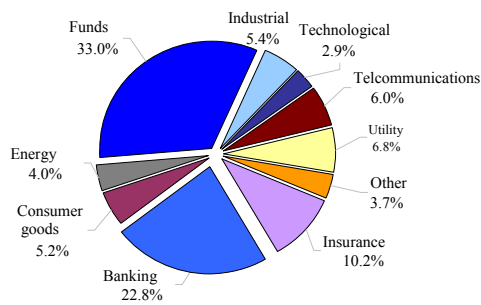


Fig. 12 Fondiaria-SAI Group Life classes



The impact in the income statement of a reduction in listed equity prices of 10% is shown below. The analysis is undertaken gross of the fiscal effect and is not calculated within an ALM scenario but only relates to financial assets.

Table 10 - Sensitivity analysis of the listed equity portfolio

v in millions of Euros)

	31.12.10	31.12.09
Total	(144)	(159)
of which Non-Life	(82)	(76)
of which Life	(62)	(83)

The table below shows the analysis of VaR and risk capital relative to equity risk and exchange risk (on the equity and bond portfolio) broken down by currency.

Table 11 - VaR analysis relating to the equity portfolio and exchange rates

Type	Currency	Breakdown % (Listed value)	VaR		VaR Total %
			Price rate %	Exchange %	
Shares	Danish crown	0.00	22.62	0.27	22.89
	Norwegian crown	0.00	27.18	3.85	31.03
	Serbian dinar	0.00	4.93	2.63	7.56
	US Dollar	0.02	14.03	5.14	19.18
	Euro	6.62	10.60	0.00	10.60
	Swiss Franc	0.10	8.06	4.35	12.41
	UK sterling	0.15	9.15	4.27	13.42
	Total listed shares		6.90	10.56	0.17
Equity derivatives	Euro	0.00	N/A	0.00	N/A
Total derivatives		0.00	N/A	0.00	N/A
Net equity exposure		6.90	10.11	0.17	10.28
Bond funds	Euro	1.02	2.20	0.00	2.20
	US Dollar	0.16	0.22	5.19	5.41
Bonds	Euro	85.29	1.20	0.00	1.20
	Swiss Franc	0.13	0.13	4.42	4.55
	UK sterling	0.01	0.41	4.28	4.68
	Japanese yen	0.00	0.39	6.78	7.17
	Total "time deposit" funds		86.61	1.21	0.02
Shares	US Dollar	0.01	7.65	5.14	12.79
	Euro	2.67	3.99	0.00	3.99
Total unlisted shares		2.69	4.01	0.03	4.04
Total		96.20	1.92	0.03	1.95
Other assets	US Dollar	0.01	1.18	5.16	6.34
	Euro	3.79	1.20	0.00	1.20
Grand total		100.00	1.90	0.03	1.92

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

The columns "VaR price %" and "VaR foreign exchange %" show the percentage on the market values.

The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.

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

The "Other assets" item includes structured securities.

Table 12 – Analysis of composition and risk capital

Type	Currency	Composition	Risk Capital		Risk
		% (Listed value)	Price rate	Risk Capital %	Capital Total %
Shares	Danish crown	0.00	75.49	1.35	76.84
	Norwegian crown	0.00	83.06	18.12	101.18
	Swedish crown	0.00	21.18	12.62	33.80
	US Dollar	0.02	43.48	23.73	67.21
	Euro	6.62	40.99	0.00	40.99
	Swiss Franc	0.10	34.10	20.33	54.43
	UK sterling	0.15	36.86	19.95	56.81
Total listed shares		6.90	40.84	0.81	41.65
Equity derivatives	Euro	0.00	N/A	0.00	N/A
Total derivatives		0.00	N/A	0.00	N/A
Net equity exposure		6.90	37.88	0.81	38.69
Bond funds	Euro	1.02	8.17	0.00	8.17
Bonds	US Dollar	0.16	0.29	23.93	24.22
	Euro	85.29	4.72	0.00	4.72
	Swiss Franc	0.13	0.18	20.62	20.80
	UK sterling	0.01	0.18	20.00	20.19
	Japanese Yen	0.00	1.24	30.54	31.78
Total “time deposit” funds		86.61	4.74	0.08	4.82
Shares	US Dollar	0.01	33.62	23.73	57.34
	Euro	2.67	17.43	0.00	17.43
Total unlisted shares		2.69	17.51	0.12	17.63
Total		96.20	7.48	0.13	7.61
Other assets	Other assets	0.01	4.66	23.81	28.47
	US Dollar	3.79	4.73	0.00	4.73
	Euro	3.80	4.73	0.04	4.77
Grand total		100.00	7.37	0.13	7.50

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 Fund, the Athens Fund and BancaSai.

The risk capital of the derivatives reduces the riskiness of the equity positions (hedging operations).

The “Other assets” item includes structured securities.

For real estate/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 as of 31 December 2010 was 6.6% of the current value of the buildings in the financial statements (approximately Euro 4,466 million).

Credit risk

The analysis of credit risk is broken down as follows:

- Counterpart default risk, i.e. the risk of possible losses due to unexpected default by counterparts and debtors, excluding issuers of bonds falling 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 the likelihood of default by the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a result of issuer “migration” from one rating class to another. 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.

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

Fig. 13 - Composition of the bond portfolio of the Fondiaria-SAI Group

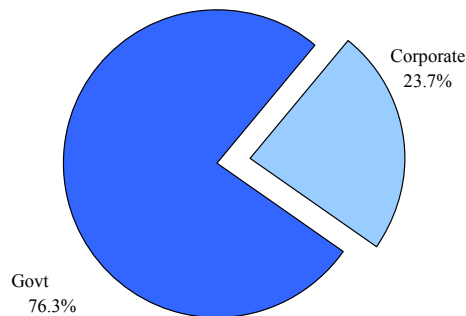
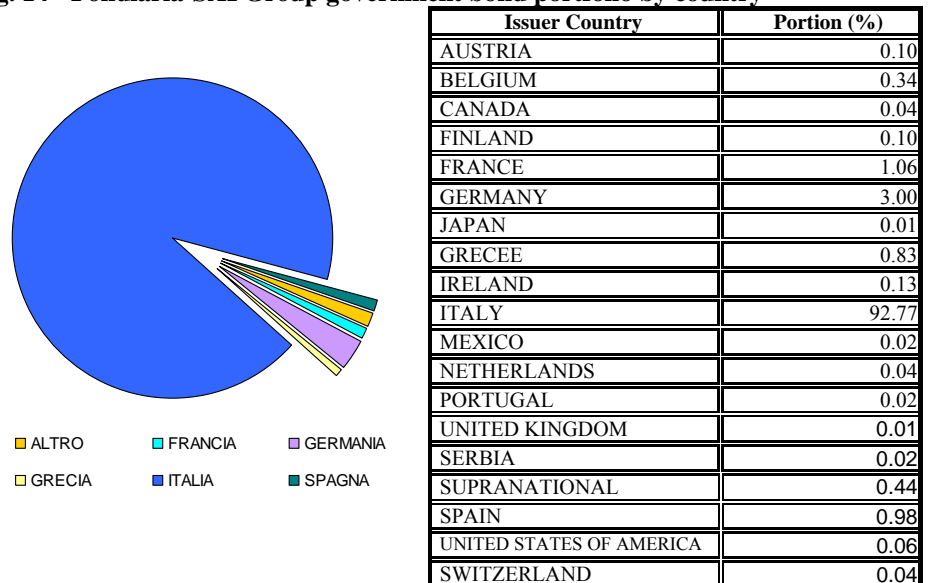


Fig. 14 - Fondiaria-SAI Group government bond portfolio by country



During 2010, at consolidated level, exposure to government bonds from Greece (4.41% to 0.83%), Portugal (0.95% in 2009 to 0.02%) and Ireland (0.37% to 0.13%) decreased sharply. This strategic action was carried out in light of the public finance difficulties experienced by these countries.

The investment in Italian government bonds remains the most significant at 92.77%, offering a good return in terms of profitability, even in a context of volatility.

In terms of the government issues of AAA-rated European countries, preference was given to Germany, keeping the exposure basically unchanged, while the weighting of France was reduced (from 3.89% to 1.06%) in view of the current public finance situation, which is hardly consistent with a rating of excellence.

Fig. 15 - Fondiaria-SAI Group corporate bond portfolio by Standard & Poor's rating

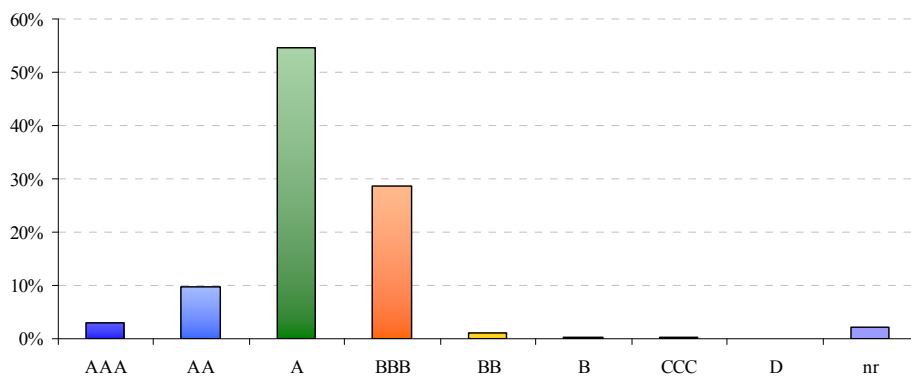


Fig. 16 - Fondiaria-SAI Group corporate bond portfolio by segment

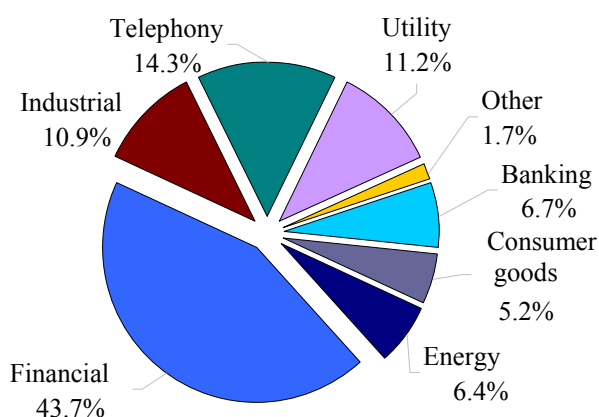
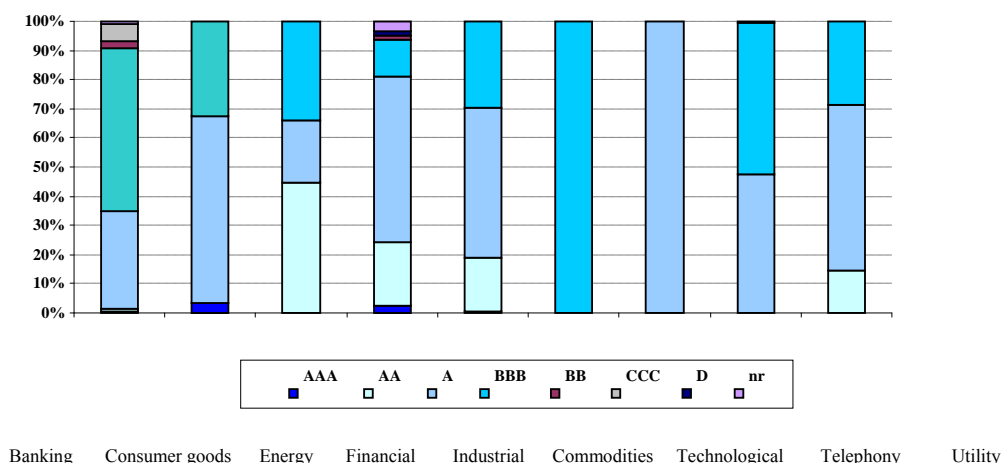


Fig. 17 - Fondiaria-SAI Group corporate bond portfolio by segment and rating

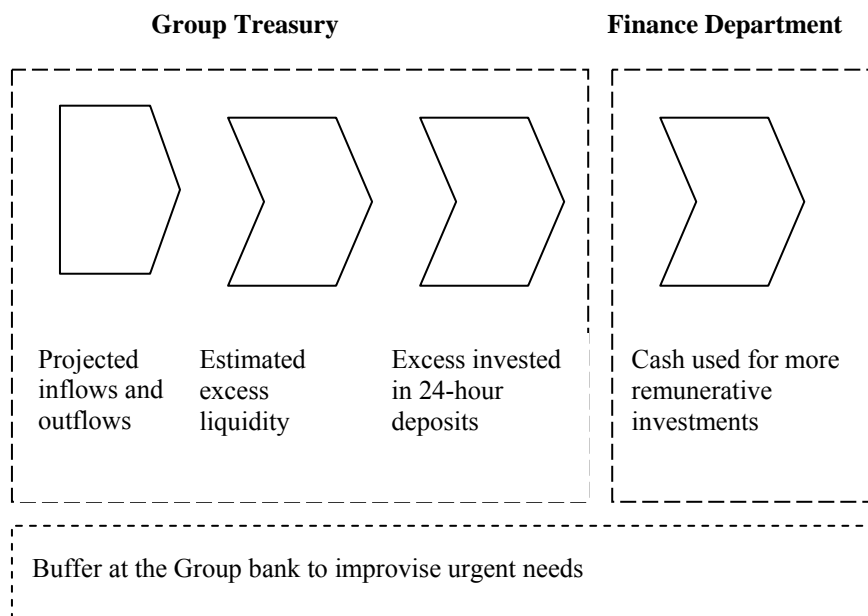


Liquidity risk

Liquidity risk is the “risk of not being able to fulfil obligations towards policyholders and other creditors due to difficulties in transforming investments into cash without incurring losses”.

