2010 CONSOLIDATED FINANCIAL STATEMENTS

5 YEARS OVERVIEW CONSOLIDATED

Euro/thousand

	2006	%	2007	%	2008	%	2009	%	2010	%
TOTAL PREMIUMS										
MOTOR TPL	4,307,043	43.18	4,190,572	35.27	4,048,099	35.18	3,910,836	31.78	3,986,412	30.78
NON-LIFE DIVISION	2,997,751	30.05	3,127,573	26.32	3,249,984	28.25	3,258,780	26.48	3,217,617	24.84
LIFE DIVISION	2,670,472	26.77	4,564,123	38.41	4,208,340	36.57	5,137,011	41.74	5,749,276	44.38
TOTAL	9,975,266	100.00	11,882,268	100.00	11,506,423	100.00	12,306,627	100.00	12,953,305	100.00
Annual Premium Equivalent	244,410		402,757		379,158		464,863		544,149	
premiums relating to investment policies	882,541		171,982		297,452		51,814		54,711	
CLAIMS PAID and related charges	7,063,900		8,166,014		9,894,498		8,317,931		9,067,247	
GROSS TECHNICAL RESERVES										
UNEARNED PREMIUM RESERVE	2,567,470		2,621,820		2,696,189		2,730,646		2,777,937	
CLAIMS RESERVE	9,083,916		8,969,398		8,570,978		8,924,047		9,097,595	
OTHER TECHNICAL RESERVES	10,501		14,463		14,444		13,542		12,317	
LIFE TECHNICAL RESERVES	15,264,706		19,737,383		18,039,925		20,049,815		22,940,123	
TOTAL	26,926,593		31,343,064		29,321,536		31,718,050		34,827,972	
TECHNICAL RESERVES/PREMIUMS	269.9%		263.8%		254.8%		257.7%		268.9%	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	4,453,774		4,550,883		3,804,044		4,102,164		3,478,966	
NET PROFIT/(LOSS)	600,768		620,050		90,764		-391,513		-928,861	
	5,054,542		5,170,933		3,894,808		3,710,651		2,550,105	
INVESTMENTS	33,812,476		38,020,751		33,437,833		34,646,442		36,013,873	
AVERAGE NUMBER OF EMPLOYEES OF THE GROUP	5,991		6,154		7,714		8,284 (*)		8,191	

(*) 2009 figure restated to take account of seasonal employees of the Atahotels Group

MAIN EVENTS IN 2010

- **17/03/2010:** Fondiaria-SAI S.p.A. sold to third parties 450,000 ordinary shares, representing 90% of the share capital, of SAI Asset Management SGR – società di gestione del risparmio S.p.A. at a price of Euro 4.9 million. The sale was completed on July 6. The sale resulted in a gain of Euro 0.6 million in the second half of the year.
- **26/03/2010:** The rating agency Standard & Poor's, within a general review of the Italian insurance market, revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni, from A- to BBB+. This change in the rating is related to the deterioration in the operating performance as well as the reduced financial and capital flexibility. The outlook is confirmed as negative, due to concerns on the capacity of the Group to return profitability to its historic levels. However the report underlines the solid leadership position held in the Non-Life sector in Italy and the continued improvement of the ERM (Enterprise Risk Management). The Standard & Poor's rating reflects the current difficult market conditions within the Non-Life sector.
- **17/06/2010:** Banco Popolare di Milano S.c.r.l. and Milano Assicurazioni S.p.A., under agreements signed on December 23, 2009 in relation to the mutual winding-up of the partnership in the bancassurance sector and having received the necessary legal authorisations, announced the transfer to Banco Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a total amount of Euro 113 million (including, as contractually provided for, the pro-quota dividends already received by the seller).
  The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in Bipiemme Vita S.p.A. to third parties within 12 months of the sale, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria SAI Group.
- **16/09/2010:** Fondiaria-SAI S.p.A., on conclusion of negotiations, agreed the sale of 100% of the share capital of the subsidiary Banca Gesfid SA to PKB Privatbank SA, once the buyer obtained the relevant authorisations from the Swiss authorities.
  The sale generated a gain of approx. Euro 31 million for the Parent Company.
- **01/10/2010:** The rating agency Standard & Poor's revised the rating of the Group and its principal subsidiary Milano Assicurazioni S.p.A. from BBB+ to BBB.
- **01/12/2010:** The ratings agency Standard & Poor's put Fondiaria-SAI and Milano Assicurazioni on negative Credit Watch due to the uncertainties surrounding the successful completion of the announced share capital increase of the parent company Premafin S.p.A..
- **22/12/2010:** Saiagricola S.p.A. finalised the sale of the entire holding comprising 100% of the share capital in Agrisai S.r.l., owner of the "Veneria" agricultural holding in Lignana (VC).
- **29/12/2010:** merger by incorporation of the company DIALOGO VITA S.p.A. into Milano Assicurazioni S.p.A..
- **31/12/2010:** merger by incorporation of the companies SYSTEMA VITA S.p.A. and ITALIBERIA INVERSIONES FINANCIERAS SL into Fondiaria-SAI S.p.A..

NEW INSURANCE PRODUCTS

Non-Life Division

- The policy **Difesa Più Casa One** was launched in March, the new multi-guarantee product for the home which broadens the “Difesa Più” line of products.

- In June, the policy **Difesa Più Alla Guida** was also launched, a product which insures the driver and passengers for injuries resulting from traffic accidents.

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

- At the end of the year **Retail Più Infortuni Classic** became available, a new accident product which broadens the classic line.

Life Division

- On March 8, two new Life products were made available **Open Risparmio** and **Open Gold**, which improved the Recurring Premium product offer within the Individual Life Segment.
  While Open Risparmio is a restyling of a current product (although extensive in terms of the easily accessible advantages for the Client), Open Gold is a groundbreaking product and unique in the market.

- On April 1, a new version of the product **Open Free** (2010 edition) was launched, a single premium mixed special insurance policy with capital revaluation.

- During 2010, the **Unit Investimento** and **Unit Risparmio** Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

CONSOLIDATED FINANCIAL STATEMENTS
FINANCIAL YEAR 2010

CORPORATE BOARDS FONDIARIA-SAI S.p.A. 6

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER SIGNIFICANT HOLDINGS 8

2010 DIRECTORS' REPORT
- Operational performance 14
- Economic overview and insurance market in 2010.........................19
- Developing strategy of the Fondiaria-SAI Group..............................31

- NON-LIFE INSURANCE SECTOR..33
- The non-life insurance market 34
- Dialogo Assicurazioni S.p.A. 41
- DDOR Novi Sad ADO..41
- Liguria Assicurazioni S.p.A. 42
- Milano Assicurazioni S.p.A. 43

- LIFE INSURANCE SECTOR 47
- The life insurance market 48
- Milano Assicurazioni S.p.A. 56
- Popolare Vita S.p.A..57
- The Lawrence Life Assurance Co. LTD...58

- REINSURANCE...60

- REAL ESTATE SECTOR..63
- Operational performance 65
- Immobiliare Fondiaria-SAI S.r.l...68
- Immobiliare Milano Assicurazioni S.r.l...69
- Property development initiatives 69

- OTHER ACTIVITIES SECTOR...75
- Operational performance 78
- BancaSai S.p.A. 79
- Finitalia S.p.A. 80
- Atahotels S.p.A. 82

- ASSET AND FINANCIAL MANAGEMENT...................................85
- Investments and liquidity...86
- Fondiari-SAI Group debt...93
- Treasury shares, shares of the holding companies and its subsidiaries..95
- Performance of the listed shares of the Group 96
- Relations with the market and institutional investors......................97
- Other information 98

- SOCIAL RESPONSIBILITY 100
- Human resources..101
- Agents 107
- Customers 111
- Suppliers 111
- Collectivity 112
- Communications...113

- Litigation...115
- Annual corporate Governance Report 117
- Corporate governance report and shareholder structure in accordance with article 123 bis of the consolidated finance act.........................152
- Significant events after the year-END..160
- Outlook 165

CONSOLIDATED FINANCIAL STATEMENTS
- STATEMENT OF FINANCIAL POSITION...................................169
- INCOME STATEMENT 171
- CHANGE IN SHAREHOLDERS' EQUITY 173
- CASH FLOW STATEMENT...175

NOTES TO THE FINANCIAL STATEMENTS
- PART A - accounting principles 179
- PART B - Information on the Consolidated Statement of financial position..223
  - Statement of financial position - Assets 224
  - Statement of financial position – Shareholders' Equity & Liabilities...256
- PART C - Information on the Consolidated Income Statement......273
- PART D – Segment Information 287
- PART E - Information on risks and on uncertainties.........................291
- PART F – Information un business combinations, assets sold and discontinued operations..................337
- PART G – Transactions with related parties............................341
- PART H – Other Information 353
- Attestation on the consolidated financial statements in accordance with article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendment and integrations.......................................356

INDEPENDENT BOARDS REPORTS
- BOARD OF STATUTORY AUDITORS' REPORT 359
- INDEPENDENT AUDITORS' REPORT 363

ATTACHMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS 364

CORPORATE BOARDS FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Jonella Ligresti*	*Chairman*
Giulia Maria Ligresti *	*Vice Chairman*
Massimo Pini *	*Vice Chairman*
Antonio Talarico *	*Vice Chairman*
Emanuele Erbetta*	*Chief Executive Officer - General Manager*
Andrea Broggini	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti *	
Fausto Marchionni	
Valentina Marocco	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Sergio Viglianisi	
Graziano Visentin	
Fausto Rapisarda	Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino	*Chairman*
Marco Spadacini	*Statutory Auditor*
Antonino D'Ambrosio	*Statutory Auditor*
Maria Luisa Mosconi	*Alternate Auditor*
Alessandro Malerba	*Alternate Auditor*
Rossella Porfido	*Alternate Auditor*

INDEPENDENT AUDITOR
RECONTA ERNST & YOUNG S.P.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS
Sandro Quagliotti

GENERAL MANAGER
Emanuele **Erbetta**
Stefano Carlino

EXECUTIVE RESPONSIBLE
for the preparation of the corporate accounting documents
Pier Giorgio Bedogni