For liquidity management, the Group decided to adopt an organisational solution based on centralising cash flow management 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 of the Group Treasury is aimed at preserving equilibrium between keeping a monetary fund to cover any unexpected commitments to policyholders and suppliers and allocating excess liquidity to more remunerative investment transactions.

In order to achieve this goal, the activity, carried out primarily within a ten-day time frame, is structured as follows:



Specifically, investments in 24-hour time deposits are managed by bank counterparties identified according to the following criteria:

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

Limits have been set for investments, based on the Group risk policy, in terms of illiquid assets as a proportion of total assets under management (AUM).

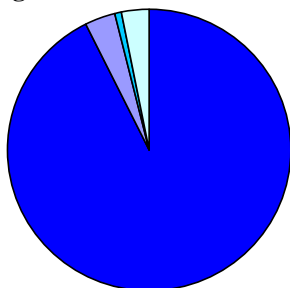
Debt classes

Insurance companies increasingly use “hybrid” debt instruments in their portfolio, with the features of both bonds and equities, which give holders a higher return by comparison with normal bond assets but which also present greater risk in the event of issuer default, such as lower priority in repayment compared with other credit lines held (**debt seniority**).

Following a rising order of “riskiness” and “subordination”, **senior** debt is technically the simplest and least risky form: these securities have a definite maturity and no early repayment option, and payment of the coupon cannot be deferred without leading to a default event. More risky are the **Tier 1** and **Tier 2** subordinated capital levels, further broken down into **Lower Tier 2 (Sub LT 2, less risky)** and **Upper Tier 2 (Sub UT 2, more risky)**. Tier 1 is the maximum level of subordination of a debt instrument, with features similar to those of a preference share.

The breakdown of the categories of debt in the portfolios of the two listed companies of the Group is shown below.

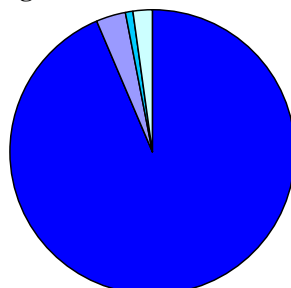
Fig. 18: Fondiaria-SAI



■ Senior ■ Sub LT2 ■ Sub UT2 ■ TIER 1

Seniority	Breakdown %
Senior	92.5
Sub LT2	3.4
Sub UT2	0.8
TIER 1	3.3

Fig. 19: Milano Assicurazioni



■ Senior ■ Sub LT2 ■ Sub UT2 ■ TIER 1

Seniority	Breakdown %
Senior	93.6
Sub LT2	3.3
Sub UT2	0.8
TIER 1	2.3

The breakdown of financial liabilities by maturity, excluding those in which the investment risk is on the Life policyholders, is shown below:

Financial liabilities

(in millions of Euros)

	31.12.10	31.12.09
up to 1 year	689	1,307
from 1 to 5 years	688	543
from 6 to 10 years	472	485
over 10 years	698	695
Total	2,547	3,030

The principal financial liabilities comprise subordinated liabilities, which account for approximately 46% of the Group's total financial liabilities; maturity for more than half of these is beyond 10 years.

Positions payable within one year, on the other hand, consist mainly of deposits opened by BancaSai with its clients for Euro 304 million, deposits received from reinsurers of Euro 248 million and Euro 201 million from deposits with banks opened by Group companies.

Subordinated liabilities are broken down in the table below by maturity and by possible call date, if any, showing undiscounted contractual cash flows and the book value of the liabilities.

Subordinated liabilities

(amounts stated in millions of Euros)

	31.12.10		31.12.09	
	Undiscounted contractual cash flows	Book value	Undiscounted contractual cash flows	Book value
up to 1 year	-	-	-	-
from 1 to 5 years	-	-	-	-
from 6 to 10 years	518	345	523	345
over 10 years	1,176	696	1,186	695
Total	1,695	1,041	1,709	1,040

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 provisions of the direct business of the Life segment divided by contractual maturities. For contracts without expiry (annuities and whole life contracts), an expected exit date was considered consistent with the assumptions used to measure Value in Force.

<i>(in millions of Euros)</i>	31.12.10	31.12.09
up to 1 year	2,089	1,483
from 1 to 5 years	13,138	12,667
from 6 to 10 years	6,700	4,401
over 10 years	2,965	3,272
Total	24,892	21,823

The total, which refers to gross direct business, includes actuarial provisions of Euro 16,055 million (Euro 13,499 million at 31 December 2009), insurance contract liabilities where investment risk is on policyholders and arising from pension fund management of Euro 6,951 million (Euro 6,245 million at 31 December 2009), liabilities from financial contracts issued by insurance companies for which the investment risk is on policyholders of Euro 1,345 million (Euro 1,831 million at 31 December 2009) and from pension fund management of Euro 264 million (Euro 227 million at 31 December 2009) and none as deposit accounting.

It also includes the provision for sums payable of Euro 277 million at 31 December 2010 (Euro 155 million at 31 December 2009), which, due to its nature, basically has a residual expiry of less than twelve months.

Insurance liabilities of the Non-Life segment

In relation to the Non-Life segment, the table below shows the amounts of the claims provisions and the gross direct premium provision by maturity. The total provisions are shown by duration in proportion to the expected cash flows for each interval shown.

<i>(in millions of Euros)</i>	31.12.10	31.12.09
up to 1 year	6,124	5,920
from 1 to 5 years	4,125	4,170
from 6 to 10 years	1,074	955
over 10 years	382	420
Total	11,705	11,465

The total includes premium provisions of Euro 2,741 million (Euro 2,687 million at 31 December 2009), claims provisions of Euro 8,954 million (Euro 8,767 million at 31 December 2009) and other technical provisions represented by the Health class ageing provision of Euro 10 million (Euro 12 million at 31 December 2009).

Amounts, timing and level of uncertainty in cash flows relating to insurance contracts

In accordance with paragraphs 38 and 39 of IFRS 4, This section reports, with separate disclosure 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 underlying 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 provisions to meet commitments assumed in respect of policyholders).

The underwriting risk is divided into mass risks, corporate risks and special risks. The mass risks, such as for example those relating to Motor TPL, Land Vehicles, as well as those relating to individual personal risks (Accident and Health), households (Residential and Civil Responsibility) 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 the mass risks and in any case all the risks where regulatory and standard tariff conditions exist, the 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, at 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 encouraged 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 the geographical location and type of vehicle insured, in addition to the guarantees 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.

Collateral

With particular reference to the Collateral class, risk analysis is carried out in advance and careful selection undertaken with a double examination:

under the objective aspect, the examination of the nature and the specific characteristics of the original report, which determine the request for the collateral, 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 collateral contract, which must always respect the principle of access with regard to the principal obligation;

under the subjective aspect, 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 collateral policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to the limits of the underwriting agreed.

All collateral 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 (Fondiaria-SAI or Milano) or at Group level (in this case, for Liguria Assicurazioni a utilisation sublimit is provided of Euro 15 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 those 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.

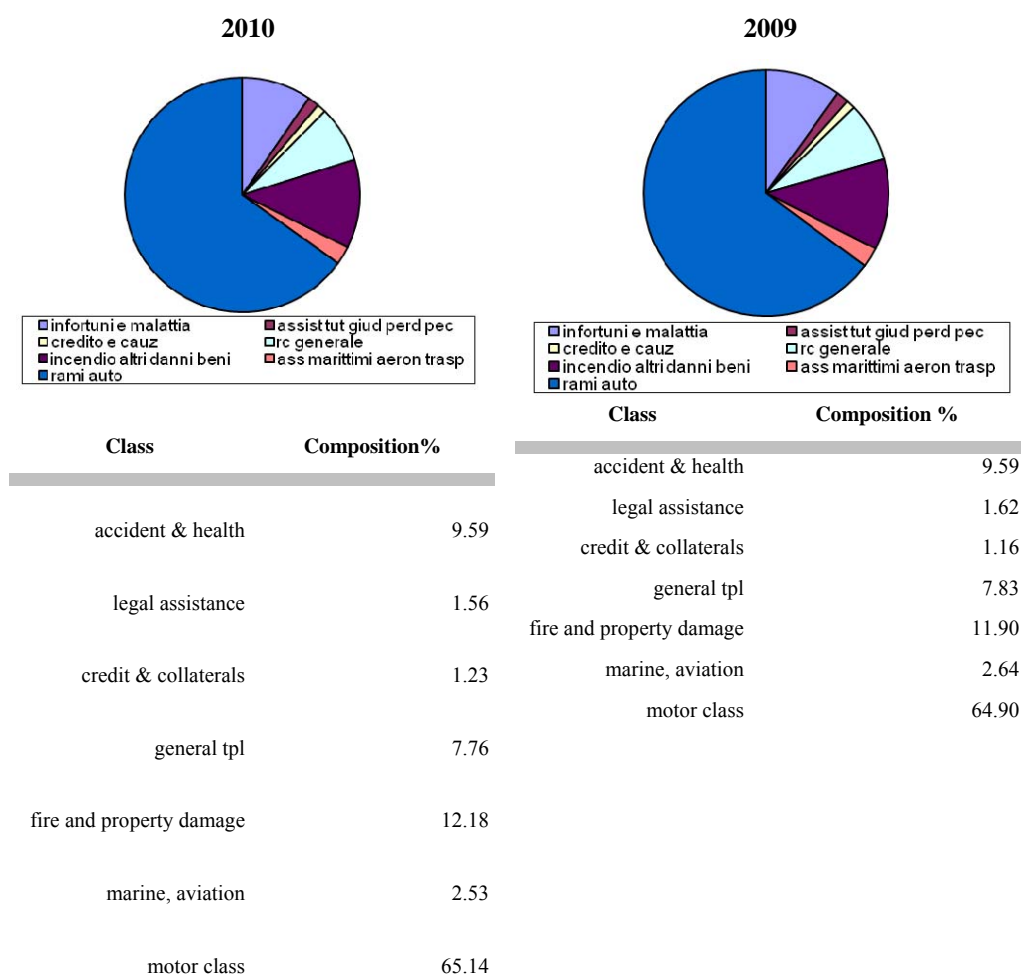
The Technological Risk class, thanks to the specific proportional programmes adopted, does not give rise to any particular concern, in that the risks are protected based on the year of subscription.

The potential risk concentration following the bankruptcy of a single policyholder in the Collateral class is protected by a claims excess programme, which guarantees all the acceptances made in past years of subscription.

Finally, the 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.

The percentage breakdown of the Non-Life classes in the Group for the last two years:

Fig. 20 - Percentage breakdown of Group Non-Life class premiums



It is clear that the Motor classes in the Group make an important contribution to future financial cash flows. This is a stable portfolio not subject to significant fluctuations sufficient to affect future projections.

The Motor products were recently redefined 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, the underwriting at Group level is centred in specialised single class insurance companies such as Pronto Assistance and Europa Tutela Giudiziaria; for the other classes, such as Transport and Merchandise, SIAT, equipped with specific and recognised expertise, undertakes a central role for the entire 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 utilises 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 2010, the Group policies already implemented in previous years confirmed the maintenance of the portfolio breakdown, with a predominance of risks assumed in Exclusive Delegation: no significant or substantial changes were made with respect to the underwriting strategies of previous years.

With regard to the Collateral class, in 2010 the policy relating to the underwriting of risks under Other Delegations was characterised by a greater selection of insurance companies making coinsurance offers, favouring those that maintain underwriting policies similar to those of our Group.

With regard to Other Delegations, in 2010 the weight of taxable premiums collected was 9.4%, an increase on 2009 (9.2%). The weight of the total cost of claims was 9.3%, a slight decrease from the previous year (9.4%).

Provision risk

The second component of the insured risk of the Non-Life segment, the provision risk, relates to the uncertainty connected to the use of the claims provisions. This is the risk that the claims provisions may not be sufficient to meet commitments with policyholders or damaged parties.

The provision risk, being related to the estimate of the provisions, 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
- provision 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 “Provision 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	2010	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	3,042.2	
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	3,192.5		
After two years	2,801.3	2,976.0	3,106.4	3,118.5	3,164.5	3,358.4	3,111.7	3,162.1			
After three years	2,812.9	2,997.9	3,141.2	3,051.8	3,238.2	3,336.4	3,212.4				
After four years	2,834.2	3,055.3	3,182.5	3,096.7	3,256.9	3,443.0					
After five years	2,875.3	3,056.0	3,210.7	3,119.0	3,316.5						
After six years	2,909.3	3,103.5	3,271.2	3,182.6							
After seven years	2,925.1	3,147.2	3,307.5								
After eight years	2,959.3	3,196.4									
After nine years	3,000.8										
Est. final costs	3,000.8	3,196.4	3,307.5	3,182.6	3,316.5	3,443.0	3,212.4	3,162.1	3,192.5	3,042.2	32,056
Payments	2,873.4	3,029.7	3,117.9	2,966.2	3,033.9	3,056.6	2,818.5	2,624.1	2,365.2	1,245.6	27,131
Amount to reserve	127.4	166.7	189.6	216.4	282.6	386.4	393.9	538.0	827.3	1,796.6	4,925

CLASS (General TPL)											
<i>(in Euro millions)</i>											
	2001	2002	2003	2004	2005	2006*	2007	2008	2009	2010	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	549.0	
After one year	276.1	280.6	340.3	324.7	350.6	337.9	354.8	374.2	425.8		
After two years	280.2	286.0	311.8	338.1	352.1	379.2	362.1	383.3			
After three years	283.4	292.7	321.1	345.5	355.9	372.4	378.7				
After four years	294.6	299.3	326.0	352.8	349.5	386.3					
After five years	298.9	303.4	333.0	348.2	361.8						
After six years	300.3	306.9	327.8	359.6							
After seven years	302.5	304.0	336.2								
After eight years	307.1	309.0									
After nine years	305.3										
Est. final costs	305.3	309.0	336.2	359.6	361.8	386.3	378.7	383.3	425.8	549.0	3,795
Payments	239.20	235.60	239.80	244.20	226.00	230.00	201.30	184.40	153.20	135.70	2,089
Amount to reserve	66.1	73.4	96.4	115.4	135.8	156.3	177.4	198.9	272.6	413.3	1,706

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)*
 - *reserved relating to the year of occurrence on claims reported (in the year of observation)*
 - *reserved 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 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 situation of the claims for the companies of the Fondiaria-SAI Group and Milano Assicurazioni still open at the end of 2010, compared with the number of claims reported in the various years.

Generation	Claims	Number of claims open	% on reported claims
1999	981,312	567	0.06
2000	1,017,239	942	0.09
2001	996,787	1,447	0.15
2002	987,098	2,252	0.23
2003	959,946	3,124	0.33
2004	929,973	3,758	0.40
2005	929,388	5,309	0.57
2006	912,798	8,977	0.98
2007	882,694	11,862	1.34
2008	828,451	25,616	3.09
2009	865,000	52,541	6.04
2010	818,587	19,090	23.22

Excluding the CID Mandate claims reported since 01.02.07 with the introduction of direct indemnity 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	2,849	0.67
2008	537,499	9,941	1.85
2009	655,673	25,634	3.84
2010	614,066	101,899	16.59

Verification of consistency of liabilities

The provision for risks in progress 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 provisions for premium fractions.

The calculation method adopted for this provision uses the empirical method suggested by the above-mentioned Regulation. This latter provision is in line with the adequacy test of the insurance contract liabilities of the Non-Life classes required by IFRS 4 (LAT).

The current method of determining claims reserves in accordance with the last cost criteria is also regarded as methodologically appropriate to represent future cash flows in the existing contract portfolio.

LIFE CLASSES

The principal risk management elements in the Life segment relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality,

disability, expenses, redemption and catastrophic risks), for which the reader is asked to refer to 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 contracts, which also include savings and pension financial products (annuity and deferred capital contracts), the portfolio also includes pure investment financial products, such as unit- and index-linked contracts, the former linked to internal funds and the others 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.

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. Longevity risk (typically related to lifetime annuity portfolios) is currently marginal, on the other hand, due to the insignificant presence of this type of contract in the Company’s portfolio.

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 consisting of the fact 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 the underwriting of the risk is also subject to explicit acceptance by a reinsurer.

Finally, 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.

Insurance companies’ use of specific tariff forms – determined based not only on the general Italian mortality/disability rate, but also calibrated specifically to the claims trend of the company’s portfolio – 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 performance on the portfolio confirms the personalisation historically applied to the statistical base adopted in respect of the general ISTAT base.

For this family of risks also, the longevity risk is marginal and is 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 for some time implemented 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 (employee leaving 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 the 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) the limitation of the presence to within 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 into 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 insurer 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 classes is considered an insurance contract if either:

- the services normally and with a level of persistence, exceed the level of 5% of the amount payable in the case in which the event does not occur

- it carries 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 provisions recorded in the local GAAP financial statements, a model was adopted which generates prospective cash flows, developed on the MoSes platform 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 provisions made satisfy the minimum control requirements.

For the traditional portfolio, the portfolio examined was divided into uniform groups according to product technical characteristics (capitalisation, risk, and savings and pension contracts).

The table below shows the quantification in terms of policies.

Number of policies (*) prepared as of 31 December 2010

Division	Capitalisation	Risk Products	Savings and Pension	Total
Fondiaria-SAI S.p.A.	39,975	116,208	267,971	424,154
Milano Ass.ni S.p.A.	17,002	99,581	102,033	218,616
Popolare Vita S.p.A.	1,838	-	101,465	103,303
Total	58,815	215,789	471,469	746,073

() for groups, 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 2010

(in thousands of Euros)

Division	Reserve elaborated	Total reserve	% elaborated
Fondiarria-SAI S.p.A.	7,306,714	7,726,120	94.6
Milano Ass.ni S.p.A.	3,189,857	3,459,113	92.2
Popolare Vita	4,353,384	4,412,299	98.7
Total	14,849,955	15,597,532	95.2

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 provisions, 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 provisions in the financial statement, taking into account the actuarial provisions, provisions for future expenses and additional provisions for interest guarantee, minus the commissions to be amortised for the groupings described above.

The insurance contract liabilities, net of deferred liabilities to policyholders - the latter being represented according to the shadow accounting technique - are nevertheless in excess compared with the provisions valued using the LAT model.

LAT valuation at 31.12.10

(in thousands of Euros)

Company		Capitalis.	Prod. of risk	Savings & pension	Total
Fondiarria-SAI S.p.A.	LAT Res.	2,048,727	706,621	3,996,505	6,751,853
	Tot. per				
	Accounts	2,295,370	831,405	4,688,108	7,814,883
	Balance sheet res.	2,277,270	821,244	4,627,606	7,726,120
	Additional Res.	7,013	5,849	34,856	47,718
	Expenses Res.	11,087	5,486	32,831	49,404
	DAC	-	1,174	7,185	8,359
Milano Ass.ni S.p.A.	LAT Res.	581,796	569,146	1,841,911	2,992,853
	Tot. per				
	Accounts	647,002	670,506	2,187,962	3,505,470
	Balance sheet res.	642,274	660,741	2,156,097	3,459,112
	Additional Res.	85	8,002	26,111	34,198
	Expenses Res.	4,643	3,517	11,477	19,637
	DAC	-	1,754	5,723	7,477
Popolare Vita	LAT Res.	181,992	-	4,000,267	4,182,259
	Tot. per				
	Accounts	192,632	-	4,231,735	4,424,367
	Balance sheet res.	191,516	-	4,220,783	4,412,299
	Additional Res.	443	-	9,161	9,604
	Expenses Res.	673	-	3,383	4,056
	DAC	-	-	1,591	1,591

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:

Euro swap curve at valuation date

? 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 SIMF 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 provisions recorded in the financial statements in relation to the risks underwritten and to future expenses.

LAT Evaluations - Index and Unit insurance at 31.12.10

(in thousands of Euros)

Division		Unit-Linked	Index linked	Total
Fondiarria-SAI S.p.A.	LAT Res.	23,278	145,902	169,180
	Tot. per			
	Accounts	24,709	147,205	171,914
	Class D Res.	23,868	145,274	169,142
	Additional			
	Res.	589	168	757
	Expenses			
	Res.	253	1,764	2,017
	DAC	-	-	-
Milano Ass.ni S.p.A.	LAT Res.	-	183,423	183,423
	Tot. per			
	Accounts	-	184,250	184,250
	Class D Res.	-	182,348	182,348
	Additional			
	Res.	-	-	-
	Expenses			
	Res.	-	1,902	1,902
	DAC	-	-	-
Popolare Vita	LAT Res.	129,507	3,218,528	3,348,035
	Tot.per			
	Accounts	131,603	3,223,162	3,354,765
	Class D Res.	131,678	3,205,028	3,336,706
	Additional			
	Res.	149	4,800	4,949
	Expenses			
	Res.	-	13,335	13,335
	DAC	224	-	224

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:

Euro swap curve at valuation date

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.

Guaranteed return provisions

With regard to commitments assumed in respect of policyholders, the breakdown of the Life provisions for the Group companies, as set out below, shows that more than 60% (61.7%), or Euro 12,037 million, are for policies with guaranteed returns of 1% to 3%,

while 16.5% (or Euro 3,226.9 million) are for policies with guaranteed returns of 3% to 5%.

Meanwhile, the provisions for non-guaranteed contracts are modest (Euro 152.1 million), while, compared with the previous year, there was a decrease in both the provisions intended for contracts with guaranteed interest rates at expiry, which went from Euro 3,931.2 million in 2009 to Euro 3,547.9 million in 2010, and in provisions for contracts with guarantees connected to specific assets, which went from Euro 744.3 million in 2009 to Euro 531.0 million in 2010.

Insurance contract liabilities of the Life segment: guaranteed return (*)

<i>(in millions of Euros)</i>	2010	2009
Reserves with guaranteed annual interest rate	15,269.8	12,449.5
0% - 1%	5.9	8.3
from 3% to 5%	12,037.0	8,859.2
from 3% to 5%	3,226.9	3,582.0
Reserves without guaranteed interest rate	152.1	177.8
Reserves related to specific assets	531.0	744.3
Reserves with guaranteed interest rate on maturity	3,547.9	3,931.2
Total	19,500.8	17,302.8

() The total includes the amount of the direct gross actuarial reserves and the technical reserves where the investment risk is on policyholders. Companies considered: Fondiaria-SAI, Milano Assicurazioni, Popolare vita.*

Information on operational 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 the Parent Company 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 carrying out its activities, the Risk Management Department is assisted, based on the Group's organisational model, by Risk and Control Managers, who report hierarchically to the process owner and reporting functionally to the Risk Management Department, endowed with skills in their areas of activity and basic training on risk management.