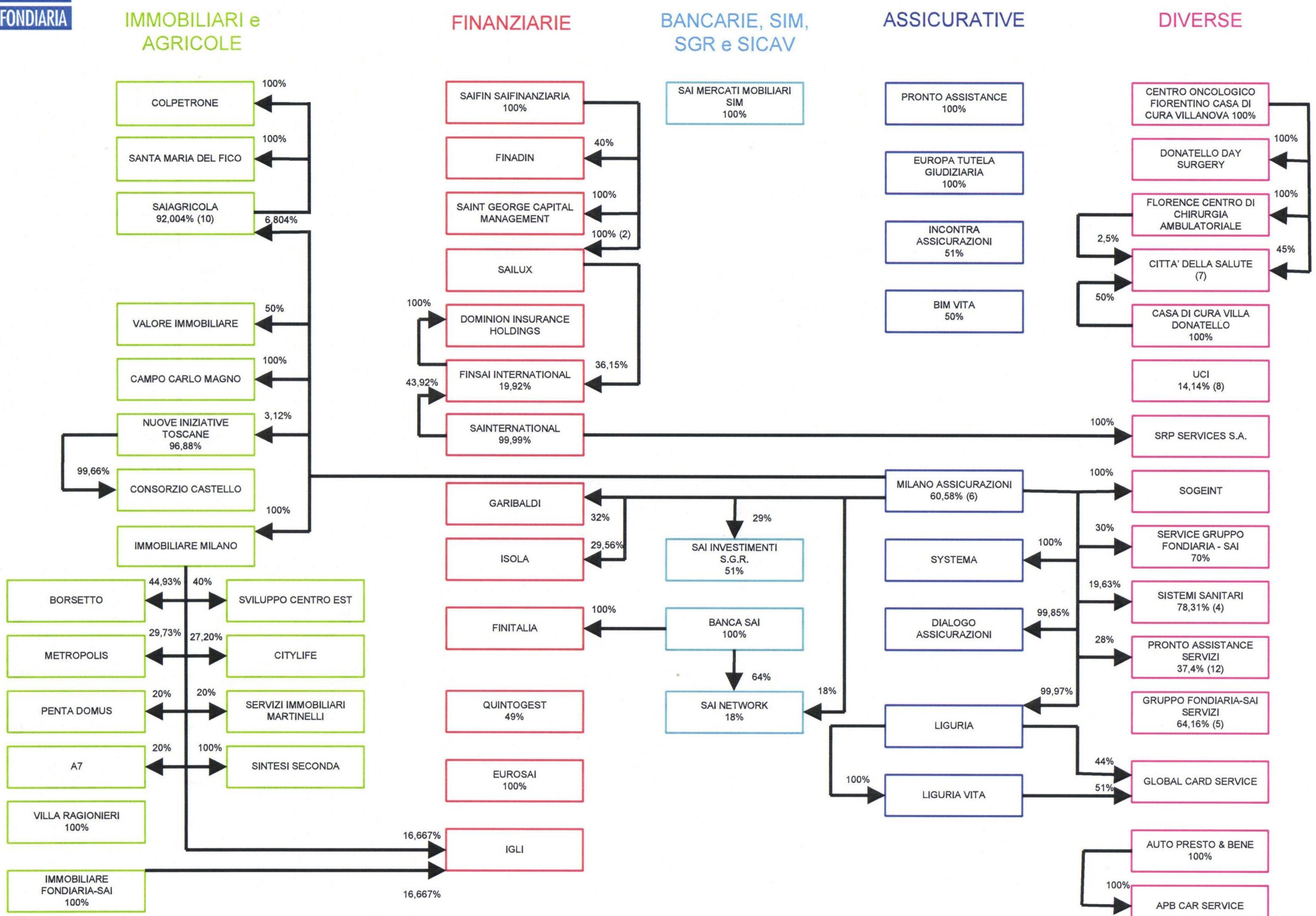
** Members of the Executive Committee*

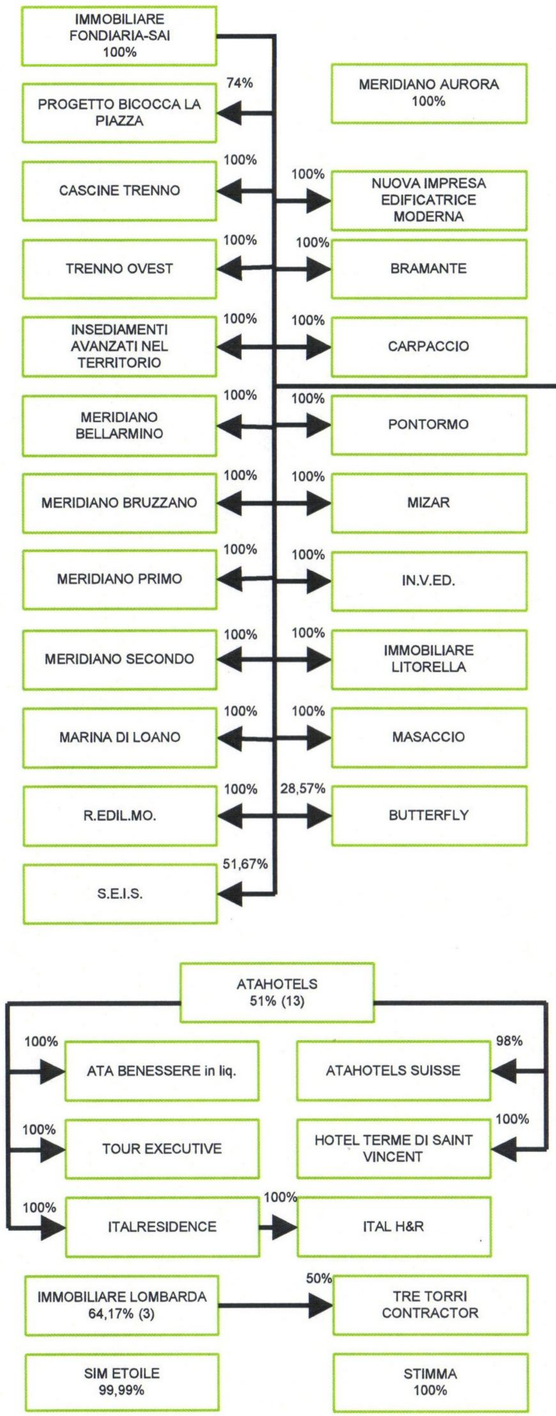
On January 27, 2011, Mr. Fausto Marchionni resigned from the positions of Chief Executive Officer and General Manager, while remaining in the office of Director (expiry of office: approval of 2011 accounts). Also on January 27, 2011, Mr. Emanuele Erbetta was appointed to the Board in place of the resigning Ms. Lo Vecchio and was delegated also the position of Chief Executive Officer, all positions concluding at the shareholders' meeting for the approval of the 2010 accounts. Mr. Erbetta continues as General Manager.
The Chairman, Ms. Jonella Ligresti, and the Chief Executive Officer, Mr. Emanuele Erbetta are the representatives of the company pursuant to article 21 of the Company By-Laws and have all ordinary and extraordinary administrative powers with all rights thereto, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 30 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

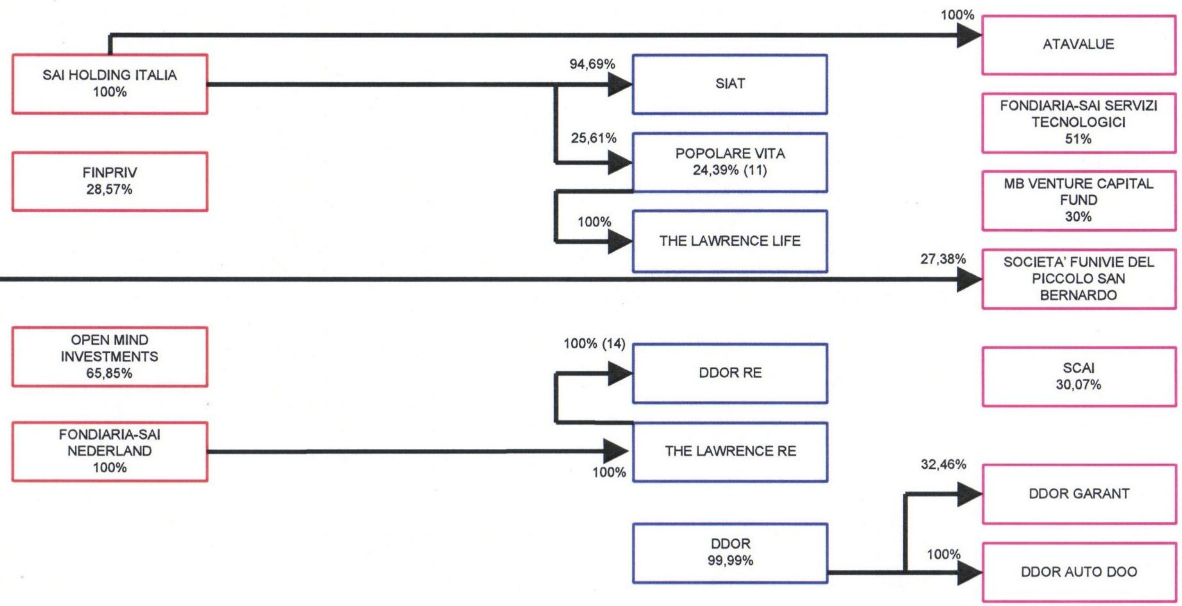
The Chairman and the Chief Executive Officer report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to atypical, unusual or operations with related parties (where not reserved to the Board) and, in general, on the most significant operations.
The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to carrying out significant transactions and procedures for transactions with related parties approved by the Board of Directors' meeting of November 30, 2010 - the exclusive competence to the Board of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, related to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.
The Board of Directors was appointed by the Shareholders' Meeting of April 24, 2009.
The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2011.

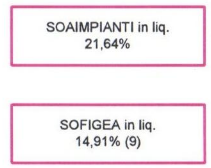
SUBSIDIARY AND ASSOCIATED COMPANIES AND OTHER SIGNIFICANT HOLDINGS

SOCIETA' CONTROLLATE E COLLEGATE(1)









(1) Situazione al 31/12/2010
Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Di cui 0,0001% tramite Finsai International.

(3) Un ulteriore 35,83% è detenuto da MILANO ASSICURAZIONI S.p.A..

(4) Un ulteriore 2,6% è detenuto da altre Società controllate del Gruppo.

(5) Un ulteriore 35,84% è detenuto da altre Società controllate del Gruppo.

(6) Un ulteriore 3,49% è detenuto da altre Società controllate del Gruppo.

(7) Un ulteriore 2,5% è detenuto da DONATELLO DAY SURGERY S.r.l..

(8) Un ulteriore 11,38% è detenuto da altre Società controllate del Gruppo.

(9) Un ulteriore 7,5% è detenuto da MILANO ASSICURAZIONI S.p.A..

(10) Un ulteriore 1,192% è detenuto da PRONTO ASSISTANCE S.p.A.

(11) Società controllata tramite una partecipazione pari al 50% più un'azione ordinaria.

(12) Un ulteriore 34,60% è detenuto da altre Società controllate del Gruppo.

(13) Un ulteriore 49% è detenuto da MILANO ASSICURAZIONI S.p.A..

(14) Di cui 0,002% tramite DDOR

ALTRE PARTECIPAZIONI DI RILIEVO (1)

FINANZIARIE e BANCARIE

RCS
5,462 % (2)

GEMINA
4,185 %

MEDIOBANCA
3,835 % (3)

PREMAFIN
6,717 % (4)

BANCA INTERMOBILIARE
2,017 % (5)

DIVERSE

PIRELLI & C.
4,482 % (6)

AEROPORTO DI FIRENZE
2,053 %

ALERION
4,908 % (7)

INDUSTRIA E INNOVAZIONE
4,548 % (8)

(1) Situazione al 31/12/2010
Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Partecipazione detenuta direttamente per il 2,243% e indirettamente per il 3,219%

(3) Partecipazione detenuta direttamente per il 3,142% e indirettamente per lo 0,693%

(4) Partecipazione detenuta direttamente per il 4,469% e indirettamente per il 2,248%.

(5) Partecipazione detenuta direttamente per l'1,858% e indirettamente per lo 0,159%

(6) Partecipazione detenuta direttamente per il 4,454% e indirettamente per lo 0,028%

(7) Partecipazione detenuta direttamente per l'1,5% e indirettamente per il 3,408%

(8) Partecipazione detenuta direttamente per il 2,274% e indirettamente per il 2,274%

2010 Directors' Report

Introduction

2011 for the Fondiaria SAI Group will be remembered as a year of change. Against a deterioration in the technical and financial results at a level never seen before for the Group, 2011 will see the immediate relaunch of profitability.
To facilitate this the Group adopted a new organisational structure.

Further initiatives were taken to improve industrial profitability, although extraordinary measures were not resorted to - with the exception of some property sales previously approved and of an ordinary nature.

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

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

The Group is committed in 2011 to increase focus on competitivity and efficiency improvements, thanks also to the reorganisation in progress following the completion of the corporate restructuring.

OPERATIONAL PERFORMANCE

The Consolidated Net Result for 2010 was a loss of Euro 929 million compared to a loss of Euro 392 million in 2009.
The result was significantly affected by impairments on available-for-sale financial instruments comprising equity securities in the year (particularly the holdings in Monte dei Paschi, Generali and Unicredit) following the application of the Group impairment policy.
In particular impairments for Euro 389 million were recorded (Euro 157 million in 2009). Of these, Euro 76 million were already recorded to the half year accounts at 30/06/2010. In addition Euro 71 million (Euro 25 million in 2009) of impairments were recorded on goodwill against the changed outlook with regard to the recoverability on some investments in subsidiaries in the insurance sector.
In this scenario therefore impairments on financial instruments and goodwill comprised approx. 50% of the total loss, in addition to the continued negative technical performance, as well as the particularly significant impact of the losses of some subsidiaries in the real estate and diversified sectors.

Consolidated Income Statement

(in Euro thousands)	**2010**	**2009**	**Changes**
Net premiums	12,585,297	11,888,742	696,555
Net charges related to claims	12,152,941	11,872,025	280,916
Net commissions	28,896	32,425	(3,529)
Net income from investments	466,602	563,244	(96,642)
Net Income from financial instruments recorded at fair value through profit or loss	395,283	906,125	(510,842)
Management expenses	1,920,182	1,910,631	9,551
Other income and charges	(410,680)	(133,015)	(277,665)
Loss before taxes	**(1,007,725)**	**(525,135)**	**(482,590)**
Income taxes	(77,102)	(132,940)	55,838
Net Loss	**(930,623)**	**(392,195)**	**(538,428)**
Profit from discontinued operations	**1,762**	**682**	**1,080**
Consolidated loss	**(928,861)**	**(391,513)**	**(537,348)**
Minority interest loss	**(211,279)**	**(48,920)**	**(162,359)**
Group loss	**(717,582)**	**(342,593)**	**(374,989)**

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

The principal factors affecting the economic and financial performance in 2010 were the following:

- The **consolidated result** was a loss of Euro 929 million (a loss of Euro 392 million in 2009), of which Euro 718 million attributable to the Group and Euro 211 million attributable to minority interests. The previous year result included the gains to be realised from the conferment of some properties to the Rho Real Estate Fund, with a pre-tax impact of Euro 86 million.

- The overall **technical performance** in the insurance sectors reports stability in premiums written in the Non-Life sector (+0.47%) and an increase in the Life sector (+11.9%), with a significant contribution from the bancassurance companies.
- The **Non-Life sector** recorded a pre-tax loss of Euro 961 million, a significant deterioration on the pre-tax loss of Euro 498 million in 2009.
  The decline in the result follows both a technical performance which remains unsatisfactory and the impairment of financial instruments comprising equity securities which affected the sector results for approx. Euro 304 million compared to Euro 74 million in the previous year.
  In particular the Civil Responsibility Classes continued to post negative results, with a prior years claims performance affected by the need to strengthen the residual load, due also to the progressive introduction of the new physical injury tables across the country.
  With premiums written substantially unchanged, following the entry into force of the new tariffs, the premium quality improved - increasing the average premium and decreasing the policies insured and therefore the exposure to risk.
  The turnaround in the Land Vehicle Classes was noteworthy – unaffected by the generalised increase in claims throughout 2009. In the General Classes the introduction of new products, the review of existing product tariffs, greater controls and a reduction in discounting in the retail sector should have positive effects by the first half of 2011. In the corporate sector, the prudent selection of new risks continued, in addition to the review of the products in portfolio with discontinuation and/or extensive review of the guarantees given.
- The **Life sector** reports a pre-tax profit of Euro 72 million (Euro 85 million in 2009): against an increase in premiums of approx. 12% the financial sector made a significant contribution with large gains (of which approx. Euro 24 million deriving from the sale by the Group of Lehman Brothers securities) despite the impact from the write-down on available-for-sale financial instruments of Euro 84 million compared to Euro 75 million in 2009.
- The **real estate sector** recorded a pre-tax loss of approx. Euro 51 million (loss of Euro 95 million in 2009), due to overhead costs and the impact of amortisation and depreciation and the impairments on some properties held. In addition, from the present year the properties in the sector, spun-off from Immobiliare Lombarda, are valued at cost according to the criteria of IAS 40 with consequent recording of the related depreciation. The sector result also includes the gain from the sale of the subsidiary Crivelli S.r.l. (approx. Euro 14 million).
  However ordinary revenues and the above-stated operations were not sufficient to offset the operating loss.
  The 2009 result included the negative effect from the valuation at equity for Euro 55 million of the associated company IGLI S.p.A., which in turn holds an investment in Impregilo S.p.A.
- The **Other Activities sector,** which includes the companies operating in the financial, asset management and hotel sectors, reports a pre-tax loss of Euro 68 million (loss of Euro 15 million in 2009). The loss mainly relates to the Atahotels Group which continues to be heavily impacted by the crisis within the sector and the imbalance between revenues and costs, as well as the deterioration in the results of BancaSai, due both to a higher amount of loan impairments and the reversal of some start-up initiatives with the related recording at cost of charges previously capitalised.
  The result also includes a charge of Euro 31 million for the valuation at equity of the associated company Finadin.
  The sector result includes also the gain of Euro 8 million from the sale of Banca Gesfid and the gain of Euro 31 million on the sale of the subsidiary Agrisai.