The Risk Management Department also interfaces with the other control entities within a mutually supportive consultative, information-sharing and collaborative relationship, for projects in which the different organisational departments are called upon to participate from time to time. 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 Governance Function Coordination Committee
- The Compliance Department
- The Audit Department.

The classification of operational risk uses the event-type model developed in the banking sector (Basel II) and on which the current CEIOPS Solvency II guidelines are based. 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.

Table 13 – Classification of operational 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

During the year, the activity of risk self-assessment (RSA) on business processes continued with an analysis of the operational risks of the “Life Area”, with particular reference to issue, management and settlement processes. The analysis was conducted with a quantitative-qualitative methodology based on questionnaires leading to the identification of the most significant risk in terms of economic impacts. The questionnaires were constructed making reference to the risks identified following an analysis of the process carried out in cooperation with the Audit Department, with the support of process managers based on previous audits. In line with the goals of collaboration and coordination with other governance functions, what emerged from the analysis was shared with staff responsible for regulatory compliance aspects and for the observance of the provisions of Law 262. In light of the evidence that emerged, the respective action plans were prepared in collaboration with the process owner and the process managers.

In line with the Solvency II Convergence Project”, preparatory activities continued relative to the creation and development of the operational risk management system. The main objectives achieved were:

- definition and approval of the operational risk policy by the Board of Directors
- formalisation of the operational risk assessment methodology
- creation and activation of the network of risk and control managers within the business areas.

Also in 2010, as part of the Solvency II preparatory activities, work was begun on business continuity and crisis management, for which the following objectives were identified:

- definition of a “high level” business continuity policy
- creation of a Group Business Continuity Plan (BCP) identifying the organisational structures and processes responsible (Business Continuity Management - BCM).

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 No 216 and based on indications provided by the Parent Company, approved by the Board of Directors, BancaSai and Finitalia adopted the simplified method as the method for calculating the new capital requirements. The new method is used for the “first pillar”, which relates to credit, counterparty, market, exchange rate and operational 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.

Details of these risks, pursuant to Article 2428 of the Italian Civil Code, are provided below.

BancaSai

The Bank continues to focus on risk fragmentation, which is still one of the important requirements for the loan portfolio, both in terms of breakdown by economic activity and concentration by individual client: in this regard, the need became evident to adopt particularly selective criteria suitable to the Bank’s situation, in defining the size of the loans granted to customers.

Apart from the line of credit granted to the subsidiary Finitalia, which accounts for approximately 5% of the total portfolio, the breakdown of the loans includes more than 41% for family/personal loans, 12% for banks and financial services, 29% for business and other services, and small percentages with other counterparties.

In view of its operating activities, credit risk is the principal risk component to which the Bank is currently exposed. It was decided in this regard, at least in principle, to avoid strictly financial operations and to limit participation in pool financing transactions to well-defined firms. It was decided instead to favour commercial operations due to the inherent characteristics of these technical forms, their capacity to

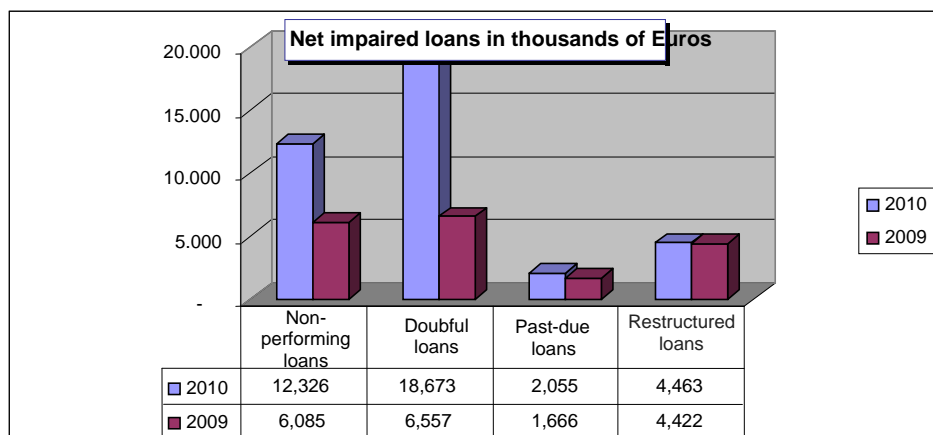
ensure greater customer loyalty, the margins generated, and their ability to be used as an indicator of the state of health of our counterparts, through verification of the returns on the portfolio. Self-liquidating lines grew overall by more than 42% during the year.

Due to the worsening economic situation, despite increased loan monitoring, there was an increase throughout 2010 in overall problem loans, which led to a drastic reduction in the current loan portfolio, from 97% to 92.5%.

The percentage of net impaired loans increased from 3% to 4.9%; individual positions were all adequately managed and prudently written down (the degree of hedging of impaired loans grew from 30% to 36.7%).

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 credit lines took on particular importance, involving a higher number of counterparties due to the greater number of loans compared with 2009 and the reduction of the credit limit threshold for the revision of credit limits.

The further growth in net impaired loans in 2010 compared with the previous year, including non-performing loans, doubtful loans and past-due loans, or persistent default relative to continuing overdrafts, as shown in the table below, is a result of the economic recession and in particular of the widespread worsening of the risk profile of small- to medium-sized enterprises and households, segments in which BancaSai is especially present.



In relation to risk-taking policies, one of the key pillars in the management and formulation of the strategic choices of BancaSai continues to be the monitoring of the local areas in which it operates through its branch network and, to a lesser extent, through the networks of sales representatives and insurance agents of the Fondiaria-SAI Group.

Based on this principle, the loan portfolio of BancaSai is concentrated in north-western and central Italy, while the contribution of other geographical areas is much smaller and principally related to mortgage 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 26% of the portfolio and downgrading for 27% of the portfolio, with the remainder staying unchanged or without rating.

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	No seg.	Corp. Ent.	Broking	Ist.Ban., AS.	SME	Priv.Cons.	Small. Bus.	Total
No rating	0.64	-	-	-	-	-	-	0.64
AAA	-	1.13	-	-	-	-	0.01	1.14
AA	-	5.02	0.56	0.08	1.40	0.77	0.56	8.39
A	-	2.63	1.02	-	0.87	3.40	1.15	9.07
BBB	-	2.13	1.10	-	1.05	8.09	0.47	12.84
BB	-	3.23	0.01	0.80	0.68	15.10	1.18	21.00
B	-	4.32	3.43	-	0.52	11.46	0.55	20.28
CCC	-	5.02	-	0.01	2.88	0.71	0.12	8.73
CC	-	1.90	-	-	2.54	0.66	1.14	6.24
C+	-	-	-	-	0.02	0.02	0.01	0.05
C	-	1.03	1.57	-	0.20	0.25	0.13	3.18
D	-	1.33	-	-	0.69	1.05	0.43	3.49
Partial tot.	0.64	27.74	7.69	0.89	10.84	41.50	5.75	95.06
Finitalia	-	-	4.94	-	-	-	-	4.94
Grand tot.	0.64	27.74	12.63	0.89	10.84	41.50	5.75	100.00

Finitalia

The organisational structure is based on separation between the credit provision and the credit control and management functions.

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 credit risk underwriting. The Credit Recovery Department is responsible for the management and recovery of loans and reports to General Management. The Credit Risk 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 capital requirements, calculating the risk weighted assets against the credit and counterparty risk of the bank portfolio, pursuant to "Basel II" rules.

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.

During the credit provision process, Finitalia obtains secured and/or personal guarantees aimed at mitigating risk. All loans granted, except those for SMEs, have insurance cover in the event of client death/disability/illness, which is completely free for customers.

All "insurance" customers financed are required, at the time of the loan request, to sign a specific insurance assignment in favour of Finitalia on all existing insurance contracts as security in the event of insolvency.

For customers referred by BancaSai branches, in the event of lack of regular repayment, the possibility is also provided to obtain the sums or cash present for any reason upon simple request addressed to the client at BancaSai.

For customers of the Business Partner product line, where repayment of instalments is made mainly through direct salary deductions, the leaving indemnity available at the company is normally assigned, or the amounts present in the client's pension fund, in the event of termination of the employment relationship.

General Management is directly responsible for analysing and classifying non-performing loans, as well as verifying impairment testing. The impairment test criteria provide for segmentation of the portfolio by uniform product categories and by different risk classes, to which the average statistical percentage losses obtained by analysing historical data are applied.

For the purposes of the calculation of the capital requirements necessary for credit risk, Finitalia has adopted 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 the Parent Company on a monthly basis with specific data extractions 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 band. 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 disposed or discontinued operations

Disposal of 100% of Banca Gesfid SA

On 16 September 2010, the Parent Company completed the sale of 100% of the share capital of Banca Gesfid SA to PKB Privatbank SA.

The assets and liabilities of Banca Gesfid SA at 30 June 2010 are indicated below:

(values in € thousands)

Assets (Other segment)	
Intangible assets	1,837
Property, and equipment	11,980
Investments	207,159
Miscellaneous receivables	4,138
Other assets	1,444
Cash and cash equivalents	25,983
Total	252,541
Liabilities (Other segment)	
Provisions	2,830
Financial liabilities	166,015
Payables	5,169
Other liabilities	4,261
Total	178,275
Book value of shareholders' equity	74,266
Selling price	93,408

The selling price was paid in cash: therefore, the net cash flow resulting from the sale can be summarised as follows:

(in € thousands)

Collection in cash (selling price)	93,408
Cash and bank sold	(25,983)
Net cash inflows	67,425

The capital gain made at a consolidated level amounted to Euro 8 million.

The contribution from the 2010 income statement of Banca Gesfid SA was as follows:

(in € thousands)

REVENUES	
Commission income	18,553
Income and charges from financial instruments at fair value through profit or loss	2,771
Income from other financial instruments and investment property	1,041
Other revenues	136
Total	22,501

COSTS	
Commission expense	3,984
Charges from other financial instruments and investment property	5
Operating expenses	13,558
Other costs	2,334
Total	19,881

TAXES	690
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RESULT	1,930
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Disposal of 100% of Crivelli S.r.l.

On 29 November 2010, the subsidiary Immobiliare Fondiaria-SAI completed the sale of 100% of the share capital of Crivelli S.r.l.

The assets and liabilities of Crivelli S.r.l. at 30 September 2010 are indicated below:

(in € thousands)

Assets (Real estate segment)	
Intangible assets	232
Property, and equipment	47,051
Investments	62
Miscellaneous receivables	4,335
Other assets	15
Cash and cash equivalents	3,365
Total	55,060
Liabilities (Real estate segment)	
Financial liabilities	42,848
Payables	8,991
Total	51,839
Book value of shareholders' equity	3,221
Selling price	27,500

The selling price was paid in cash: therefore the net cash flow from the sale can be summarised as follows:

(in € thousands)

Collection in cash	27,500
Cash and bank sold	(3,365)
Net cash inflows	24,135

The contribution from the 2010 income statement of Crivelli S.r.l. was as follows:

(in € thousands)

REVENUES	
Other revenues	16,031
Total	16,031
COSTS	
Charges from other financial instruments and investment property	536
Other costs	18,061
Total	18,597
TAXES	8
RESULT	(2,574)

Sale by Milano Assicurazioni of the equity investment held in Bipiemme Vita (Life segment)

After obtaining the legal authorisations, on 17 June 2010 Milano Assicurazioni transferred to Banca Popolare di Milano the entire investment held in Bipiemme Vita S.p.A., amounting to 51% of the share capital, at the price agreed at the time of Euro 122.1 million, deducting – as agreed – the dividend collected meanwhile by Milano Assicurazioni amounting to Euro 8.67 million. The disposal had a modest impact on the income statement for the year: the expenses of Euro 0.7 million were recognised, as required by IFRS 5, in the specific item in the income statement for profit/(loss) on discontinued operations.

The agreement signed at the time also provided for an earn out – linked to reaching certain thresholds – in favour of Milano Assicurazioni in the event that Banca Popolare di Milano sells the majority of Bipiemme Vita S.p.A. to third parties in the next 12 months, as well as for BPM to maintain the current financial management services for the Fondiaria-SAI Group.

Currently, on the basis of the information now available, it is deemed that the effect of the said earn-out clause cannot be estimated.

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 within the scope of application of Articles 2497 *et seq.* of the Italian Civil Code) are shown in the Directors’ Report on its separate financial statements.

The transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, were eliminated in the consolidated financial statements pursuant to the consolidation principles, and are therefore not shown in these notes.

Starting this year, a more detailed analysis is provided on other related-party transactions, in order to report the size of cash inflows and outflows and the nature of the assets underlying the transactions.

To facilitate comparison, the data for the previous year were restated using the same procedures.

Details of transactions between the Group and other related parties are shown in the following tables:

Financial statement balances

(in thousandsof Euros)

	31.12.10		31.12.09	
	Assets	Liabilities	Assets	Liabilities
Associates	128,210	12,646	107,072	2,779
Affiliated companies	7	8	7	8
Other related parties	324,606	37,129	250,103	34,343
Total	452,823	49,783	357,182	37,130

(in thousands of Euros)

	31.12.10		31.12.09	
	Assets	Liabilities	Assets	Liabilities
Real estate activities	333,007	41,087	256,607	28,777
Insurance activities	-	109	-	2,699
Financial activities	118,162	2,465	100,451	408
Services rendered	1,372	-	100	17
Services received	282	2,407	24	1,912
Emoluments to directors and statutory auditors	-	3,705	-	4,133
Remuneration of sen. man. with strat. resp.	-	10	-	-
Total	452,823	49,783	357,182	37,130

(in thousands of Euros)

	31.12.10		31.12.09	
	Income	Charges	Income	Charges
Associates	31,065	31,144	15,989	13,401
affiliated companies	-	-	5	-
Other related parties	85,203	122,185	16,461	133,578
Total	116,268	153,329	32,455	146,979

(in thousands of Euros)

	31.12.10		31.12.09	
	Income	Charges	Income	Charges
Real estate activities	85,786	93,718	16,028	90,206
Insurance activities	29,213	20,382	13,138	12,045
Financial activities	127	2,205	2,621	2,273
Services rendered	1,109	-	663	-
Services received	-	15,344	-	15,715
Emoluments to directors and statutory auditors	33	20,542	5	28,066
Remuneration of sen. man. with strat. resp.	-	5,548	-	3,220
Total	116,268	153,329	32,455	146,979

(in thousands of Euros)

	31.12.10		31.12.09	
	Inward cash flows	Outward cash flows	Inward cash flows	Outward cash flows
Associates	26,810	36,477	20,098	18,458
Affiliated companies	-	-	-	-
Other related parties	32,928	146,277	32,824	280,610
Total	59,738	182,754	52,922	299,068

(in thousands of Euros)

	31.12.10		31.12.09	
	Inward cash flows	Outward cash flows	Inward cash flows	Outward cash flows
Real estate activities	27,684	113,219	21,113	221,867
Insurance activities	28,138	18,615	13,138	12,876
Financial activities	2,853	9,470	18,268	23,425
Services rendered	1,063	-	384	-
Services received	-	20,625	19	15,642
Emoluments to directors and statutory auditors	-	15,277	-	22,038
Remuneration of sen. man. with strat. resp.	-	5,548	-	3,220
Total	59,738	182,754	52,922	299,068

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 more significant transactions reflected in the statement of financial position are detailed below:

The main transactions giving rise to financial assets with associates and joint ventures

were of a financial nature and refer to:

- Euro 54 million with the associate Garibaldi S.c.a. and Euro 14 million with the associate HEDF Isola S.c.s. for equity investments made by Milano Assicurazioni S.p.A.
- receivables for loans recorded by Immobiliare Milano with respect of of Borsetto S.r.l. (Euro 8.1 million), Sviluppo Centro Est S.r.l. (Euro 7.5 million), Metropolis S.p.A. (Euro 4.0 million) and Penta Domus S.r.l. (Euro 1.1 million), respectively
- Euro 6.3 million for loans granted by Immobiliare Fondiaria-SAI S.p.A. to the associate Progetto Alfiere S.p.A.

With regard to transactions with associates giving rise to property-related assets, Euro 12.2 million are for receivables due to the subsidiary Immobiliare Lombarda S.p.A. from CityLife S.r.l. for work and services provided relating to the former Fiera di Milano area.

The principal transactions with other related parties giving rise to real estate-related assets refer mainly to:

- Euro 102.5 million in overall payments on account paid during the year and in previous years to Avvenimenti e Sviluppo Alberghiero S.r.l. by Milano Assicurazioni S.p.A. in relation to the execution of property contracts on the 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 surface area and the purchase by it of the building complex under construction thereon at a price of Euro 110 million, pursuant to the addendum entered into in 2009. There were no payments made for this transaction during the current year.
- Euro 88.7 million comprises the valuation at inventory of the building project at the Port of Loano. The amount capitalised by Immobiliare Fondiaria-SAI S.r.l. through the subsidiary Marina di Loano S.p.A. is Euro 88.7 million and includes both costs incurred during the current year, as well in previous years to Marcora Costruzioni S.p.A. The valuation at inventory includes Euro 9.6 million incurred with Sepi 97 S.r.l. for design work, Euro 2.6 million with I.C.E.IN. S.p.A. and Euro 1 million with IM.CO. S.p.A. for construction work.
- Euro 52 million paid to IM.CO. S.p.A. by Milano Assicurazioni S.p.A. in payments on account during the current year of Euro 11 million and in previous years of Euro 41 million in relation to the real estate transaction involving the land in Milan at Via Confalonieri-Via de Castillia (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.", for Euro 93.7 million, of an office building for lease under construction on the land sold.
- Euro 23 million payable to Immobiliare Fondiaria-SAI S.r.l. from IM.CO. S.p.A. referring to payments on account for a future acquisition, consisting of the construction of the hotel complex with an attached wellness centre, currently under construction in the town of S. Pancrazio Parmense (Parma). During the year, payments were made of Euro 5 million.
- Euro 0.9 million to IM.CO. S.p.A. from Milano Assicurazioni S.p.A. for work performed on the property at Via Lancetti in Milan.
- Euro 0.4 million due to IM.CO. S.p.A. from Fondiaria-SAI S.p.A. for increased expenses incurred on buildings owned by it.
- Euro 8 million in payments on account, made in previous years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for design work in the Castello Area (FI).

- Euro 5.7 million for the valuation at inventory of demolition and reconstruction work in the area owned by the subsidiary Meridiano Secondo S.r.l., both during the current year and in previous years, by I.C.E.IN. S.p.A., together with Euro 2.2 million incurred for design activities with MI.PR.AV. S.r.l.
- Euro 1 million for transactions entered into by Fondiaria-SAI S.p.A with I.C.E.IN. S.p.A. for restructuring work at the property located at Viale Monza in Milan.
- Euro 0.7 million held by the Tikal property fund with I.C.E.IN. S.p.A., which refers to measures carried out at the technological facilities at the property located at Via Tucidide in Milan, for the purposes of regulatory compliance.

The transactions giving rise to financial assets with other related parties include Euro 19.5 million for loan and current account transactions made with the subsidiary BancaSai. Of this, approximately Euro 10.8 million and Euro 8.7 million are from Sinergia Holding S.p.A. and IM.CO. S.p.A., respectively, while the remainder of Euro 3 million concerns receivables due from physical persons.

Liabilities with the Parent Company are of a financial nature and refer to the current account maintained at the subsidiary BancaSai of Euro 18.5 million.

Property-related liabilities payable to associates concern transactions between the subsidiary Immobiliare Lombarda S.p.A. and its associate Tre Torri Contractor S.c.a.r.l. for Euro 12 million, for work and services received relating to the project in the former Fiera di Milano area.

Real estate-related liabilities in respect of other related parties refer, respectively, to:

- trade payables due by the subsidiary Marina di Loano S.r.l. to Marcora Costruzioni S.p.A. for Euro 20.8 million in relation to construction work at the Port of Loano
- a payable due by Milano Assicurazioni S.p.A. to IM.CO. of Euro 6 million for invoices to be received in relation to the abovementioned property development project involving the land located in Milan at Via Confalonieri-Via de Castillia (Lunetta dell'Isola) and for work performed on the property at Via Lancetti, also in Milan.

Financial liabilities with other related parties, meanwhile, refer to current accounts maintained by other related parties, both physical and legal persons, at BancaSai for Euro 2.5 million.

Liabilities for services received by other related parties amount to Euro 1.4 million, for trade payables on invoices to be received.

Lastly, payables are shown for emoluments owed to directors and statutory auditors, payable in 2011, relative to the Parent Company (Euro 2.7 million) and to the subsidiaries (Euro 1 million).

The principal transactions with an effect on the income statement are detailed below.

Property-related income from associates and joint ventures mainly refer to construction revenues of Euro 30 million payable to Immobiliare Lombarda by the associate Citylife for the project in the former Fiera di Milano area.

Real estate income from other related parties refers to:

- Euro 36.8 million, representing the positive component of Marina di Loano S.r.l. from the valuation at inventory of the work in progress for the Port of Loano project, incurred with Marcora Costruzioni S.p.A., together with Euro 1 million for design activity incurred with Sepi S.r.l..
- Euro 14.8 million, representing the positive component of the valuation at inventory of the work carried out by Marcora Costruzioni for the former subsidiary Crivelli, on the property located at Via Cambi in Milan (together with Euro 0.5 million for design activities incurred with MI.PR.AV. S.r.l.). Note that Crivelli was sold at the end of 2010, but the consolidated income statement recognises income until the date of deconsolidation.
- Euro 1 million, which represents the positive component in Meridiano Secondo S.r.l. of the valuation at inventory of the construction work in progress in the property area, incurred with I.C.E.IN. S.p.A.

As of this year, transactions with the Group's pension funds fall within the scope of other related parties. Insurance income with other related parties therefore includes not only premiums for Non-Life and Life policies of Euro 3.4 million, but also the premiums that the Fondiaria-SAI Group Employee Pension Fund and the Fondiaria-SAI S.p.A. Group Executive Pension Fund pay to Fondiaria-SAI (Euro 15.7 million) and to Milano Assicurazioni S.p.A. (Euro 10 million), respectively. These payments are for investing the contributions collected from Life policyholders.

Parent Company charges for services received include the cost of personnel seconded to the Parent Company, for Euro 2.3 million.

With regard to property-related charges from associates, the amount of Euro 31,144 thousand refers entirely to costs incurred by Immobiliare Lombarda with Tre Torri Contractor S.c.r.l. for the property development project at the former Fiera di Milano area ("CityLife Project").

Property-related charges from other related parties refer mainly to:

- Euro 36.8 million representing costs incurred by Marina di Loano S.r.l. for work in progress on the Port of Loano project, with Marcora Costruzioni S.p.A. Added to this is Euro 1 million for design activities incurred with Sepi S.r.l.
- Euro 14.8 million, which represents the charges incurred by Crivelli S.r.l. from Marcora Costruzioni in relation to the property located at Via Cambi in Milan together with Euro 0.5 million for design activities incurred with MI.PR.AV. S.r.l. Note that Crivelli was sold at the end of 2010 and that the consolidated income statement recognises the company's expenses until the date of deconsolidation.
- Euro 2.5 million, which was incurred by Atahotels S.p.A. with I.C.E.IN. S.p.A. for the purchase of furnishings for Residence The One, located in San Donato (MI), sold to Atahotels S.p.A.
- Euro 2.2 million incurred by the Fondiaria-SAI Servizi S.c.r.l. Group with IM.CO. S.p.A. for the supply of furnishings.
- Euro 1.3 million incurred by Immobiliare Lombarda S.p.A. with SO.GE.PI. S.r.l. for technical management and leasing services for property managed by Immobiliare Lombarda S.p.A.
- Euro 1 million incurred by Meridiano Secondo S.r.l. with I.C.E.IN. S.p.A. as a result of construction work done at the property area at Via Gioia in Milan.