- Total **management expenses** amounted to Euro 1,920 million (Euro 1,911 million in 2009). In the Non-Life sector these expenses, net of those strictly related to the management of the investments, amounted to Euro 1,586 million and represent 22.0% of the premiums (Euro 1,552 million in 2009, equal to 21.6%), while in the Life sector the total amount of the expenses was Euro 203 million and accounted for 3.5% of premiums (Euro 253 million in 2009, equal to 4.9%).
- The **net commissions** for financial services amounted to Euro 29 million (Euro 32 million in 2009) and almost exclusively refers to the diversified sector in which the banking subsidiaries carry out financial asset management activities. In particular, the account includes also the contribution of the former subsidiary Banca Gesfid, until the loss of control.
- **Net income from financial instruments recorded at fair value through profit and loss** amounted to Euro 395 million (Euro 906 million in 2009). This account includes almost exclusively the net income from financial assets where the risk is borne by the policyholders (positive for Euro 402 million although offset by the correlated increase in net charges related to Life Division claims) and residually the adjustment to the fair value of financial instruments belonging to the sector.
- **Net income from investments in subsidiaries, associated companies and joint ventures** amounted to Euro 0.5 million, following income of Euro 55.8 million and charges of Euro 55.3 million. In particular, income includes the gain from the sale of Banca Gesfid, Agrisai and Crivelli, while charges include the valuation at equity of the associated company Finadin, whose net equity was calculated in line with the Group accounting policies in order to correctly calculate the impairment of the underlying financial instruments. In the previous year, the account included the valuation at equity of the holding in IGLI S.p.A. with a charge of Euro 55 million recorded to the income statement.
- Excluding the contribution of the net income deriving from financial instruments at fair value through profit or loss, the **total net income from investments**, including net charges from investments in subsidiaries, associated companies and joint ventures of Euro 0.5 million, amounted to Euro 467 million (Euro 563 million in 2009). Interest income contributed Euro 722 million, other net income Euro 89 million, net gains to be realised Euro 225 million and valuation losses, net of the relative revaluations, approx. Euro 490 million. For these latter, the impact of the already stated Euro 389 million of impairments on AFS financial instruments is highlighted.

  Interest expense amounting to Euro 80 million (Euro 103 million in 2009) refers almost entirely to financial debt.
- **Other revenues and costs** amounted to a net charge of Euro 411 million (Euro 133 million in 2009). The account includes amortisation and depreciation on tangible and intangible fixed assets totalling approx. Euro 82 million (Euro 81 million in 2009). The change is due to the utilisation, during 2009 of Euro 150 million, related to the provision made in 2008 by the subsidiary Popolare Vita against restructuring charges of the index linked policies with underlying securities of Lehman Brothers. The account includes Euro 71 million of impairments recorded on goodwill.
- The **profit from discontinued operations** mainly relates to the gain on the conferment to the Rho Real Estate Fund of the building located in Riva Tommaso Gulli in Trieste. The conferment of this building, already planned as part of the wider operation carried out in 2009, took place in March 2010.
- The **income tax charge** was affected by the non-provisioning of tax savings on impairments on AFS shares recorded to the Income Statement in the year and insignificant for tax purposes, while including the positive effect from the recording of future tax savings following the recording of tax losses of the Parent Company and the main subsidiaries.

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

The Comprehensive Income Statement

A summary of the Comprehensive Income Statement as established by Isvap Provision No. 2784 of 2010 which amended Isvap Regulation No. 7 of 2007 and established an obligatory table is reported below:

(in Euro thousands)	**2010**	**2009**
Consolidated Loss	(928,861)	(391,513)
Other Comprehensive Income Statement items	(64,207)	359,237
Total Comprehensive Income Statement	**(993,068)**	**(32,276)**
of which:		
Group	(786,971)	(52,863)
Minority interest	(206,097)	20,587

The 2010 data, compared with 2009, highlights a smaller variance between the Consolidated Result and the Comprehensive Income Statement. This follows the recognition to the Income Statement of the negative component of the AFS reserve due to the application of the Group impairment policy on equity securities held.

Premiums Written

The consolidated premiums written amounted to Euro 12,953 million compared to Euro 12,307 million in 2009, an increase of 5.25%.

The results are summarised in the table below:

(in Euro millions)	**31/12/2010**	**31/12/2009**	**Change %**
DIRECT PREMIUMS			
Non-Life Division	7,195	7,161	0.47
Life Division	5,748	5,136	11.92
Total direct premiums	12,943	12,297	5.25
INDIRECT PREMIUMS			
Non-Life Division	9	9	-
Life Division	1	1	-
Total indirect premiums	10	10	-
TOTAL	**12,953**	**12,307**	**5.25**
of which:			
Non-Life Division	7,204	7,170	0.47
Life Division	5,749	5,137	11.91

Segment Income Statement

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1.1	Net premiums	6 854 805	6 779 939	5 730 492	5 108 803	0	0	0	0	0	0	12 585 297	11 888 742
1.1.1	*Gross premiums written*	*7 162 227*	*7 131 032*	*5 749 276*	*5 137 011*							12 911 503	12 268 043
1.1.2	*Premiums ceded to re-insurers*	*-307 422*	*-351 093*	*-18 784*	*-28 208*							-326 206	-379 301
1.2	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 and loss	*-7 028*	*81 249*	399 632	818 083	-601	-2 421	3 310	9 214	-30	0	395 283	906 125
1.4	Financial income from 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	Financial income from other financial instruments and property investments	401 001	360 678	805 903	663 927	39 180	53 953	78 297	82 047	-42 984	-29 649	1 281 397	1 130 956
1.6	Other income	463 529	366 438	42 556	202 186	126 128	154 841	618 145	617 346	-693 855	-658 534	556 503	682 277
1	**TOTAL REVENUES AND INCOME**	**7 712 678**	**7 597 630**	**6 995 110**	**6 816 566**	**180 714**	**209 989**	**782 433**	**763 201**	**-739 343**	**-694 388**	**14 931 592**	**14 692 998**
2.1	Net insurance benefit and claims	-5 786 462	-5 670 887	-6 366 479	-6 201 138	0	0	0	0	0	0	-12 152 941	-11 872 025
2.1.2	*Amounts paid and changes in technical provision*	*-5 955 951*	*-5 929 786*	*-6 385 961*	*-6 225 959*							-12 341 912	-12 155 745
2.1.3	*Quota ceded to reinsurers*	*169 489*	*258 899*	*19 482*	*24 821*							188 971	283 720
2.2	Fee and commission expenses			-14 007	-20 676			-14 414	-17 585			-28 421	-38 261
2.3	Fianncial expenses from investments in subsidiaries, associates and joint ventures	-12 842	-14 881		-308	-7 062	-66 236	-35 375	-2 115			-55 279	-83 540
2.4	Financial expenses from other financial instruments and property investments	-486 392	-277 099	-233 343	-141 468	-83 667	-60 172	-33 811	-41 187	21 902	21 542	-815 311	-498 384
2.5	Management expenses	-1 592 180	-1 560 074	-210 690	-257 984	-299	-1 189	-335 887	-299 352	218 874	207 968	-1 920 182	-1 910 631
2.6	Other expenses	-795 889	-573 102	-98 373	-110 113	-140 554	-177 725	-430 850	-417 753	498 483	463 401	-967 183	-815 292
2	**TOTAL COSTS AND EXPENSES**	**-8 673 765**	**-8 096 043**	**-6 922 892**	**-6 731 687**	**-231 582**	**-305 322**	**-850 337**	**-777 992**	**739 259**	**692 911**	**-15 939 317**	**-15 218 133**
	PROFIT/(LOSS) BEFORE TAXES	**-961 087**	**-498 413**	**72 218**	**84 879**	**-50 868**	**-95 333**	**-67 904**	**-14 791**	**-84**	**-1 477**	**-1 007 725**	**-525 135**

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2010

International economic overview

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

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

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

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

Source: OCSE, Economic Outlook No. 88, November 2010. Consensus Economics, January 2011.
(1) *the figures refer to the fiscal year. (2) goods and services.*

Graph 1 – Acceleration of global growth
(seasonally adjusted)

Source: Confindustria Centre elaboration on OCSE data.
(*) OCSE Countries + China, Brasil, India, Indonesia , Russia and South Africa.

USA

In Q4 2010, US GDP increased on an annual trend basis by 2.8% (1.7% for the first half of the year). Growth was supported mainly by household consumption and by the restocking of inventory. The most recent data highlights increased GDP in the fourth quarter. Industrial production, after a drop in October, should resume growth again in November and December: from the demand side, against a slight increase in disposable income in October and November, household consumption should strengthen further, particularly for durables.

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

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

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

Asia, China and Japan

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

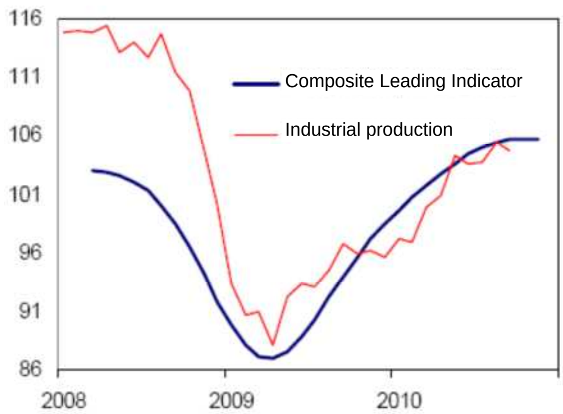
In Japan, GDP in the third quarter 2010 accelerated to an annual 4.5% from 3.0% in the first half year, thanks particularly to household consumption supported mainly by temporary factors. Private non-residential investments and inventories contributed positively to the growth, against a decrease in public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

In India, GDP grew 8.9% in the third quarter of 2010, with similar levels expected also in the last quarter of the year. The industrial production index in September returned a disappointing +4.36%; private consumption also grew less than estimates at an average of 5% annually.

Eurozone

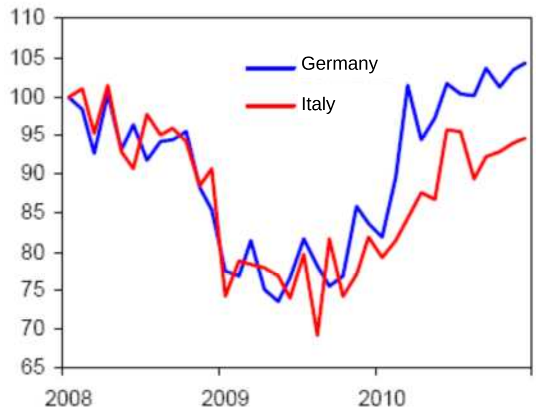
In the third quarter of 2010, GDP in the Euro Zone increased by 0.3% on the previous quarter, against 1% in the first half-year. The German economy, although experiencing a slowdown (0.7% growth from 2.3%), was still significantly stronger than the rest of the Zone. Exports, the principal driver of a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

Graph 2 – German Growth (seasonally-adjusted data)



Source: Confindustria Centre elaboration on OECD data

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



Source: Confindustria Centre elaboration on Eurostat data

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

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

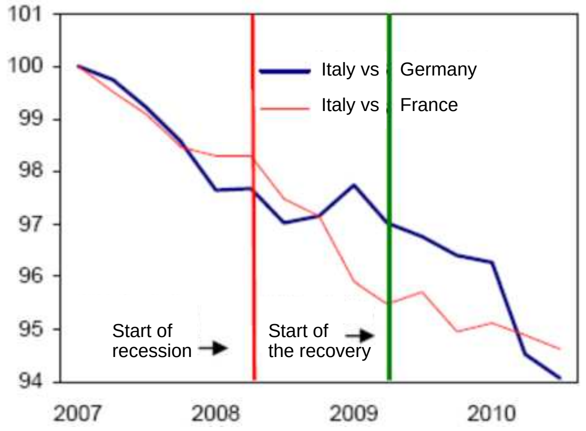
The Italian economy

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

On the demand side, the slight increase in household consumption was accompanied by a drop off in investment, which saw a contraction in vehicle purchases and a slowdown in machinery and equipment investment. This latter component, in particular, was affected by the withdrawal of the fiscal incentives introduced under the "Tremonti-ter" law, which concluded in June.

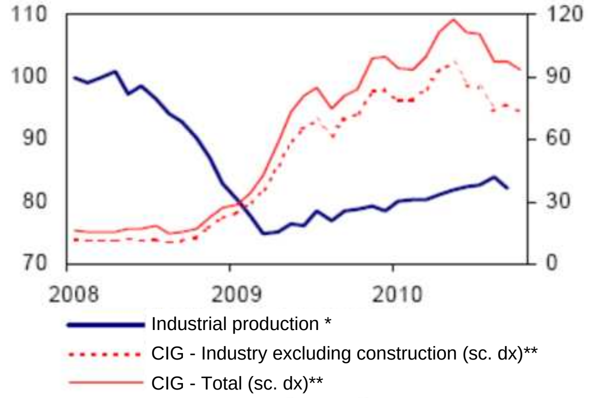
The slowdown should continue into the coming quarters, according to the OECD indicators declining also in September for the seventh consecutive month, which is also the view of businesses.
Industrial activity, after 0.9% growth in October according to the Confindustria Study Centre estimates, which partially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

Graph 4 – GDP: Italy loses ground (Italy vs Other Countries, seasonally-adjusted data)



Source: CSC elaborations on Thomson Reuters and ISTAT data

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



Source: CSC elaborations on ISTAT and INPS data
(*) in 2008: January = 100
(**) millions of authorised hours

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

In the third quarter of 2010 the recovery in gross fixed investments continued, although at a lower rate than in the second quarter (0.9% in the previous period, compared to 2.0%).
Although the general unemployment rate of 8.6% remained stagnant (over 2 million persons), in December 2010 the youth unemployment rate reached 29%, an increase of 0.1% on the previous month and 2.4% on 2009. The monthly ISTAT figures highlighted a stabile situation within the European context, also remaining unchanged.

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

The insurance sector

Total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies in the first nine months of 2010 amounted to Euro 94.1 billion, an increase of 14.9% on the same period of 2009.
The Non-Life portfolio, which totalled approx. Euro 25 billion, contracted by 2.6%, accounting for 26.6% of the total portfolio (31.4% in the same period of 2009). Life insurance premiums amounted to Euro 69.1 billion, an increase of 22.9%, with a percentage of the overall Non-Life and Life portfolio amounting to 73.4% (68.6% in the same period of 2009).

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

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

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

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

The satisfaction levels within the claims management improved thanks also to the direct indemnity system: in particular those interviewed were appreciative of the assistance received on the claims, the compensation timelines, the repayment amount and the professionalism throughout the settlement process. The survey also revealed that client mobility has increased: 21% within two/three years change company (while the previous survey put the figure at 16%). This situation is particularly evident in relation to Motor TPL insurance, which is a product undertaken by nearly the entire market (98%). In the latest two-year period, the amount of Motor policyholders who have requested, close to the expiry of the contract, estimates from other companies has increased and this is independent of the fact that the client has chosen to either change company or utilise the comparative information as a factor in drawing up a fresh contract with their insurer.
In relation to other insurance products, the survey highlights the growth in products undertaken in the professional segment, while the "home" and "family" policies are undersubscribed in comparison to the high rate of property ownership of Italian families. Overall, families with home policies amount to approx. 4.2 million, approx. 38% of home owners. Among the most widely held coverage, Fire, Family TPL and theft are confirmed as the leading categories.

Regulatory framework

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

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

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

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

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

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

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

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

- Life insurance product contracts:
  the information document supplied to potential contracting parties before the signing of a proposal concerning the insurance product must be drawn up.
  The information must be clear and concise and relate to the main features of the contract, the guarantees, the costs, the obligations and any financial risks borne by the contracting party (articles 4 and 5 of the Regulation).

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

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

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

Direct compensation

From January 1, 2011 the direct compensation flat rates were amended, established by the technical committee based on the differentiation criteria identified by the Economic Development Ministerial Decree of December 11, 2009.

The current compensation is broken down the following:

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

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

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

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

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

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

				Vehicles other than motorcycles and mopeds		
	group 1	**group 2**	**group 3**	**group 1**	**group 2**	**group 3**
Non-life average cost vehicle and property	1,951	1,951	1,951	1,520	1,520	1,520
Coefficient by territorial zone	1.16	1.00	0.80	1.20	1.00	0.83
Non-life average cost vehicle and property by territorial zone	2,263	1,951	1,561	1,824	1,520	1,262
Average cost driver physical injury with IP(*)≤9%	4,813	4,813	4,813	3,152	3,152	3,152

(*) *Permanent invalidity*

The CARD CTT flat rates were broken down the following:

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

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

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

Bank of Italy provision

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

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

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

New regulations on consumer credit

The new regulation concerning consumer credit was approved by the European Parliament in 2008, but for Italy the approval process was introduced only in June 2010 and which must be completed by the summer break to enact the new provisions. The new regulation should facilitate uniformity and common regulations in all member states of the European Union in relation to financing. The thresholds were revised: consumer credit previously had a limit of approx. Euro 30,000, while now the contracts included in the new regulation range between a minimum of Euro 200 to a maximum of Euro 75,000. Those that obtain loans have the right to withdraw: loan contracts may be rescinded within 14 days from signature of the loan contract, without providing reasons, under specific methods.

The regulation will also modify the conditions related to the advanced settlement of a loan - previously advanced cancelation charges were a maximum of 1% of the repaid amount, while under the new regulation, the maximum penalty will be 1% of the advanced repaid amount if the time between the advanced settlement and the date of the expiry of the contract is greater than one year.
In the case in which this period is less than one year, the advanced settlement charges may not be greater than 0.5% of the advanced repaid amount.

Taxation of the Life Division reserves

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

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

Therefore the companies which currently have a higher degree of tax exempt income will be penalised greatest such as for example those with investments in shares or who have recorded significant growth in the Life business.
Unfortunately this new tax regime will have a double impact: both for the insurance companies, who will have to reconsider the growth strategy in the Life Classes and for the consumer who will see a reduced offer of Life policies with more protection for the saver.

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

Claims Data Bank

On January 1, 2011 ISVAP provision of August 25, 2010 (Official Gazette 209 of 7/9/2010) entered into force which introduced the minimum thresholds (indicators of possible fraudulent behaviour) necessary to carry out research in the Claims Data Bank.
The monitoring will be focussed both on the vehicle registration and on the physical person, in order to identify any suspect incidents.

Solvency II, “Omnibus II” directive proposal

On 19/1/2011 the European Commission published a Directive proposal known as “OMNIBUS II”. The proposal, if approved, will amend the Solvency II Directive to align it with European regulations enacted by the Lisbon treaty and with the new European Union framework which extends the powers of the EIOPA (ex CEIOPS), allowing also the Supervisory Authorities to use a longer time period to issue implementation measures of Solvency II. Specifically, the amendment establishes transitory measures for certain areas, up to a maximum period which varies between three and ten years according to the article, in order to facilitate a gradual transition to the new Solvency regime. The OMNIBUS II proposal defines also the areas in which the Authority may propose technical regulations to accelerate the convergence between the controls and in light of the development of a single body of rules at European level, as well as the manner to resolve disputes between the relevant authorities in cross border situations. Omnibus II also officially postpones the date of entry into force of Solvency II to January 1, 2013. The approval of the proposal is expected by October/November 2011, following which there will be a period of development of the Solvency II project which will require close attention in order to establish conditions and timeframes of the activities of the various dedicated areas.

Motor TPL reform

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

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

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

DEVELOPMENT STRATEGY OF THE FONDIARIA-SAI GROUP

2011 Guidelines

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

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

Recovery of the solvency margin

The recovery of the solvency margin will be achieved both through the capital increase approved by the Shareholders' Meeting of January 26, 2011 and through the sale of non-listed investments in the insurance, real estate and diversified sectors. The recovery will take place also through internal reorganisation of the Group, in order to allocate responsibility and lead towards the reaching of the objectives allocated by business sector and to decrease the number of operating companies, reducing the capital requirements and contributing to the containment of costs.

Focus on core business

The first and absolute priority remains achieving profitability, although with focused development and a reorganisation of distribution in areas with low claims frequency, in particular in small-medium sized municipalities. Further development within the retail sector is scheduled through the launch of a new catalogue of products which will extend and improve further the range of insurance services.

Improve the value of real estate assets

In relation to the real estate sector, the sector is considered particularly strategic for the relaunch of the Group. Increasingly prudent management is therefore being introduced, which will optimise the portfolio, together with the sale of buildings which have already been approved in the present year, with the objective to strengthen the solvency margin, improving at the same time the overall mix of investments.

Enhance the value of diversified assets

With particular reference to diversified companies, a single managerial structure was created, in order to develop the strategic and competitive positioning of the larger Group companies and, where necessary, restructure the remaining Companies.

On this basis, the three action plans to be undertaken have been identified for each company in the near future:

- the development of the larger and more strategic companies for the Group, through actions focused on profitable growth;
- restructuring of the companies with unsatisfactory results;
- partnerships, alliances and selective divestments, identified based on forecast results.

Cost rationalisation

This latter will take place through the drawing up of a new coordination structure, which will allow the review of the organisational processes, thanks to a more focused allocation of human capital plan and a moratorium on new hirings, excluding highly specialised positions.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

In relation to the gross premiums for the first three quarters of 2010, the total premiums of the Non-Life and Life Divisions of the Italian Companies and of the Italian agencies of companies outside the EU amounted to Euro 94.1 billion, with an increase of 14.9% on the same period of 2009.
The Non-Life portfolio, which totals approx. Euro 25 billion, decreased by 2.6%, accounting for 26.6% of the total portfolio (31.4% in the same period of 2009).
In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 12.4 billion (-1.1% on the first nine months of 2009), comprising 49.8% of total Non-Life Division premiums (49% in the same period of 2009) and 13.2% of total premiums (15.4% in the first nine months of 2009).
The largest amount of premiums written in the other Non- Life classes were Land Vehicles with 8.6% (8.8% in the first nine months of 2009), Accident with 8.1% (8.3% in 2009), General TPL with 7.7% (8.1% in 2009), Other Property Damage with 6.8% (6.7% in 2009), Health with 5.8% (5.6% in 2009), and Fire and Natural Elements with 5.7% (5.6% in 2009).
The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 83.1% of the Non-Life portfolio (84.1% in 2009) and 89.7% of the Motor TPL division (90.5% in 2009).

With reference to the motor market, 2010 was again a difficult year. December once again saw a drop in registrations, with the number of new registrations in Europe at 1,048,378, a decrease of 2.7% on the same month of 2009 and a contraction for the entire year of 4.9%, with 13,785,598 new registrations. The decline was across the board: only Great Britain and Spain saw increases in 2010.
The motor market in Italy in December dropped 21.7% on December 2009, recording 130,319 new registrations. Sales on an annualised basis fell 9.2%, with a total number of sales in Italy in 2010 of 1,960,282.
2011 also began with a slowdown. New registrations in January, according to the data of Acea, decreased by 1.1% to 1,072,548 from 1,084,771 in January 2010 in the EU 27 and the EFTA countries.

Operational performance

The total premiums of the Fondiaria-SAI Group amounted to Euro 7,204 million compared to Euro 7,170 million in 2009, an increase of 0.5%.
The direct premiums written amounted to Euro 7,195 million compared to Euro 7,161 million in 2009, an increase of 0.5%.

Premiums written

The breakdown of the gross premiums written is shown below:

(in Euro thousands)	31/12/2010	31/12/2009	Cge. %	Percentage 2010	Percentage 2009
Accident & Health	690,329	712,415	(3.1)	9.6	9.9
Marine, aviation and transport insurance	181,832	188,927	(3.8)	2.5	2.6
Fire and other property damage	876,451	852,527	2.8	12.2	11.9
General TPL	558,231	560,677	(0.4)	7.7	7.8
Credit & Bonds	88,781	83,091	6.8	1.2	1.2
General pecuniary losses	37,838	43,315	(12.6)	0.5	0.6
Legal expenses	19,999	20,850	(4.1)	0.3	0.3
Assistance	54,785	51,872	5.6	0.8	0.7
TOTAL OTHER NON-LIFE DIVISION	**2,508,246**	**2,513,674**	**(0.2)**	**34.8**	**35.0**
Motor vehicle TPL	3,986,315	3,910,870	1.9	55.4	54.6
Motor vehicles – other classes	700,421	736,617	(4.9)	9.7	10.3
TOTAL MOTOR	**4,686,736**	**4,647,487**	**0.8**	**65.1**	**64.9**
TOTAL DIRECT PREMIUMS	**7,194,982**	**7,161,161**	**0.5**	**99.9**	**99.9**
INDIRECT PREMIUMS	**9,047**	**8,455**	**7.0**	**0.1**	**0.1**
TOTAL NON-LIFE DIVISION	**7,204,029**	**7,169,616**	**0.5**	**100.0**	**100.0**

The increase in Motor TPL premiums of 1.9% follows the acquisition in 2010 of the insurance coverage of some major vehicle fleets. The performance continues to be affected by the “Bersani” regulatory changes, which strongly reduced the discriminatory power of the “Bonus Malus” system, allowing the new low class policies to be matured in the “household”, and allowing the “Malus” only in case of principal responsibility.
The review process continued of the commercial policies undertaken in relation to conventions and the fleets with particular attention to the recovery of profitability both in the Motor TPL and Land Vehicle classes, whose performances are monitored at least monthly.
The withdrawal from the multi-claim portfolio also continued along with the containment of discounts afforded to clients. The situation was affected by the significant decrease in car registrations of 9.2% compared to 2009, with a sharper reduction of 25% in the April-December period, due to the discontinuation of government incentives and the continued internal demand crisis.
The new Motor TPL tariff, implemented from October, only partly impacted upon the premiums in portfolio.
The new tariff has the objective to strengthen both the portfolio and profit levels. This strategy has therefore reduced the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk.
The tariff is based on the vehicle, to take account of the repair costs of the clients’ vehicle, increasing the selectivity and the extent of tariff factors related to age and geographic area, differentiating also according to information reported on the expected risk.

Premiums recorded in the Land Vehicle classes contracted once again (-4.9%) due to the ongoing demand crisis which continues to affect the uptake of Land Vehicle associated guarantees, while also due to the lower contribution of agreements with vehicle manufacturers, both due to a number of non renewals and the significant decrease in vehicles sold.

In relation to the General Class the decrease was 0.2% following the cancelation actions within the portfolio and on the classes with non-profitable performances, particularly within the corporate risks sector.

The premiums ceded amounted to Euro 319 million (Euro 368 million in 2009).

The gross technical reserves amounted to Euro 11,888 million (Euro 11,668 million in 2009) and the ratio to premiums written was 165.0% (162.7% in 2009).

The management expenses, excluding those strictly related to the management of the investments, totalled Euro 1,586 million (Euro 1,552 million in 2009), an increase of approx. 2%. The percentage on premiums remains substantially unchanged at 22.0% compared to 21.6% in 2009.

Claims paid and reported

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

	Claims paid (in Euro thousands)			Claims reported by year Number		
	2010	**2009**	**Cge. %**	**2010**	**2009**	**Cge. %**
Accident	237,023	236,439	0.25	88,768	96,283	(7.81)
Health	189,595	178,742	6.07	254,863	234,557	8.66
Railway	8	-	-	-	3	(100.00)
Aviation	3,421	8,906	(61.59)	26	46	(43.48)
Maritime	108,634	25,929	318.97	741	792	(6.44)
Merchandise transport	34,333	16,514	107.90	4,673	3,724	25.48
Fire and other natural elements	252,111	320,350	(21.30)	79,555	88,205	(9.81)
Other property damage	275,707	272,411	1.21	163,156	160,954	1.37
Aviation TPL	2,533	94	-	31	37	(16.22)
Maritime TPL	3,382	1,373	146.35	419	476	(11.97)
General TPL	389,298	361,020	7.83	110,093	113,305	(2.83)
Credit	124	525	(76.38)	3	5	(40.00)
Bonds	51,545	44,092	16.90	1,948	1,807	7.80
Pecuniary losses	10,979	8,029	36.74	3,617	3,774	(4.16)
Legal expenses	2,054	2,251	(8.75)	1,705	1,790	(4.75)
Assistance	21,036	22,057	(4.63)	120,954	117,094	3.30
TOTAL OTHER NON-LIFE	**1,581,783**	**1,498,732**	**5.54**	**830,552**	**822,852**	**0.94**
Motor TPL	3,595,717	3,422,737	5.05	882,851	930,049	(5.07)
Land Vehicles	475,711	505,005	(5.80)	332,640	361,657	(8.02)
TOTAL MOTOR	**4,071,428**	**3,927,742**	**3.66**	**1,215,491**	**1,291,706**	**(5.90)**
TOTAL NON-LIFE DIVISION	**5,653,211**	**5,426,474**	**4.18**	**2,046,043**	**2,114,558**	**(3.24)**

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as "Operator" within the new direct compensation system, net of those recovered as a flat-rate in the CONSAP compensation procedure.
The Motor TPL claims in the table refer to the events in which our policyholders were civilly responsible.
The number of Motor TPL claims managed by the Group amount to 859,098 (-7.3%).