Note that these charges are also valued under property, plant and equipment, as a result of the valuation at inventory of the property development projects in progress.

With regard to services received from other related parties, we would point out the following:

- Euro 6.4 million for technical, management and legal consultancy.
- Euro 1.7 million paid by Gilli Communication S.r.l. for the advertising campaign of the telephone company Dialogo Assicurazioni S.p.A. Added to this amount is 1.4 million for services provided to other Group companies.
- Euro 1.4 million relative to transactions with Laità for promotion initiatives carried out for the Fondiaria-SAI Group.

Insurance charges in respect of other related parties are due to:

- Claims settlement for compensation made for redemption or expiry of Life policies, for Euro 4 million.
- Payment of contributions payable by Group companies to Fondiaria-SAI Group Employee and Executive Pension Funds, of Euro 8 million. These payments are governed by the contractual agreements in force.
- Commissions paid to insurance brokers of Euro 8.3 million.

Charges in respect of other related parties refer mainly to fees to directors for positions held in Group companies (Euro 17.8 million) and to salaries of executives with strategic responsibilities (Euro 5.5 million). With reference to the latter, we note that no component of the compensation falls within the scope of point 16 of IAS 24.

Commitments relating to real estate transactions included Euro 51,400 thousand yet to be paid for the completion of the property transactions of Milano-Isola and Rome, Via Fiorentini. These transactions, undertaken in previous years, resulted in the sale by the subsidiary Milano Assicurazioni to third parties, of the above-mentioned building areas and the purchase of the buildings to be constructed thereon.

Milano Assicurazioni also signed commitments in the form of profit participating bonds to the associate Garibaldi S.c.a., for Euro 26,700 thousand, and Isola S.c.a., for Euro 8,700 thousand. There were also equity commitments of Euro 50,141 thousand in respect of the associate CityLife for development costs and interest expenses.

Property-related cash inflows from associates consisted of payments received during the year by Immobiliare Lombarda S.p.A. from CityLife S.r.l., for work and services provided in relation to the project in the former Fiera di Milano area, for Euro 23.4 million.

Insurance-related cash inflows from other related parties were from premiums paid on Non-Life and Life policies of Euro 3.4 million and from premiums that the Fondiaria-SAI Group Employee Pension Fund and the Fondiaria-SAI S.p.A. Group Executive Pension Fund paid during the year, to Fondiaria-SAI (Euro 15.7 million) and to Milano Assicurazioni S.p.A. (Euro 9 million). These payments are for investing the contributions collected from Life policyholders.

Cash inflows from other related parties refer to the collection of loan instalments paid by the subsidiary BancaSai in respect of IM.CO. S.p.A. (Euro 1.7 million) and Sinergia Holding S.p.A. (Euro 1.3 million) respectively.

Property-related cash outflows to associates primarily involve transactions between the subsidiary Immobiliare Lombarda S.p.A. and its associate Tre Torri Contractor S.c.a.r.l., for work and services received in relation to the project in the former Fiera di Milano area. The payments made during the year amount to Euro 25 million.

Property-related cash outflows to other related parties refer to:

- Payment of invoices for work in progress on the Port of Loano project to Marcora Costruzioni S.p.A., for Euro 32 million, and to Sepi 97 S.r.l. for design work in the amount of Euro 1.4 million.
- Euro 20 million for the payment of invoices for charges incurred by Crivelli S.r.l. with Marcora Costruzioni, in relation to the property located at Via Cambi in Milan.
- Euro 87 million for the payment of invoices by Milano Assicurazioni S.p.A. to

IM.CO. for Euro 8.7 million in relation to the property development project on the land located in Milan at Via Confalonieri-Via de Castilia (Lunetta dell'Isola) and for work performed on the property at Via Lancetti, also in Milan.

- Euro 5.3 million for the payment of invoices by Villa Ragionieri S.r.l. to IM.CO., in relation to the expansion and outfitting of its new health centre, which was completed in the previous year.
- Payments of Euro 5 million made during the year by Immobiliare Fondiaria-SAI S.r.l. to IM.CO.; these represent payments on account for a future acquisition, consisting of the construction of the hotel complex with an attached wellness centre, under construction in the town of S. Pancrazio Parmense (Parma).
- Payments of Euro 3 million made by Atahotels S.p.A. to I.C.E.IN. S.p.A. for the purchase of furnishings for the Residence The One, located in San Donato (MI), sold to Atahotels S.p.A.
- Euro 2.2 million paid by the Fondiaria-SAI Servizi S.c.r.l. Group to IM.CO. S.p.A. for the supply of furnishings.
- Payments of Euro 1.3 million made during the current year by Immobiliare Lombarda S.p.A. to So.ge.p.i. S.r.l. for technical management and leasing services for property managed by Immobiliare Lombarda S.p.A.
- Euro 1 million paid by Tikal property fund to I.C.E.IN. S.p.A. for work carried out at the technological facilities at the property at Via Tucidide in Milan, for the purposes of regulatory compliance.
- Euro 1 million paid by Meridiano Secondo S.r.l. to I.C.E.IN. S.p.A. for building operations for construction, carried out in the area owned by it at Via Gioia in Milan.
- Euro 1 million paid to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for increased expenses incurred on buildings owned by it.

Insurance-related cash outflows to other related parties refer to:

- Claims settlement, due to compensation made for redemption or expiry of Life policies of Euro 2 million.
- Payment of contributions owed by Group companies for the Fondiaria-SAI Group Employee and Executive Pension Funds of Euro 8 million. These payments are governed by the contractual agreements in force.
- Commissions paid to insurance brokers of Euro 8.3 million.

Cash outflows to associates concern:

- Payments of Euro 8 million to the associate Garibaldi S.c.a., due to equity investments made by Milano Assicurazioni S.p.A.
- Payments for the disbursement of non-interest-bearing loans by Immobiliare Milano to Sviluppo Centro Est S.r.l. (Euro 2.3 million) and Penta Domus S.r.l. (Euro 0.5 million), respectively.

Cash outflows to the Parent Company for services received concern the payment of invoices for charges for the cost of personnel seconded to the Parent Company of Euro 2 million.

Cash outflows to other related parties for services received refer to:

- Euro 8.6 million for technical, management and legal consultancy.
- Euro 2 million paid to Gilli Communication S.r.l. in relation to the advertising campaign of the telephone company Dialogo Assicurazioni S.p.A. Added to this amount is Euro 1.8 million for services provided to other Group companies.

- Euro 1.7 million refers to transactions with Laità for promotional initiatives for the Fondiaria-SAI Group.

The remaining outflows to other related parties refer to fees paid to directors for positions held at Group companies, for Euro 15.3 million, and payment of salaries to executives with strategic responsibilities, for Euro 5.5 million.

We would point out that, at 31 December 2010, assets in respect of related parties (including associates) accounted for approximately 1% of the assets in the consolidated financial statements, while liabilities amounted to 0.17% of consolidated liability items, excluding equity items.

Similarly, net cash flows absorbed 5.4% of the net liquidity deriving from ongoing operations, as shown in the consolidated cash flow statement at 31 December 2010.

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 some directors have declared interests and equity investments in Sinergia Holding di Partecipazioni S.p.A., which is their parent company.

In terms of overall related-party transactions, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Directors' remuneration

The fees paid to directors for positions held in the Group are shown in the following table:

<i>(in thousands of Euros)</i>	31.12.10	31.12.09
Remuneration	14,188	14,740
Bonus and other incentives	-	-
Benefits in kind	72	69
Total	14,260	14,809

The remuneration of directors is based on the average market remuneration level, while bonuses and other incentives are normally determined in relation to results achieved and/or in relation to particular transactions.

Obligation to disclose audit fees and fees for other services provided by audit firms

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-*duodecies* of the Consob Issuer Regulations implemented Article 160, paragraph 1-*bis* of the Consolidated Finance Act, establishing the format for the disclosure of the fees that the independent auditor and entities belonging to its network received, for auditing or for other services, disclosed separately by type or category.

The fees received by the independent auditor Reconta Ernst & Young S.p.A. from Fondiaria-SAI S.p.A. are listed below by type:

Type of service	Party providing the service	Recipient	Remuneration (in thousands of Euro)
a) Audit g	Reconta Ernst & Young S.p.A.	Premafin HP S.p.A.	143
b) certification work			
c) tax consultancy			
d) other services			
- Tax declarations			
Total fees in the year			143

n.b. fees exclusive of VAT

The different types of compensation received by the independent auditor Reconta Ernst & Young S.p.A. paid by Group subsidiaries are listed below:

Type of service	Party providing the service	Recipient	Remuneration (in thousands of Euro)
a) Audit	Reconta Ernst & Young S.p.A.	Italian subsidiaries	2,368
	Ernst & Young Network Network	Foreign subsidiaries	314
b) certification work	Reconta Ernst & Young S.p.A.	Italian subsidiaries	995
c) tax consultancy	Ernst & Young Network	Foreign subsidiaries	8
d) other services	Reconta Ernst & Young S.p.A.	Italian subsidiaries	283
	Ernst & Young Financial Business Advisors S.p.A.	Italian subsidiaries	738
Total fees in the year			4,706

PART H – Other information

Significant events after the year end

Pursuant to IAS 10, paragraph 21 *et seq.*, no significant events occurred after the year-end that would entail any adjustment to the figures shown in these financial statements..

Resolution of the extraordinary shareholders' meeting of the subsidiary Fondiaria-SAI of 26 January 2011

The extraordinary shareholders' meeting of the subsidiary Fondiaria-SAI S.p.A., held on 26 January 2011, resolved to grant the Company's Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the authority to increase the share capital for cash, in one or more transactions, by 31 December 2011, up to a total maximum amount, including any share premium, of Euro 460,000,000.00, by issuing ordinary and savings shares to be offered in option to holders of ordinary and savings shares proportionately to the number of shares owned by them. The Board of Directors has full powers to establish, within the abovementioned limits, the procedures, terms and conditions of the capital increase, including the number and issue price of the new shares.

The Board of Directors shall have the authority, subject to obtaining any authorisations required by law, to establish the procedures, terms and conditions of the capital increase and its implementation and, therefore, to determine the following, even close to the start of the offering in option:

- The issue price of the shares, based on the theoretical ex right price (TERP) of the shares of Fondiaria-SAI, calculated according to current methods and discounted to the extent stipulated by the Board of Directors based on prevailing market conditions at the time of the actual launch of the operation, as well as on market practices for similar operations and the Company's performance in terms of its income, equity situation and cash flow.
- The exact number of shares involved in the issue and the option ratio.

Boards of Directors' meetings of 22 March 2011

The resolutions adopted on 22 March 2011 by the Boards of Directors of Premafin HP S.p.A., Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. set the stage for a significant capitalisation programme for Group companies that would entail an overall increase, compared with 31 December 2010, in the Correct Solvency Margin (Solvency I) of about 30 percentage points.

The agreement reached between Premafin and UniCredit, and the consequent interventions on the capital of Fondiaria-SAI and Milano Assicurazioni, facilitate the capitalisation of the third-largest Italian insurance group (Euro 13 billion in premiums, 9 million customers and a workforce of more than 10,000, between employees and agents) in a context of serious economic crisis in the TPL Motor segment and in the financial markets, caused by a deep worldwide crisis, with specific Italian characteristics in the sector in question.

The agreement thus guarantees, in defence of both policyholders and shareholders, that regulatory capital ratios will be maintained with absolute peace of mind, even with the prospect of more stringent requirements with the introduction in 2012 of European regulations on insurance company solvency (Solvency II), while maintaining the current

control structures basically unchanged in the Premafin - Fondiaria-SAI - Milano Assicurazioni group.