The principal technical indicators of the last two years are shown below:

TECHNICAL RATIOS (%)	**2010**	**2009**
Loss ratio	84.41	83.64
Expense ratio	22.30	21.78
Combined operating ratio	**106.71**	**105.42**
OTI ratio (*)	2.69	2.61
Combined ratio	**109.40**	**108.03**
Reserve ratio (**)	**165.02**	**162.75**

(*) Includes the balance of the other technical accounts.
(**) Gross technical reserves

Difficulties in 2010 remained in relation to the technical result which recorded a combined ratio of 109.4%, one percentage point higher than 2009.

This was as a result of in particular:

- the negative performance of Motor TPL contracts issued in previous years, particularly in the regions of Centre-South Italy, where a higher amount of claims with physical injury occur and where a higher incidence of fraud affecting the Group companies takes place;
- a generalised increase in the cost of Motor TPL claims following the rolling out of new compensation tables for Physical Damage adopted by the Milan Court;
- the particularly unsatisfactory performance, also for the current generation, of the subsidiaries Liguria Assicurazioni and Dialogo Assicurazioni;
- the poor performance of the General Classes, particularly General TPL and Health, within the corporate and public body sector.

The result of the Land Vehicle Class strongly countered the trend with a significant recover in profitability, due to the interventions taken in the year and which began in 2009.

The consolidated technical balances of the direct Italian premiums in the main Classes are shown below:

(in Euro thousands)	**2010**	**2009**	**Changes**
Motor TPL	(493,654)	(415,894)	(77,760)
Land vehicles	66,293	(1,924)	68,217
Other Non-Life Classes	(220,016)	(163,187)	(56,829)
TOTAL DIRECT NON-LIFE	**(647,378)**	**(581,005)**	**(66,373)**

In relation to the **Motor TPL Class**, in addition to that reported concerning the performance of prior year generations, a satisfactory decrease in claims reported was recorded (-5.1% for claims caused and -7.3% for claims managed).

For the recovery in overall profitability, further actions were taken in relation to the underwriting of contracts, through the new tariff introduced in October, and also in relation to agencies with particularly poor technical performances, as well as actions concerning claim settlement criteria, introducing, among other issues, a new anti-fraud structure in 2010 in order to cope with an increasingly significant problem in this difficult economic

environment.
This structure, supported by specific IT supports, identifies potentially false claims with regional investigative and settlement networks carrying out more in-depth investigations to ascertain the reality behind the events claimed.
The introduction of this initiative has resulted already in a drop in claims in the division.
The worsening of the technical performance highlights the need to revalue the prior year reserves, while the current performance is more satisfactory with indicators which, although only partial considering the limited time period, were not negative.

The technical performance of the **Land Vehicle Class** was positive, with results significantly improving following the actions undertaken to recovery profitability after the emergence in the fourth quarter 2009 of particularly negative performances of some accessory guarantees, such as vandalism and windshield damage, which affected the overall profit margin. Profit levels were assisted by the new guarantee sales methods which offset the claims recorded in certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees.
On the other hand, overall premiums decreased by 5% following both increased competition and the effects of the economic crisis, which resulted in clients discontinuing insurance coverage considered accessory, but also following the review of contracts no longer considered profitable.

In relation to the other **Non-Life Classes** the technical performance was extremely negative, declining significantly on the previous year, and directly related to the continuation of the claim issues in the General TPL and Health Classes.

New products

Within the redefinition of the Group retail products, during 2010 some significant product initiatives were launched, which are summarised below:

- in March, the **Difesa Più Casa One** policy was launched, the new multi-guarantee product for the home, broadening the “Difesa Più” line of products. **Difesa Più Casa One**, due to its modularity, flexibility and the increased level of guarantees, provides strong protection and develops the household portfolio - one of the largest Retail sectors within the Group. In addition to the above listed technical characteristics, the text of the contract was drawn up utilising more simplified and clear language to respond to the demands of consumers which require increasingly transparent content;

- in June, the policy **Difesa Più Alla Guida** was also launched, a product which insures the driver and passengers for injuries resulting from traffic accidents. The product comprises three elements: accident insurance, licence loss insurance and assistance insurance. It is possible to extend the guarantee to all passengers, or all those injured related to the contracting party during the driving of the vehicle belonging to the same insurance category or to any other vehicle other than that indicated in the policy;
- In December, the **Assistance Omnia** policy was launched, a stand-alone product available for the General Classes, with the provision of an assistance guarantee, responding in a quicker and more efficient manner to the specific needs of the client;
- At the end of the year **Retail Più Infortuni Classic** became available, a new accident product which broadens the classic line. Infortuni Classic, as a result of its flexibility, the completeness of guarantees, and the significant new features, adds to the development and innovation of the accident portfolio.

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

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

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

In relation to the major insurance companies of the Group, key financial information related to the year 2010 is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE %	INVESTMENTS	GROSS TECHNICAL RESERVES	RESULT
NON-LIFE INSURANCE SECTOR					
INCONTRA ASSICURAZIONI	42,738	5.88	69,258	85,414	966
DDOR NOVI SAD ADO	91,034	(15.59)	37,577	78,238	10,094
DIALOGO ASSICURAZIONI	33,629	16.98	45,482	45,317	(14,124)
EUROPA TUTELA GIUDIZIARIA	1,670	(0.37)	11,215	6,267	110
LIGURIA ASSICURAZIONI	262,919	(3.94)	333,160	403,680	(93,289)
MILANO ASSICURAZIONI (*)	3,103,989	(1.02)	4,395,130	5,291,543	(633,247)
PRONTO ASSISTANCE	47,347	3.60	11,092	1,208	2,017
SIAT	169,967	(2.99)	101,861	336,326	3,724
THE LAWRENCE RE	158,155	(24.44)	450,812	406,618	10,568

(*) consolidated data of the Non-Life Sector

DIALOGO ASSICURAZIONI S.p.A.
Share Capital Euro 8,831,774.
(Indirect Holding 99.85%)

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

DDOR NOVI SAD ADO
Share capital RSD 2,579,597,280.
(Direct Holding 99.99%)

The most important events in the year, which reported a net profit of RSD 1,072 million (local GAAP) compared to RSD 261 million in 2009, and gross premiums written of RSD 9,947 million (RSD 11,400 in 2009) are listed below.

In 2010, DDOR Novi Sad ADO was once again confirmed as one of the two leading companies in the Serbian market. Its market share is estimated at approx. 19%, measured based on direct premiums written, which decreased by approx. 6%.

From a financial point of view, the indicators are very strong, particularly if considered that they were achieved in circumstances of great market restriction. These results were accompanied by a decrease in claims paid of approx. 10.3% and a decrease in the claims reserve of 8.4%.

Increasing competition in the Motor TPL class is the principal reason for the decrease, although limited, of the number of policies sold remaining substantially stable at 0.7 million.
In the Life Classes the number of policies again grew strongly (approx. 5.9%) with an increase in actuarial reserves of 29.7%. The proportion of the life division in relation to total premiums written of the Company remained contained but with forecasts for significant growth in the coming years.

LIGURIA ASSICURAZIONI S.p.A.

Share Capital Euro 36,800,000.

(Indirect Holding 99.97%)

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

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

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

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

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

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

MILANO ASSICURAZIONI S.P.A.
Share Capital Euro 305,851,341.
(Direct Holding 60.58%, Total Group Holding 62.85%)

The Group net loss for 2010 was Euro 668.7 million compared to a loss of Euro 140 million in the previous year.

The key events in 2010 which contributed to this result are summarised below:

- the Non-Life sector recorded a pre-tax loss of Euro 730.7 million, compared to a loss of Euro 200.8 million in the previous year. The deterioration is due both to the negative performance of the Civil Responsibility Classes and the impairments on AFS financial instruments which had a negative impact of Euro 319.6 million. The Motor TPL Class in 2010 required further and significant strengthening of the prior year claims reserves, while the General TPL class recorded a negative performance following the worsening of the current year claims to premium ratio and the higher costs related to prior year claims, already recorded to the reserve. For further information reference should be made to the consolidated report of the Milano Assicurazioni Group;
- the asset and financial management contributed net income from financial instruments and investment property of Euro 65 million compared to net income of Euro 311 million in the previous year. The decrease is essentially due to the impairment on AFS securities, of which Euro 166 million related to the parent company Fondiaria-SAI;
- the holdings in associated companies, valued under the equity method, recorded net losses of Euro 39.6 million (Euro 48 million in 2009). The result mainly relates to the performance of Atahotels, negatively contributing Euro 30.5 million. The loss relates both to the difficult context which continues to affect the hotel sector and to extraordinary charges recorded to the 2010 financial statements;
- the management expenses in the Non-Life insurance sector amounted to Euro 639.3 million, accounting for 27.1% of net premiums (21.9% in 2009). In the Life Division, management expenses amounted to Euro 29.6 million, with a percentage on premiums of 5.7% (6.9% in 2009).

With reference to the financial statements of the Parent Company, prepared in accordance with Italian GAAP, 2010 reported a net loss of Euro 512.7 million compared to a profit of Euro 13.3 million in 2009.

The key factors which contributed to this result are summarised below:

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

- the technical account of the Non-Life Classes recorded a loss of Euro 319.7 million compared to a loss of Euro 110.4 million in 2009. The deterioration is due both to the non-existence of investment profits related to the technical account and the increase in losses recorded in the Motor TPL and the General TPL Classes.

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

- the asset and financial management was impacted by significant impairments to shares and holdings with total net charges of Euro 103.7 million against net income of Euro 446.8 million in 2009.

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

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

With reference only to the direct premiums written – comprising almost the total portfolio, premiums written amounted to Euro 3,290.7 million, of which Euro 2,778.6 million were in the Non-Life Division (-1.2% compared to 2009) and Euro 512.1 million in the Life Division, recording a growth of 6.1%.
Within the Non-Life Classes, motor premiums amounted to Euro 1,903.2 million (-0.9% on 2009). Premiums were affected both by the difficult economic environment, which has affected the entire insurance market, and also by the actions taken by the company to recover profitability in a sector which for some time has shown signs of a technical deterioration, also as a result of fraudulent activity.
Premiums written in other Non-life classes amounted to Euro 875.4 million, a decrease of 1.81% on the previous year. The sector also continues to be affected by the difficult economic context, which curtails the need for corporate insurance coverage on the one hand and on the other limits the resources available for underwriting retail coverage. The underwriting policy continues to focus on the selection of risks and the application of correct technical parameters, favouring the retail sector, which presents a better technical performance.

In the Life Division, premiums of Euro 512.1 million were written (including Euro 0.2 million related to Dialogo Vita, incorporated into Milano Assicurazioni during the year), with an increase of 6.3% on 2009.
The strong performance of traditional Class I insurance products is highlighted (+9.4%), following in particular the strong uptake by the client base of separated management contracts, characterised by minimum guaranteed yields consolidated annually, related to demographic-based insurance content factors. The growth was seen across nearly all of the product range, both for the medium-high single premium products and for the smaller annual or recurring premiums.
Class V recorded premiums substantially in line with the previous year. Premiums derived both from the agency networks and larger contracts, managed centrally and agreed at conditions which guarantee sufficient profit levels. Interest from institutional investors and corporate clients remained strong in insurance products as instruments of effective treasury management.

"SASA – Liguria" Project

This project, extensively set out in the 2010 Half Year Report, provided in particular for the creation of a single insurance entity, legally separate, which regroups the agency networks which primarily focus on a multi-mandate offer, to be created through the conferment in kind to the subsidiaries Liguria Assicurazioni and Liguria Vita of the business units of Milano Assicurazioni which concern the agency networks distributing the brand products respectively of SASA and SASA Vita, with transfer of the relative insurance portfolios and share capital increases for Liguria Assicurazioni and Liguria Vita respectively to service the conferment.

During the year, negotiations were undertaken with the Clessidra Private Equity Fund in relation to the sale of the combined entity to strengthen the capital base. The proposal received from Clessidra was not considered adequate and further evaluations were undertaken to establish if some aspects of the offer could be improved, but with a negative outcome.

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

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

Liguria Assicurazioni price adjustment

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

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

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

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

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

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

Life Insurance Sector

THE LIFE INSURANCE MARKET

In 2010, total premiums in the Life Division increased by 22.9% (Euro 69.1 billion), accounting for 73.4% of the entire Non-Life and Life portfolio (68.6% in 2009).
In particular, Class I (Insurance on human life) with Euro 51.9 billion recorded an increase of 15.8% on the same period of 2009; Class III (Insurance mainly related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 12 billion grew by 84% on the first nine months of 2009, and Class V (Securitisation operations) increased 3.5% (Euro 3.8 billion). These Classes impact on the total Life premiums respectively for 75.1%, 17.4% and 5.5% (respectively 79.7%, 11.6% and 6.6% in the same period of 2009). In relation to the remaining Classes, the premiums of Class VI (pension funds with approx. Euro 1.3 billion) accounts for 1.9% of Life premiums (same as the first nine months of 2009).

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

In December, the data of ANIA in relation to new Life business highlighted that the financial promoter channel sold a total of Euro 735 million of new policies (17% of the entire new business of the Italian and non-EU companies), more than halving on the same month of the previous year.
Class I policies contracted 60.0% compared to December 2009 against total premiums of Euro 580 million; including this latter month, in 2010 business volumes amounted to Euro 8.2 billion, a decrease of 10.3% on 2009.
In December, Class V policies amounted to Euro 8.9 million (Euro 1.5 million in the same month of 2009), while since the beginning of the year new business has more than doubled to Euro 37 million. The new policies concerned linked products, exclusively of the unit type, totalled Euro 143 million, halving on December 2009. In 2010, premiums reached Euro 1.7 billion, an increase of 49.8% on 2009.
In December the new premiums/contributions related to individual pension products, the majority of which referring to IPP policies, amounted to Euro 19.4 million, a drop of 13.6% on the same month of 2009.
New business almost entirely concerns single premium contracts (96%).
Agents recorded increased premiums of 12.3% on December of the previous year, on volumes of Euro 1.6 billion (approx. 36% of the entire business of the Italian and non-EU companies).
The bank and postal channels recorded new policies of Euro 2.0 billion (47% of overall new business), decreasing 30.5% on December 2009.

Complementary pensions in Italy

2010 was a strong year for complementary funds, despite the financial markets turning in a negative performance. The performance of the economic-financial system influenced the return on investments: the unemployment situation also affected the numbers of potential subscribers.

In 2010, the Traded Funds recorded average yields of 3%, the Open Funds 4.2% and the IPP (Individual pension plans) 5.1%.
At the reporting date, the respective presidents of ISVAP and COVIP signed a protocol of understanding in order to strengthen the collaboration between the two Authorities in the exercise of their respective supervisory functions, based on the need to improve the efficacy of the control actions through active exchange of information on the activities carried out by the insurance companies and intermediaries in relation to complementary pension schemes.
The cooperation also sought to avoid duplication in the carrying out of their respective activities, therefore containing the costs of market operators.

Table 2 - Complementary pensions in Italy. Subscription to complementary pensions.

	December 2010 (1)	**September 2010 (1)**	**June 2010 (1)**	**March 2010 (1)**	**December 2009**	**December 2010/2009 Cge %**
Traded pension funds	2,012,022	2,015,957	2,025,699	2,036,566	2,040,150	(1.4)
of which: LDSP	1,871,959	1,876,937	1,886,749	1,897,826	1,902,199	(1.6)
Open pension funds	848,357	833,223	827,575	823,931	820,385	3.4
of which: LDSP (2)	410,248	404,104	399,563	397,781	395,901	3.6
"New" IPP's	1,160,069	1,075,960	1,018,096	946,779	893,547	29.8
of which: LDSP (2)	710,477	660,466	626,463	581,253	544,832	30.4
"Old" IPP's	654,000	654,000	654,000	654,000	654,376	-
of which: LDSP (2)	201,000	201,000	201,000	201,000	201,918	-
Pre-existing pension funds	673,000	673,000	673,000	673,000	673,039	-
of which: LDSP	644,000	644,000	644,000	644,000	644,182	-
Total pensions (3)	**5,325,911**	**5,229,664**	**5,175,011**	**5,109,255**	**5,055,284**	**5.4**
of which: LDSP (3)	3,845,551	3,793,435	3,763,028	3,726,243	3,692,223	

Source: COVIP - Complimentary pensions. Principal data (January 2011)
LDSP: employees in the private sector (period end data; provisional data for 2010)

(1) The "old" IPP's and the pre-existing pension funds are not subject to reporting during the year and the year-end report is still in progress. The data indicated is therefore based on the end of the previous year.
(2) It is assumed that all employee subscribers belong to the private sector.
(3) In total, the data includes the subscribers to FONDINPS, of approx. 41 thousand at the end of 2010 and approx. 36 thousand at the end of 2009. Duplications due to subscribers belonging both to the "old" IPP's and the "new" IPP's are excluded (estimated data for 2010).

Operational performance

The pre-tax result of the sector was a profit of approx. Euro 72 million (profit of Euro 85 million in 2009). The decrease in the result is mainly due to a significant contraction in investment income, and particularly from the impact of write-downs which, as noted, are not immediately represented in the commitments to policyholders. The result benefitted both from the positive contribution of the two vehicles of the bancassurance Group and the stabilisation following the financial crisis.

Total premiums amounted to Euro 5,749 million compared to Euro 5,137 million in 2009, an increase of 11.9%. The direct premiums written amount to Euro 5,748 million, an increase of 11.9%.

The total premiums in the sector also includes Euro 55 million (Euro 52 million in 2009), on investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

A breakdown of the premiums written by class is shown below:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change %**
I – Insurance on human life expectancy	3,963,972	2,366,155	67.5
III - Insurance as per points I and II linked to investment funds	1,326,922	2,353,557	(43.6)
IV - Health insurance	284	499	(43.1)
V – Securitisation operations	457,155	415,368	10.1
TOTAL DIRECT PREMIUMS	**5,748,333**	**5,135,579**	**11.9**
INDIRECT PREMIUMS	**943**	**1,432**	**(34.1)**
TOTAL LIFE DIVISION	**5,749,276**	**5,137,011**	**11.9**

Total premiums written by bank branches amounted to Euro 4,020 million and represents 69.92% of the total direct premiums written. The premiums ceded amounted to Euro 19 million (Euro 28 million in 2009).

Gross technical reserves amounted to Euro 22,940 million (Euro 20,050 million at 31/12/2009).

The Life sums paid amount to Euro 3,135 million (Euro 2,621 million in 2009).

A breakdown by Class and type of the sums paid in the direct Life segment is shown below:

(in Euro millions)	**Claims**	**Redemptions**	**Maturity**	**Total 2010**	**Total 2009**
I – Insurance on human life expectancy	75.3	897.7	834.8	1,807.8	1,399.7
III - Insurance to which classes I and II are connected to investment funds	30.9	655.2	305.0	991.1	811.2
IV - Health insurance	-	-	-	-	-
V – Securitisation operations	1.2	196.2	135.7	333.1	407.5
	107.4	1,749.1	1,275.5	3,132.0	2,618.4

Total management costs in 2010, excluding the investment management expenses, amounted to Euro 203 million, a decrease of 19.8% (Euro 253 million in 2009). The percentage on premiums therefore decreased from 4.9% in 2009 to 3.5% in 2009.

With reference to some operating indicators in the sector the returns on the principal Separated Management of the Companies of the Group are shown below:

	2010	2009
Press	3.52	3.82
Nuova Press 2000	3.52	3.83
Fonsai RE	4.02	4.52
Fondivita	3.72	4.03
Fondicoll	3.98	4.51
VIVA	4.24	4.57
Milass RE	4.03	4.52
GEPRE	3.72	4.03
3A	3.51	4.04
Popolare Vita	3.49	4.50
Fondo Liguria	3.72	4.02

Annual Premium Equivalent and New Business

For example purposes, some values related to the new premiums written, determined according to the Supervision Authority are shown below:

(in Euro thousands)	Class I	Class III	Class IV	Class V	Class VI	Total	2009	Cge. %
Bim Vita S.p.A.	27,843	98,207	-	-	930	126,980	23,043	451.06
Fondiaria-SAI S.p.A.	543,765	66	10	91,937	2,216	637,994	494,083	29.13
Fondiprev S.p.A.	-	-	-	-	-	-	540	(100.00)
Liguria Vita S.p.A.	16,033			702		16,735	15,203	10.08
Milano Assicurazioni S.p.A.	241,340	114	-	47,925	655	290,034	260,963	11.14
Popolare Vita S.p.A.	2,335,856	22,691		67,294	4	2,425,845	1,272,767	90.60
Systema Vita S.p.A.	-	-	-	-	-	-	23,423	(100.00)
The Lawrence Life Assurance Co. LtD	-	1,209,129	-	-	-	1,209,129	2,214,858	(45.41)
TOTAL	3,164,837	1,330,207	10	207,858	3,805	4,706,717	4,304,880	9.33

The new business does not include renewals, replacements, conversions and reactivations.

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), is calculated based on the sum of the new business annual premiums and 10% of the single premiums. For the Fondiaria SAI Group, this is calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the "deposit accounting" method, and under Local criteria taking into consideration all new premiums in the sector, including investment contracts not within the application of IFRS 4. The results of the above-mentioned valuations are reported below.

(in Euro millions)	**31/12/2010**	**31/12/2009**	**Cge %**
IAS/IFRS Standards	**544.1**	**464.8**	**17.06**
Traditional companies	155.9	112.1	38.96
Bancassurance	388.2	352.7	10.09
Local GAAP	**546.9**	**464.9**	**17.63**
Traditional companies	158.0	112.2	40.76
Bancassurance	388.9	352.7	10.28

Life insurance premiums by class

With reference to the amount of direct and indirect premiums recorded the composition by class and by company is shown below.
The line shows the entire amount of the premium related to each contract, as reclassified for the preparation of the IAS consolidated financial statements.

The table also includes investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

Type of premium

(in Euro millions)			**2010**			
	Fondiaria-SAI	**Milano Ass.ni ***	**Popolare Vita**	**BIM Vita**	**Other companies**	**Total by type**
Insurance contracts	242	160	28	99	1,209	**1,738**
Investment contracts with discretionary participation elements	953	368	2,657	27	6	**4,011**
Investment contracts without discretionary participation elements	36	9	1	9	0	**55**
Service contracts (IAS 18)	-	-	-	-	-	-
Total per Company	**1,231**	**537**	**2,686**	**135**	**1,215**	**5,804**

(in Euro millions)			2009			
	Fondiaria-SAI	**Milano Ass.ni ***	**Popolare Vita**	**BIM Vita**	**Other companies**	**Total by type**
Insurance contracts	257	187	135	4	**2,215 ** **	**2,798**
Investment contracts with discretionary participation elements	770	308	1,206	23	**32**	**2,339**
Investment contracts without discretionary participation elements	36	9	1	6	**-**	**52**
Service contracts (IAS 18)	-	-	-	-	-	-
Total per Company	**1,063**	**504**	**1,342**	**33**	**2,247**	**5,189**

(*) Milano Assicurazioni Group
(**) Lawrence Life contribution

Value of In Force Business

For a number of years the Fondiaria SAI Group calculates and presents, on the occasion of the meeting with the financial analysts, the VIF (Value of In Force) of the Life Classes. From the previous year the VIF is shown in the Consolidated Financial Statements for the benefit of all stakeholders.

VIF corresponds to the current value, at a set discount rate, of future profits, net of taxes, expected to be generated from the policy portfolio in place. The calculation takes into account the impact of any acquisition commissions to be amortised and is implemented (at the carrying value for the assets included in the separated management or market value for other assets) based on the amount of the technical reserves. The value is also adjusted to take into account the cost associated to maintain the necessary capital to demonstrate an adequate level of solvency in accordance with current standards.

The future revenue streams generated from the portfolio was determined taking into account the specific contractual conditions of the tariffs in portfolio and adopting realistic assumptions for the operating conditions, based on the experience of the Group, with particular reference to the method for the participation of financial gains, commissions, management expenses, redemptions and mortality. Financial assumptions were also utilised based on the effective portfolio of assets and on the market conditions at the valuation date.

The results of the valuation are shown below. The value shown is net of minorities share.

Value of In Force Business - Fondiaria-SAI Group

(in Euro millions)	**2010**	**2009**
Traditional Products	252.2	269.6
Bancassurance and other	30.6	33.3
Total	**282.8**	**302.9**

Among the assumptions utilised for the determination of the VIF, one of the most important in the deterministic projection adopted is the discount rate of the cash flows. In the valuation at 31/12/2010, this was assumed at approx. 7.9% (7.2% in 2009) due to, among other issues, the market risk in the last part of the year in relation to Italian government bonds. The change in this assumption determined the contraction in both the Traditional Companies and the Bancassurance sector.

Individual Life Insurance

In 2010, Life business was primarily focussed on the products related to Separated Management, as characterised by minimum guaranteed returns and capital protection. Both single premium - utilised also to strengthen the capital maturing segment - and recurring premium and constant annual premium products - which saw a significant increase in new business - were marketed.

The following commercial initiatives were undertaken in the period:

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

In addition, the UNIT INVESTIMENTO and UNIT RISPARMIO Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

In December, following the entry into force of ISVAP Regulation No. 35, the entire range of products was revised in line with the new regulation.

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

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

Collective Life Insurance and Pension Funds

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

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

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

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

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

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

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

The performance in 2010 of the subsidiaries is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE.%	INVESTMENTS	RESERVES	RESULT
LIFE INSURANCE SECTOR					
BIM VITA	125,853	n.s.	274,216	211,104	54
DDOR NOVI SAD ADO	4,850	(3.95)	11,817	12,767	183
LIGURIA VITA	24,349	10.68	121,673	117,069	(632)
MILANO ASSICURAZIONI (*)	527,782	6.51	4,186,895	3,852,793	(13,215)
POPOLARE VITA	2,685,258	100.34	8,617,068	7,757,984	(5,850)
THE LAWRENCE LIFE ASSURANCE CO	1,209,119	(45.41)	3,660,912	3,184,574	7,403

(*) consolidated data of the Life sector

MILANO ASSICURAZIONI S.p.A.
Share Capital Euro 305,851,341.
(Direct Holding 60.58%, Total Group Holding 62.85%)

The Group Life sector recorded a pre-tax loss of Euro 0.9 million compared to a pre-tax profit of Euro 51.9 million in 2009, while direct premiums written amounted to Euro 527.8 million, an improvement of 6.5% on 2009. The deterioration of the result is due essentially to the impairment on AFS financial instruments with an impact of Euro 60.3 million. The technical margins of the portfolio are however positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the Life sector will be well placed to take advantage of the strong potential of a portfolio mainly comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

With particular reference to the Parent Company, premiums written in the Life Division amounted to Euro 512.1 million, an increase of 6.3% on 2009. The improvement concerns in particular the traditional insurance products (+9.4% on 2009) while securitisation operations have recorded substantially stable premiums on the previous year (-0.3%, with premiums of Euro 87 million).

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

The technical account of the Life Division reports a loss of Euro 50.5 million, compared to a profit of Euro 117.9 million in 2009. The loss stems from a significant reduction in investment profits due essentially to the impairments implemented to the division’s investments.