Under the agreement, furthermore, the Parent Company's equity swap contract on Fondiaria-SAI shares was revised, setting 31 March 2013 as the expiry date and eliminating the need for paying collateral to secure the transaction.

Exchange Rates

The exchange rates of the principal currencies used for the conversion of the financial statements are as follows:

	2010	2009
US Dollar	1.3362	1.4406
UK Sterling	0.86075	0.8881
Japanese Yen	108.65	133.16
Swiss Franc	1.2504	1.4836
Serbian Dinar	106.045	96.2044

Milan, 24 March 2011

On behalf of 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 81-ter of Consob Regulation 11971 of 14 May 1999, as subsequently amended and supplemented

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 attest, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February, 1998, to:
the accuracy of the information on company operations and the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period from 1 January 2010 to 31 December 2010.
2. The evaluation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at 31 December 2010 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. We also certify that:
 - 3.1. The consolidated financial statements as of 31 December 2010:
 - 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) are consistent with the data in the accounting records and other corporate documents
 - 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 equity, financial and economic position of the issuer and of all the consolidated companies
 - 3.2. The Directors’ Report includes a reliable analysis of the operating performance and 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, 24 March 2011

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

Registered Office: Via Guido d'Arezzo 2 – 00198 Rome – Tel. 06.8412627 – Fax 06.8412631 – **Secondary Office:** Via Daniele Manin 37 – 20121 Milan – Tel. 02.667041 – Fax 02.66704832
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

CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.10

Basis of consolidation

Order number	Name	State	Method (1)	Activities (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	20,780	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	CENTRO ONCOLOGICO FIORENTINO 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	86	G	10	0,00	33,063	100	33,06
18	DIALOGO ASSICURAZIONI SPA	86	G	1	0,00	20,750	99,85	33,06
19	DOMINION INSURANCE HOLDING LTD	31	G	11	0,00	33,059	100	33,06
23	EUROPA TUTELA GIUDIZIARIA SPA	86	G	1	0,00	33,063	100	33,06
24	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL	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-SAI NEDERLAND BV	50	G	11	0,00	33,063	100	33,06
29	IMMOBILIARI LITORELLA SRL	86	G	10	0,00	33,063	100	33,06
30	IMMOBILIARE LOMBARDA SPA	86	G	10	0,00	28,662	100	33,06
31	INIZIATIVE VALORIZZAZIONI EDILI IN.V.ED. SRL	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
40	MERIDIANO PRIMO SRL	86	G	10	0,00	33,063	100	33,06
41	APB CAR SERVICE 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	0,00	20,780	62,86	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	32,679	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 liquidator	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	26,328	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	32,229	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	42,889	100	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.	92	G	11	0,00	51,285	89	33,06
69	SERVICE GRUPPO FONDIARIA SRL	86	G	11	0,00	29,379	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	20,780	100	33,06
73	SRP SERVICES 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	20,780	100	33,06
77	THE LAWRENCE LIFE ASSURANCE CO LTD	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	27,068	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	86	G	11	0,00	28,797	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	20,773	99,97	33,06
86	LIGURIA VITA SPA	86	G	1	0,00	20,773	100	33,06
88	INCONTRA ASSICURAZIONI SPA	86	G	1	0,00	16,862	51	33,06
90	MERIDIANO AURORA SRL	86	G	10	0,00	33,063	100	33,06
93	SINTESI SECONDA SRL	86	G	10	0,00	20,780	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	30,487	99,99	33,06
98	AUTO PRESTO & BENE 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	20,780	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	27,045	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	20,780	100	33,06
107	ITALRESIDENCE SRL	86	G	11	0,00	27,045	100	33,06
108	SAI NETWORK SPA	86	G	11	0,00	30,851	100	33,06
109	ADMIRAL FINANCE SRL	86	G	11	*			

(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

(4) total percentage availability of votes at the ordinary general meeting if different from the proportion of the direct or indirect equity investment

(*) consolidated for SIC 12

(1) Consolidation method: Line-by-line =G, Proportional =P, Full integration with single management =U

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(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

CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.10

(Values in €)

Breakdown of non-consolidated equity investments

Order number	Name	State	Activities (1)	Type (2)	% Direct equity investment	% Total holding (3)	% Available votes in ordinary general meeting (4)	Balance-sheet value
8	SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO SPA	86	11	b	0,00	9,05	27,38	3.611.826
9	A7 SRL	86	10	b	0,00	4,16	20,00	266.000
10	BORSETTO SPA	86	10	b	0,00	9,34	44,93	3.170.000
12	CITY LIFE SRL	86	10	b	0,00	5,65	27,20	78.087.000
13	FIN. PRIV. SRL	86	11	b	0,00	9,45	28,57	27.725.751
14	GARIBALDI SCS	92	11	b	0,00	6,65	32,00	45.902.000
16	MB VENTURE CAPITAL FUND	50	11	b	0,00	9,92	30,00	615.000
17	METROPOLIS SPA	86	10	b	0,00	6,18	29,73	1.665.000
18	SERVIZI IMMOBILIARI MARTINELLI SPA	86	10	b	0,00	4,16	20,00	103.000
19	SOFIGEA SRL in liquidation	86	11	b	0,00	6,49	22,41	0
20	SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA in liquidation	86	11	b	0,00	7,15	21,64	317.114
21	UFFICIO CENTRALE ITALIANO SRL	86	11	b	0,00	7,05	25,52	130.136
22	PROGETTO ALFIERE SRL	86	10	b	0,00	6,28	19,00	1.540.625
23	EX VAR SCA	92	11	b	13,55	18,99	32,52	35.960.466
24	PENTA DOMUS SPA	86	10	b	0,00	4,16	20,00	2.417.000
25	SVILUPPO CENTRO EST SRL	86	10	b	0,00	8,31	40,00	386.000
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	3.378.669
33	IGLI SPA	86	11	b	0,00	8,97	33,33	56.731.735
34	QUINTOGEST SPA	86	11	b	0,00	16,20	49,00	2.059.200
36	INVESTIMENTI MOBILIARI S.r.l.	86	11	a	100,00	100,00	100,00	59.414
37	PARTECIPAZIONI E INVESTIMENTI S.r.l.	86	11	a	100,00	100,00	100,00	55.955
38	PARTECIPAZIONI MOBILIARI S.r.l.	86	11	a	100,00	100,00	100,00	80.522
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	13.464
42	DDOR GARANT	289	11	a	0,00	33,06	32,46	1.050.424
43	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	86	11	b	0,00	9,94	30,07	1.499.247
44	BUTTERFLY AM SARL	92	11	b	0,00	9,45	28,57	7.096.302
46	VALORE IMMOBILIARE SRL	86	10	b	0,00	10,39	50,00	8.100.000
47	TRE TORRI CONTRACTOR SCRL	86	10	b	0,00	14,33	50,00	5.000
48	HOTEL TERME DI SAINT VINCENT SRL	86	11	a	0,00	27,05	100,00	1.262.268
49	ITAL H&R SRL	86	11	a	0,00	27,05	100,00	33.608
50	TOUR EXECUTIVE SPA	86	11	a	0,00	27,05	100,00	118.299
51	ATA BENESSERE SRL in liquidation	86	11	a	0,00	27,05	100,00	1
52	ATAHOTELS SUISSE SA in liquidation	71	11	a	0,00	26,50	98,00	37.333
53	FONDO RHO IMMOBILIARE	86	10	b	0,00	12,67	42,92	58.628.902
54	ISOLA SCA	92	11	b	0,00	6,14	29,56	10.907.000

(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.

(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c= joint ventures (IAS 31); indicate with an asterisk (*) companies classified as held for sale pursuant to IFRS 5 and put in the key at the bottom of the table

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31.12.10

Breakdown of tangible and intangible assets

(Values in €thousands)

	At cost	At recalculated value or fair value	Total balance sheet value
Investment property	2.912.189	-	2.912.189
Other property	504.218	-	504.218
Other property, plant and equipment	93.854	-	93.854
Other intangible assets	119.165	-	119.165

PREMAFIN FINANZIARIA - S.P.A.**Holding di Partecipazioni****CONSOLIDATED FINANCIAL STATEMENTS**

AT 31.12.10

Breakdown of insurance contract liabilities attributable to reinsurers

(Values in €thousands)

	Direct premiums		Indirect premiums		Total balance sheet value	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Non-Life provisions	425.251	473.649	231.468	216.520	656.719	690.169
Premium provision	83.240	80.638	71.164	62.113	154.404	142.751
Claims provision	342.011	393.011	160.304	154.407	502.315	547.418
Other provisions	-	-	-	-	-	-
Life provisions	117.657	128.421	48.808	51.710	166.465	180.131
Provisions for claims to be paid	1.117	879	1.434	821	2.551	1.700
Actuarial provisions	116.540	127.541	47.374	50.889	163.914	178.430
Technical provisions where investment risk borne by policyholders and from pension fund management	-	-	-	-	-	-
Other provisions	-	1	-	-	-	1
Total technical provisions attributable to reinsurers	542.908	602.070	280.276	268.230	823.184	870.300

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

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		Available-for-sale financial assets		Financial assets held for trading		Financial assets designated at fair value through profit or loss		Total balance sheet value	
	DEC 2010	DEC 2009	DEC 2010	DEC 2009	DEC 2010	DEC 2009	DEC 2010	DEC 2009	DEC 2010	DEC 2009	DEC 2010	DEC 2009
Equity securities and derivatives valued at cost	-	-	-	-	-	-	-	-	-	-	-	-
Equity securities at fair value	-	-	-	-	1.481.428	1.669.996	574	2.222	31.928	95.637	1.513.930	1.767.855
<i>of which listed securities</i>	-	-	-	-	1.301.503	1.532.793	574	2.175	31.928	95.637	1.334.005	1.630.605
Debt securities	592.138	808.473	1.825.970	1.020.996	17.952.179	16.261.500	80.030	156.161	7.678.402	7.314.034	28.128.719	25.561.164
<i>of which listed securities</i>	592.138	808.421	879.218	873.625	17.906.627	16.230.879	29.632	61.553	3.364.535	3.628.765	22.772.150	21.603.243
UCI units	-	-	-	-	839.740	963.466	7	30.110	459.892	379.978	1.299.639	1.373.554
Loans and receivables in respect of bank customers	-	-	685.583	506.848	-	-	-	-	-	-	685.583	506.848
Interbank loans and receivables	-	-	78.590	470.085	-	-	-	-	-	-	78.590	470.085
Deposits with ceding companies	-	-	27.417	28.570	-	-	-	-	-	-	27.417	28.570
Financial components receivable under insurance contracts	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	538.677	876.596	-	-	-	-	-	-	538.677	876.596
Non-hedging derivatives	-	-	-	-	-	-	41	3.509	417.917	602.582	417.958	606.091
Hedging derivatives	-	-	-	-	-	-	-	-	-	5.639	-	5.639
Other financial investments	-	-	2.974	4.915	1.951	1.972	-	-	71.273	65.236	76.198	72.123
Total	592.138	808.473	3.159.211	2.908.010	20.275.298	18.896.934	80.652	192.002	8.659.412	8.463.106	32.766.711	31.268.525

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31.12.10

Breakdown of insurance contract liabilities

(Values in €thousands)

	Direct premiums		Direct premiums		Total balance sheet value	
	DEC 2010	DEC 2009	DEC 2010	DEC 2009	DEC 2010	DEC 2009
Non-Life provisions	11.784.061	11.562.636	103.788	105.599	11.887.849	11.668.235
Premium provision	2.776.392	2.728.648	1.545	1.998	2.777.937	2.730.646
Claims provision	8.995.352	8.820.446	102.243	103.601	9.097.595	8.924.047
Other provisions	12.317	13.542	-	-	12.317	13.542
<i>of which provisions established after verification of consistency of liabilities</i>	-	-	-	-	-	-
Life provisions	22.920.460	20.029.981	19.663	19.834	22.940.123	20.049.815
Provisions for claims to be paid	277.038	154.568	759	486	277.797	155.054
Actuarial reserves	16.054.508	13.498.912	18.904	19.348	16.073.412	13.518.260
Insurance contract liabilities where investment risk borne by policyholders and from pension fund management	6.950.978	6.265.181	-	-	6.950.978	6.265.181
Other provisions	(362.064)	111.320	-	-	(362.064)	111.320
<i>of which provisions established after verification of consistency of liabilities</i>	-	-	-	-	-	-
<i>of which deferred liabilities to policyholders</i>	(454.658)	7.739	-	-	(454.658)	7.739
Total insurance contract liabilities	34.704.521	31.592.617	123.451	125.433	34.827.972	31.718.050