Based on current regulations, the impairments are entirely absorbed by the company even if related to investments to cover the technical reserves. The policyholders share of losses concerning the separated management of the Life Division are only recorded if and when these losses become trading losses following the sale on the market of the relative financial assets.
The technical margins of the portfolio are however positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the life sector will be well placed to take advantage of the strong potential of a portfolio mainly comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

POPOLARE VITA S.p.A.
Share Capital Euro 179,600,005.
(Direct Holding 24.39%, Group Holding 50%)

The IAS compliant accounts in 2010 report a loss of Euro 5.9 million (profit of Euro 28.7 million in 2009).
Initiatives were taken during the year to protect index-linked policyholders related to debt instruments issued by the Lehman Brothers Group through the transfer of underlying securities to the indices subject to restructuring in 2009.

At the end of 2009, 100% of the share capital of The Lawrence Life Assurance Limited was acquired from Fondiaria Nederland B.V., a holding company in turn owned 100% by Fondiaria-SAI S.p.A. The company acquired is a non-listed Irish registered company operating in the Life classes for over a decade and which, based on a distribution agreement signed at the beginning of 2009, already distributes its own index-linked products through banks belonging to the Banco Popolare Group. The operation forms part of the joint strategic plan of Banco Popolare Group and Fondiaria SAI Group to extend their bancassurance partnership and to allow this partnership to become a focal point in the development of highly innovative and competitive “index-linked" products on the Italian market. The expansion of the range of products to the placement banks responds to the increasing greater differentiation needs of savers in line with the criteria to adopt the offer to their needs and improving the level of satisfaction, within a careful control of financial risks.

In 2010, new Life business was concentrated mainly in Class I products, related to Separated Management, both single premiums and, to a marginal degree, recurring premiums, for an amount of Euro 2,168 million, with guaranteed minimum return and investment protection, with growth of 99.72% on the previous year.
In relation to the securitisation policies, total business amounted to approx. Euro 67 million, an increase of 14% on 2009.
In the Individual Pension Plans segment total business amounted to over Euro 7 million with a sharp increase in new business on the previous year (+288% on 2009).

A new development this year was the introduction of a Multi-Class policy (Class I and III) – BelDomani Multicrescita – which performed well with premiums written of Euro 159 million. The product provides for the payment of a single premium in Separated Management and a recurring premium plan on Internal insurance funds and programmed switches from Separated Management to Internal Funds.
In relation to Unit-linked policies, Popolare Vita recorded premiums of Euro 14 million, broken down between a single premium product, which after undergoing a restyling was withdrawn at the end of the year, and to a lesser degree a recurring premium product, which was launched in September.

The gross technical reserves amounted to Euro 7,758 million (Euro 6,027 million in 2009) and relate for approx. 43% to Class D reserves (approx. 60% at 31/12/2009).

In relation to the technical risks, the risks connected to demographic factors are managed through a periodic updating of the mortality statistics, while the redemption trend and the covering of the costs are controlled through continuous monitoring of their performance including comparison with similar market data.

The distribution network of the company consists of 2,043 bank branches belonging to the Banco Popolare Group and, in relation to only post-sales, 31 branches of Credito Emiliano.

THE LAWRENCE LIFE ASSURANCE CO. LTD
Share Capital Euro 802,886.
(Indirect Holding 100%)

In 2010, the Company reported an IAS compliant profit of Euro 7.4 million compared to approx. Euro 18 million in the previous year. Premiums of Euro 1,209.1 million were written in the year (compared to Euro 2,214.9 million in 2009).

Business is mainly focused on the Unit-Linked sector, through five staggered issues during the year, with a window of approx. 1 month, for an amount of Euro 1,208 million.

In order to cover the increasing requirements of the solvency margin, generated from new business, the Company benefitted from a capital increase of Euro 22.5 million from Popolare Vita S.p.A..
At December 31, 2010 total investments of the Insurance Company amounted to Euro 3,661 million (Euro 2,636 million in 2009), mainly Class D investments of Euro 3,570 million (Euro 2,557 million in 2009).
In 2010, the Company continued the process of strengthening its structures, hiring personnel in the administrative-finance department in order to better manage the new business volumes. This strengthening will continue in 2011 with further hirings.
The Insurance Company is actively working alongside the Banco Popolare Group to develop the partnership which began in 2009, and, in fact, in the first quarter of 2011 two new products were launched, thanks to the distribution agreement, with premiums of Euro 800 million.
The Company is actively involved in developing relations with new distributors in Italy and in Europe.

Sale of the holding in Bipiemme Vita S.p.A.

Banco Popolare di Milano S.c.r.l. and Milano Assicurazioni S.p.A., under agreements signed on December 23, 2009 in relation to the mutual winding-up of the partnership in the bancassurance sector and having received the necessary legal authorisations, on June 17 concluded the transfer to Banco Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a total amount of Euro 113 million (including, as contractually provided for, the pro-quota dividends already received by the seller).

The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in Bipiemme Vita S.p.A. to third parties within 12 months, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria SAI Group. Currently, and based on the information available, it is not possible to estimate the effect of the above-stated earn-out clause.

Reinsurance

Non-Life Reinsurance

In line with previous years, the placement of all the automatic cessions of the companies of the Fondiaria-SAI Group in the international market takes place through the reinsurance company of the Group, The Lawrence RE Ireland Ltd with the following exceptions:

- the Transport Classes placed within the subsidiary SIAT;
- the Aviation Classes placed directly by the underwriting companies in international markets;
- the remaining non-marine portfolio of SIAT, in progressive decline, placed with Milano Assicurazioni;
- the significant risks ceded optionally placed directly by the individual companies.

The reinsurance policy continues to be mainly orientated towards cessions on a non-proportional basis of the protection of the individual or cumulative risks deriving from a single event for the Classes Fire, Injury, Theft, General TPL, Motor Vehicle TPL and Land Vehicles while on a proportional basis for the Classes Credit and Technological Risks. In relation to the Classes Aviation and Bonds the structure is based on proportional agreements and covering excess claims for the protection of the relative retained.

The proposition of coverage ceded composed by the different portfolios of the individual Companies continues to provide balanced programmes to the international market, which presented with an increasing level of analysis, are constantly requested by the principal reinsurers; this limits the reinsurance costs, normally lower than the market average, although against increased exposure, especially in relation to catastrophic events.
This situation, together with the good results reported, allows for an excellent level of guarantee on solvency, particularly important in the presence of catastrophic coverage, for example Injury and Property.

The subsidiary SIAT placed on the reinsurance market the protection related to the Transport sector operating as reinsurer of the companies of the Group, with a mixed structure based on proportional agreements and excess claims coverage. The remaining “non marine” Classes, in any case being disposed of, were integrated into the various Group programmes through Milano Assicurazioni.

The subsidiary LIGURIA, following the guidelines issued by the Parent Company, placed the Transport Classes through SIAT, while Group programmes were utilised for the other guarantees. In specific cases, where there was a lower priority, specific underlying programmes were placed, also through The Lawrence RE.

The reinsurance includes at 31/12/10 all the optional business and the acceptances by the insurance companies of the Group and at 31/12/09 for all the other types of agreements. Net of the relative reinsurance the equilibrium of the result is confirmed in line with previous years.

Life Reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess: the retentions of the individual Companies of the Group vary according to the respective volumes of underlying premiums. The subsidiary The Lawrence RE reinsures this portfolio and obtains coverage on the market through a non-proportional structure for the specific risks and a Stop Loss protection on the retained of the Group.

Also the non-proportional programme, which protects the Companies of the Group from risk events, is subsequently ceded by The Lawrence RE, after a further reduction of the retention. The retentions continue to be held for the participating insurance companies, especially when compared to the total capacity provided.

The rating of the Total Technical Reserves and the Current Account Receivables related to reinsurers

Despite the severe financial crisis continuing to create a number of defaults in the global financial sector, the choices undertaken by the Fondiaria SAI Group for their reinsurance partners were positive.
The table below shows the composition of the total technical reserves and the current account receivables related to reinsurers by category according to the Standard & Poor's rating. In particular, the table illustrates that 97.75% of the reserves (over 95% of the receivables) are within the so-called "strong" class (rating AAA, AA and A): this percentage is stable compared to the previous year, which amounted to approx. 97.50% (95% of the receivables).

Total Technical Reserves and Current Account Receivables

(in Euro thousands)

	2010				2009			
	Reserves		Receivables		Reserves		Receivables	
RATING	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**
AAA	4,612	0.56	1,213	1.19	7,524	0.86	851	0.64
AA	255,986	31.10	23,014	22.63	252,202	28.98	38,744	29.06
A	544,029	66.09	72,988	71.80	589,395	67.72	87,418	65.56
BBB	2,353	0.29	1,793	1.76	3,335	0.38	2,415	1.81
BB	219	0.03	123	0.12	143	0.02	137	0.10
B	7	-	-	-	1,487	0.17	606	0.45
NR	15,978	1.93	2,642	2.50	16,214	1.86	3,163	2.37
Total	**823,184**	**100.00**	**101,773**	**100.00**	**870,300**	**100.00**	**133,333**	**100.00**

Real Estate Sector

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

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

With total turnover of Euro 7 billion, the office real estate sector contracted 1.4%. At the end of the year, both rental and prices had substantially stabilised.

The industrial real estate market however declined further (-2.7%, -18% in 2009). Further contractions are forecast in terms of prices and rentals, with an increase in the supply of existing buildings. The commercial real estate sector improved with activity expected to increase in 2010 by 2.6% on 2009. New construction investments are expected in 2011 with eco-sustainability being a common theme in these new projects.
Despite stagnation in consumption, the development plans of the large distribution chains have not undergone a particular curtailment: the categories which have seen the greatest growth have been the outlets and shopping malls, servicing a wide range of stores.

OPERATIONAL PERFORMANCE

The results of the real estate sector include the operations of **Immobiliare Fondiaria-SAI** and **Immobiliare Milano** (consequent of the spin-off from Immobiliare Lombarda S.p.A.), of the subsidiary **Nit S.r.l.** and other smaller companies, as well as the **Tikal R.E.** and **Athens R.E.** Closed Real Estate Funds.

The key data of the real estate sector is summarised below:

(in Euro thousands)	**2010**	**2009**
Profits realised	38	18,887
Total revenues	**180,714**	**209,989**
Interest expense	8,929	15,407
Total costs	**231,582**	**305,322**
Loss before taxes	(50,868)	(95,333)

(in Euro thousands)	2010	2009
Investment property	1,276,207	1,350,578 *
Financial liabilities	293,354	304,825

** data reclassified.*

The account investment property at 31/12/2009 was reclassified, related to the properties held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (previously recorded under property, plant and equipment), considering the changed use of these assets also following the spin-off operation of Immobiliare Lombarda at the end of 2009. The current classification appears more suitable given the real estate management policies, focused on a greater stability in assets over time in comparison to the focus of the ex Immobiliare Lombarda, from which these properties originate.
In line with the new regulations, the financial statements and the notes thereto reclassify the 2009 data which amounted to Euro 1,351 million.

The pre-tax result was a loss of Euro 51 million (Euro 95 million in 2009). The 2009 real estate sector result included the write-down of Euro 55 million in the holding in IGLI S.p.A., affected by the stock market performance of Impregilo.

The factors contributing to the result were:

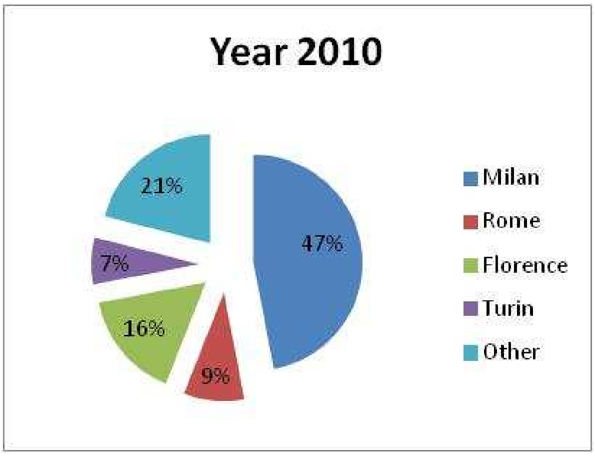
- the realisation of a gain of Euro 14 million due to the sale of the investment in Crivelli S.r.l. This gain was included in income from investments in subsidiaries, associated companies and joint ventures from the moment of sale of the investment (including the property held);
- the recording of valuation losses on property of Euro 17 million (Euro 13 million in 2009), followed the need to write-down some properties whose book value exceeded the market value and was considered a permanent loss in value;
- the reduction in financial charges due to the decrease in some debt positions;
- the depreciation provision for over Euro 27 million (Euro 18 million at 31/12/2009).

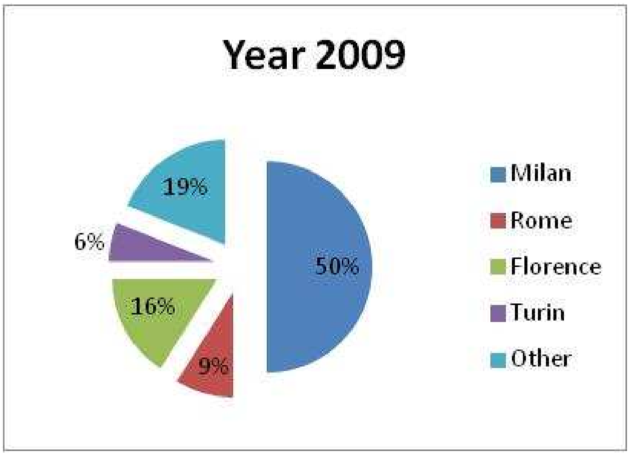
The key financial highlights of the principal operating subsidiaries in the sector is set out below:

(in Euro thousands)	REVENUES	CGE.%	COSTS OF PRODUCTION	RESULT
REAL ESTATE SECTOR				
IMMOBILIARE LOMBARDA	55,166	(65.34)	53,673	887
IMMOBILIARE FONDIARIA-SAI	81,125	n.s.	90,931	(12,077)
IMMOBILIARE MILANO	13,420	n.s.	32,695	(18,082)
NUOVE INIZIATIVE TOSCANE	44	(80.65)	1,024	(979)
TIKAL R.E. FUND	25,468	(33.37)	45,148	(15,668)

The breakdown of Group real estate by geographic area is shown below.

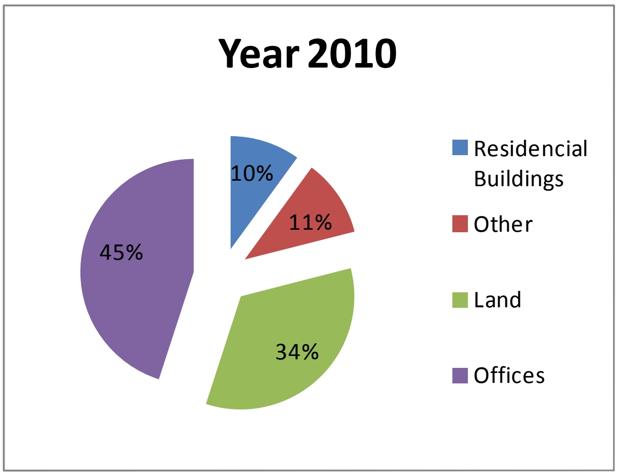
% Breakdown of Group real estate by Geographic area

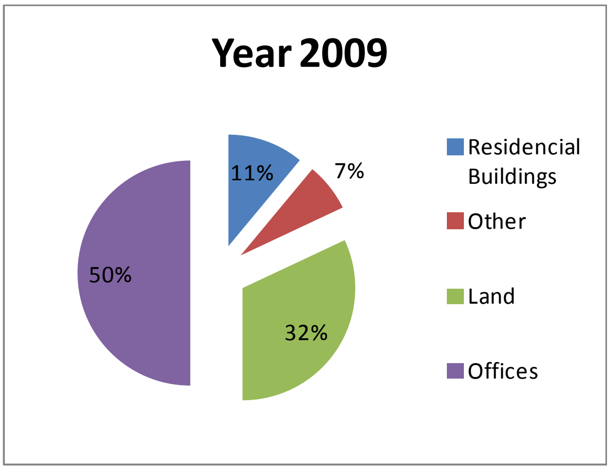




The breakdown of the Group real estate by use is shown in the table below:

% Breakdown of Group real estate by use





The following real estate transactions were undertaken in the year, some of which related to companies not belonging to the sector - included to facilitate a comprehensive analysis:

- The subsidiary Milano Assicurazioni drew up an open tender, also open to international operators, for the sale of the building in Milan at Via Cordusio, 2, Via G. Casati, 1. The building for mixed use (commercial-retail, office and residential) consists of 6 floors in addition to an attic, a split floor between the ground and the first floor (which contain shop storage areas) and a basement. The tender procedure is based on acceptance of the best offer and in June 2010 garnered the first manifestations of interest and following this non-binding offers, subsequently confirmed following due diligence and the drawing up of binding offers. The building had a net book value at December 31, 2009 of Euro 52.6 million. The independent experts of Scenari Immobiliari were appointed to carry out an opinion on the sales procedure and identified the probable value range for the sale of the building as part of a competitive auction procedure between a minimum of Euro 102,600,000 and a maximum of Euro 121,100,000. The best offer received was from Sorgente Group S.p.A. on behalf of the Multicomparto closed real estate investment fund named “Donatello comparto David” of Euro 105,000,000 and therefore on December 28 the contract was signed.
- On November 29, the subsidiary Immobiliare Fondiaria-SAI sold the wholly-owned company Crivelli S.r.l. to Unicredit Real Estate S.p.A.. The company sold owns an office building located in Milan at via Cambi, 5. Consideration for the sale was established at Euro 27.5 million, with the building valued at Euro 63.5 million. The gain realised from this sale amounted to approx. Euro 14 million.
- In order to concentrate the real estate portfolio of the Fondiaria-SAI Group in wholly-owned assets, Fondiaria-SAI and some Group companies during the year decided to sell a number of vacant properties, located in condominium buildings owned by third parties and throughout Italy. The operation involved Fondiaria-SAI, Milano Assicurazioni, Immobiliare Fondiaria-SAI and Liguria Assicurazioni. In 2010, contracts for a value of approx. Euro 12 million were signed with a gain of approx. Euro 5 million.
- The subsidiary Liguria Assicurazioni approved the fractioned sale of the property in Segrate, Via Delle Regioni, 40 and in relation to this operation at year-end contracts have been signed for a total of Euro 2.4 million.

Conferment to the Rho Fund

On February 11, 2010 the request by the Rho Property Fund for the ownership rights of the property located in Trieste, Riva Tommaso Gulli was approved through Decree and on March 4, 2010 was recorded in the land register.
On March 22, 2010 therefore the deed recognising fulfilment of the mandatory conditions for contribution to the Rho Property Fund of the above stated property was signed, following which Milano Assicurazioni subscribed to 195 units of the Fund, for a total value of Euro 4,875 thousand, corresponding to the value of the building transferred (Euro 10,170 thousand), net of the financial debt (Euro 5,339 thousand) and taking account of the cash amount paid to the fund (Euro 44 thousand).
The operation completes that resolved by the Boards of Directors of Fondiaria-SAI and of Milano Assicurazioni in October 2009 concerning the optimisation of the real estate portfolio of the companies through conferment to the Rho Fund of some important properties. For further and more detailed information on this operation, reference should therefore be made to that reported in the 2009 financial statements.

IMMOBILIARE FONDIARIA-SAI S.r.l.
Share Capital Euro 20,000.
(Direct Holding 100%)

The company has been operational since October 1, 2009, following the partial non proportional spin-off of Immobiliare Lombarda which allocated a spun-off asset portfolio of Euro 409 million comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.
In 2010, which centred on the management of the real estate portfolio together with the management of investments held in other companies in the real estate sector, reports a loss of approx. Euro 15.9 million.

The principal cost items concerned:

- service costs of approx. Euro 1.4 million, of which Euro 0.2 million related to maintenance costs on buildings owned;
- impairments on some buildings for approx. Euro 2 million;
- impairments on investments in subsidiaries companies for approx. Euro 21 million.

At December 31, 2010, property recorded in the accounts as “land and buildings” amounted to Euro 97.9 million. The real estate activities are carried out in the residential, office, commercial and land sectors.

IMMOBILIARE MILANO ASSICURAZIONI S.r.l.
Share Capital Euro 20,000.
(Indirect Holding 100%)

The company has been operational since October 1, 2009, following the partial non proportional spin-off of Immobiliare Lombarda which allocated a spun-off asset portfolio of Euro 241.9 million comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.
2010 centred on the management of the real estate portfolio and the management support and financing activities concerning investments held in real estate sector companies.
A loss was recorded in the year of Euro 15.9 million, affected by impairments for a total of Euro 7.2 million, of which Euro 3.8 million related to real estate assets and Euro 3.4 million to investments held. Impairments on property were made taking account of the estimated current value of the buildings carried out by a specifically appointed independent expert. Impairments on investments, essentially related to the subsidiary Sintesi Seconda, were carried out to align the book value to the adjusted net equity as established by an appointed expert.
At December 31, 2010, the real estate assets totalled Euro 267 million are were in the residential, office, commercial and land sectors.

PROPERTY DEVELOPMENT INITIATIVES

The principal initiatives in progress are:

"Porta Nuova" project

Fondiaria-SAI is involved in a joint venture with the US Group Hines concerning a real estate development project in the "Porta Nuova" area of Milan, broken down into the independent projects **Porta Nuova Garibaldi** (in which Fondiaria participates through its subsidiary Milano Assicurazioni), **Porta Nuova Varesine** (which in addition to the participation of Fondiaria-SAI directly, also involves the parent company Premafin and the subsidiary Immobiliare Milano Assicurazioni) and **Porta Nuova Isola** (in which Fondiaria-SAI participates through its subsidiary Milano Assicurazioni).

The area of the **Porta Nuova Garibaldi** project is located in Milan, between Corso Como, Piazzale don Sturzo, via Melchiorre Goia and the local railway station and provides for the development of approx.: 50,000 sq.m. total surface area for office use, 5,000 sq.m for residential use, 10,000 sq. m for retail use and 20,000 sq. m. of exposition space. During 2010, the construction work completed involved, among others, the above ground structures of the three principal buildings for office use. In 2010, 3 preliminary rental contracts were also signed with a primary credit institution, for all of the office components of buildings A, B and C in the vicinity of the Gardibaldi "podium" and representing approximately 80% of the service sector area of the project, at values in line with the financial plan forecasts. During the year a conversion request was presented in relation to PII Garibaldi-Repubblica for the conversion of exhibition area rights to private rights (office/residential/retail), which was approved by the Building Commission and with the approval process expected to conclude in the first part of 2011. During the year, the residential floor area within the Blocco Est of the INPGI Hines Fund was sold and a sales contract signed with a large primary retailer for a commercial space at street level under the Garibaldi "podium". Both transactions took place at values in line with the financial plans.

On the completion of the corporate restructuring process began in 2009, the reorganisation of the Luxembourg holding was completed from a limited partnership to a share-based partnership (from Garibaldi SCS to Garibaldi SCA). The above operation did not alter the commitments of Milano Assicurazioni.

The area of the **Porta Nuova Varesine** project is in Milan, between Via M. Gioia, Viale Liberazione, Via Galileo and Via Vespucci and provides for the development of approximately: 42,000 sq.m. total surface area for office use, 31,000 sq.m for residential use and 9,000 sq. m for retail use. In 2010, tender contracts were awarded and construction began on the site. The Lot 2 award concluded a tender process in which some of the largest national and local companies participated. The lot awarded concerns the building of 3 residential towers and 6 low rise residential buildings, in addition to the retail component and the relative underground floors, for a total floor space of approx. 40,000 sq.m. on completion of the component previously assigned in 2009. During the year, the sales activities of the residential component continued, through the full placing of the first 3 sales lots, comprising approx. 55 apartments within the Torre Solaria, whose sales value was approx. Euro 80 million, in line with the forecasts in the financial plans.
On completion of the corporate restructuring process begun at the end of 2009, the reorganisation of the Luxembourg holding was completed from a limited partnership to a share based partnership (from Ex Varesine SCS to Ex Varesine SCA). This corporate restructuring did not have any impact on the overall commitments of the Group.

The area of the **Porta Nuova Isola** project is in Milan, between Via G. De Castillia and via F. Confalonieri and provides for the development of 29,000 sq.m total floor area, with 21,900 sq.m for residential use, 6,300 sq.m for office use and 800 sq.m for retail use. In 2010, the tender was awarded for the building of the private works following the competitive phase and the initial preliminary building phase began in line with the schedule. Also in 2010 the sales phase of the first residential lot began, fully placed and comprising approx. 17 apartments for a value of approx. Euro 20 million.
In relation to the high quality Incubator for the Arts building, in 2010 the building works continued and completion is forecast for the first half of 2011 - in line with that scheduled.
During the year, extensions of the credit lines for the project were signed, in accordance with that established by the contract.
On completion of the corporate restructuring process begun at the end of 2009, the reorganisation of the Luxembourg holding was completed from a limited partnership to a share based partnership (from HEDF Isola S.c.s. to Isola S.C.A.). This corporate restructuring did not have any impact on the overall commitments of the Group.

“CityLife” Project

The company CityLife S.r.l., whose shareholders include, as well as Immobiliare Milano Assicurazioni S.r.l, Generali Immobiliare S.p.A (ex Generali Properties S.p.A), Allianz (ex Ras S.p.A.) and Lamaro Appalti S.p.A., was awarded the international tender by the Fiera Milano Foundation for the redevelopment of the historic former trade fair area.
The project by CityLife which won the award was for a value of Euro 523 million, with architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora

In the first half of 2010, Lamaro Appalti sold the entire holding to Generali Immobiliare S.p.A. and Allianz S.p.A., following the revocation by the Fondiaria SAI Group of the pre-emption right.
The investment is for approx. Euro 2.2 billion with a total value of production equal to Euro 3 billion.

In 2009, the construction works on the Hadid residences began, while the foundation works for the Libeskind Residences and the Isozaki Towers and Offices also begun. The final design of the residences beside Piazzale Arduino also began.

In 2010, the preliminary activities related to the new line 5 of the Milan Metro began, in addition to the functional works for the residences at Piazzale Arduino, the Libeskind Residences and the Hadi Residences, with the development of the project for the building of a public park and the drawing up of the project for the museum. In addition marketing commenced of the Hadid and Libeskind Residences.
The completion of the construction is scheduled for 2015 and the completion of the commercialisation phase is expected by 2016. On June 29 the associated company signed with the same banking syndicate a restructuring of the old loan contracts which will allow greater flexibility in the use of the credit lines to cover the project costs.

Alfiere Project S.p.A.

Immobiliare Fondiaria-SAI S.r.l., through the company Progetto Alfiere S.p.A., in partnership with Lamaro Appalti S.p.A., Fondo Beta, Maire Engineering S.p.A., Eurospazio S.r.l. and Astrim S.p.A., purchased 50% of the share capital of Alfiere S.p.A., owner of the property complex “Torri dell’EUR”, located in Rome. The remaining part of the share capital is held by Fintecna Immobiliare (100% held by Fintecna S.p.A., in turn entirely held by the Ministry for the Economy and Finance).

Following the preliminary investigations carried out by the municipality offices on the project presented by the Company on July 30, 2009 to the Department IX of the Rome Municipality and the consequent request for clarifications and supplementations, on November 16, 2010, the company sent the final documents necessary for the release of the building permit, which will begin in the first quarter of 2011. The existing building will be demolished only after such release.

During the year, Immobiliare Fondiaria-SAI S.r.l. paid Euro 0.5 million for a share capital increase and approx Euro 0.1 million as a shareholder loan.

Sviluppo Centro EST S.r.l.

Immobiliare Milano Assicurazioni S.r.l. holds 40% in the share capital of Sviluppo Centro Est S.r.l..
The company Sviluppo Centro Est S.r.l. was incorporated with shareholders Lamaro Appalti S.p.A. (40%) and I.TER S.r.l. (20%) for the purchase of a 50% holding of Quadrante S.p.A. and the shareholder loan from Fintecna S.p.A..

The company Quadrante S.p.A. is redeveloping an area of over 60 hectares in the south east of Rome, in the Cinecittà - Torre Spaccata locality.
Following the new means of payment of the consideration for the investment agreed in December 2009, the shareholders must still pay two annual tranches