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31.12.10

Breakdown of financial liabilities

(Values in €thousands)

	<u>Financial liabilities at fair value through profit or loss</u>							
	<u>Financial liabilities held for trading</u>		<u>Financial liabilities designated at fair value through profit or loss</u>		<u>Other financial liabilities</u>		<u>Total balance sheet value</u>	
	<u>DEC 2010</u>	<u>DEC 2009</u>	<u>DEC 2010</u>	<u>DEC 2009</u>	<u>DEC 2010</u>	<u>DEC 2009</u>	<u>DEC 2010</u>	<u>DEC 2009</u>
Equity instruments	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	1.037.075	1.040.425	1.037.075	1.040.425
Liabilities from financial contracts issued by insurance companies	-	-	1.608.512	2.058.035	-	-	1.608.512	2.058.035
<i>from contracts for which the investment risk is borne by policyholders</i>	-	-	1.344.519	1.831.117	-	-	1.344.519	1.831.117
<i>from pension fund management</i>	-	-	263.993	226.918	-	-	263.993	226.918
<i>from other contracts</i>	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	248.006	266.089	248.006	266.089
Financial components payable under insurance contracts	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	108.305	221.120	108.305	221.120
Payables to bank customers	-	-	-	-	282.022	579.289	282.022	579.289
Interbank payables	-	-	-	-	-	25.049	-	25.049
Other loans obtained	-	-	-	-	145.611	147.647	145.611	147.647
Non-hedging derivatives	31.692	15.609	-	-	-	-	31.692	15.609
Hedging derivatives	2.023	10.954	33.863	13.611	-	-	35.886	24.565
Miscellaneous financial liabilities	-	-	1.717	1.322	688.541	723.353	690.258	724.675
Total	33.715	26.563	1.644.092	2.072.968	2.509.560	3.002.972	4.187.367	5.102.503

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31.12.10

Breakdown of technical insurance items

(Values in €thousands)

	31.12.10			31.12.09		
	Gross amount	Portion attributable to reinsurers	Net amount	Gross amount	Portion attributable to reinsurers	Net amount
Non-Life management						
NET PREMIUMS	7.162.227	(307.422)	6.854.805	7.131.032	(351.093)	6.779.939
a Booked premiums	7.204.029	(319.148)	6.884.881	7.169.616	(367.640)	6.801.976
b Change in premiums reserve	(41.802)	11.726	(30.076)	(38.584)	16.547	(22.037)
NET CHARGES RELATING TO CLAIMS	(5.955.951)	169.489	(5.786.462)	(5.929.786)	258.899	(5.670.887)
a Amounts paid	(5.931.946)	200.859	(5.731.087)	(5.697.312)	213.004	(5.484.308)
b Change in claims reserve	(166.632)	(3.648)	(170.280)	(359.162)	27.092	(332.070)
c Change in recoveries	143.211	(27.722)	115.489	127.487	18.803	146.290
d Change in other technical reserves	(584)	-	(584)	(799)	-	(799)
Life management						
NET PREMIUMS	5.749.276	(18.784)	5.730.492	5.137.011	(28.208)	5.108.803
NET CHARGES RELATING TO CLAIMS	(6.385.961)	19.482	(6.366.479)	(6.225.959)	24.821	(6.201.138)
a Sums paid	(3.135.301)	32.095	(3.103.206)	(2.620.619)	36.244	(2.584.375)
b Change in reserve for sums to be paid	(60.338)	1.257	(59.081)	44.669	(558)	44.111
c Change in actuarial reserves	(2.531.842)	(13.869)	(2.545.711)	(1.347.209)	(10.864)	(1.358.073)
d Change in technical reserves where investment risk borne by policyholders and from pension fund management	(677.000)	-	(677.000)	(2.330.677)	-	(2.330.677)
e Change in other technical reserves	18.520	(1)	18.519	27.877	(1)	27.876

(Values in €thousands)

	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised income and charges	Valuation gains		Valuation losses		Total unrealised income and charges	Total income and charges 31.12.10	Total income and charges 31.12.09
							Valuation gains	Restatement of value	Valuation losses	Restatement of value			
Result from investments	927.350	286.723	(98.488)	513.778	(200.063)	1.429.300	147.449	476	(203.934)	(418.997)	(475.006)	954.294	1.509.882
a From investment property	-	91.666	(67.210)	59.858	(1)	84.313	-	-	(72.689)	(29.683)	(102.372)	(18.059)	33.872
From equity investments in subsidiaries, associates and joint ventures	-	1.933	(9.405)	53.862	-	46.390	-	-	(12.153)	-	(12.153)	34.237	(68.714)
c From investments held to maturity	40.405	88	(5)	28.096	-	68.584	-	-	-	-	-	68.584	48.097
d From loans and receivables	110.635	305	-	1.969	(7.103)	105.806	-	215	(9)	-	206	106.012	99.793
e From available-for-sale financial assets	550.643	77.628	(9.311)	297.129	(158.991)	757.098	-	261	-	(389.314)	(389.053)	368.045	498.808
f From financial assets held for trading	6.502	1.506	(104)	6.859	(1.208)	13.555	10.700	-	(31.634)	-	(20.934)	(7.379)	44.032
From financial assets designated at fair value through profit or loss	219.165	113.597	(12.453)	66.005	(32.760)	353.554	136.749	-	(87.449)	-	49.300	402.854	853.994
Result of miscellaneous receivables	12.689	49	(2.302)	3.752	-	14.188	-	-	-	-	-	14.188	38.239
Result of cash and cash equivalents	7.990	-	(469)	-	-	7.521	-	-	-	-	-	7.521	15.355
Result of financial liabilities	(81.199)	-	1.239	-	-	(79.960)	595	-	(19.951)	-	(19.356)	(99.316)	(98.147)
From financial liabilities held for trading	-	-	-	-	-	-	595	-	(17.779)	-	(17.184)	(17.184)	2.322
From financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-
c From other financial liabilities	(81.199)	-	1.239	-	-	(79.960)	-	-	(2.172)	-	(2.172)	(82.132)	(100.469)
Result of payables	(6.873)	-	59	-	-	(6.814)	-	-	-	-	-	(6.814)	(12.045)
Total	859.957	286.772	(99.961)	517.530	(200.063)	1.364.235	148.044	476	(223.885)	(418.997)	(494.362)	869.873	1.453.284

Breakdown of other comprehensive income

(Values in €thousands)

	Allocation		Adjustments for reclassification to the income statement		Other changes		Total changes		Taxes		Existing	
	31.12.2010	31.12.2009	31.12.2010	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Translation reserve	(13.328)	(8.015)	-	-	(4.110)	-	(17.438)	(8.015)	-	-	(21.410)	(3.972)
Profit or loss on available-for-sale financial assets	(161.920)	300.166	186.939	79.416	-	-	25.019	379.582	97.173	(42.920)	(41.539)	(66.558)
Profit or loss on cash flow hedging instruments	(16.524)	(3.816)	-	-	-	-	(16.524)	(3.816)	6.318	460	(26.438)	(9.914)
Profit or loss on instruments hedging a net investment in a foreign-managed portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Reserve from changes in shareholders' equity of investee companies	646	2.613	-	-	-	-	646	2.613	-	-	4.787	4.141
Revaluation reserve for intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for tangible assets	(8.764)	(678)	-	-	-	-	(8.764)	(678)	974	(30)	(11)	8.753
Income and expenses on non-current assets or in a discontinued group held for sale	-	(685)	-	-	675	-	675	(685)	-	-	(10)	(685)
Actuarial gains and losses and adjustments related to defined benefit plans	(2.522)	(175)	-	-	-	-	(2.522)	(175)	532	601	(11.937)	(9.415)
Other elements	826	(56)	-	-	-	-	826	(56)	-	-	56.535	55.710
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	(201.586)	289.354	186.939	79.416	(3.435)	-	(18.082)	368.770	104.997	(41.889)	(40.023)	(21.940)

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	
		31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Available-for-sale financial assets		19.181.967	17.706.795	893.097	1.190.139	76.560	-	20.151.624	18.896.934
Financial assets at fair value through profit or loss	Financial assets held for trading	30.207	97.765	50.445	94.237	-	-	80.652	192.002
	Financial assets designated at fair value through profit or loss	23.509	84.105	8.635.903	8.379.001	-	-	8.659.412	8.463.106
Total		19.235.683	17.888.665	9.579.445	9.663.377	76.560	-	28.891.688	27.552.042
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	15.779	33.714	10.783	-	-	33.714	26.562
	Financial liabilities designated at fair value through profit or loss	-	11.601	1.644.093	2.061.368	-	-	1.644.093	2.072.969
Total		-	27.380	1.677.807	2.072.151	-	-	1.677.807	2.099.531

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Breakdown of financial assets and liabilities for level 3

	Financial assets			Financial liabilities	
	Available-for-sale financial assets	Financial assets at fair value through profit or loss statement		Financial liabilities at fair value through profit or loss statement	
		Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
Opening balance	-				
Purchases/issues					
Sales/buybacks					
Repayments					
Profit or loss recorded in the income statement					
Profit or loss recorded in other comprehensive income statement					
Transfers in level 3	76.560				
Transfers to other levels					
Other changes					
Closing balance	76.560	-	-	-	-

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BOARD OF STATUTORY AUDITORS'
REPORT

**Board of Statutory Auditors' Report on the consolidated financial statements as of
31 December 2010**

Dear Shareholders,

The consolidated financial statements of the PREMAFIN Group close on a loss pertaining to the Group of Euro 271,541 thousand. They were prepared using the IFRS international accounting standards adopted by the European Union, and the Regulations issued for the implementation of Article 90 of Legislative Decree 209/2005; in particular, the financial statements and the notes to the financial statements comply with the provisions of Legislative Decree 38/2005 and adopt the formats required by ISVAP Regulation 7 of 13 July 2007, as subsequently amended.

The consolidated Directors' Report is exhaustive and describes operations and development activity, strategies and transactions between Group companies; it is consistent with the consolidated financial statements, as is also apparent from the Independent Auditor's Report issued by Reconta Ernst & Young S.p.A. on 7 April 2011.

The consolidated financial statements at 31 December 2010 show the effect of capital losses on financial instruments classified as available for sale as a result of impairment tests; this recognition, pursuant to the Group's impairment policy, involved bringing them in line with market values at year-end, when the market value had been continually lower than the original cost for a period of two years. This is regardless of whether these market values were consistent with the financial statement fundamentals of the respective economic entities.

In its report, issued without observations, the Independent Auditor noted the information provided in the Directors' Report and in the notes to the financial statements with respect to: 1) the financial management of Parent Company PREMAFIN and the initiatives aimed at maintaining a situation of equilibrium, both in the short term and going forward, mainly by renegotiating the pool loan and extending the duration of the equity swap contract on Fondiaria-SAI shares; and 2) the Group's capitalisation initiatives aimed at observance of regulatory capital requirements.

The said report shows that the consolidated financial statements of the Premafin Group at 31 December 2010 were prepared in a clear manner and are a true and accurate representation of the financial position, income and cash flows of the Premafin Group.

Milan, 7 April 2011

The Board of Statutory Auditors

Signed Vittorio De Cesare

(Chairman)

Signed Antonino D'Ambrosio

Maria Luisa Mosconi

PREMAFIN FINANZIARIA S.p.A.
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**CONSOLIDATED
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT**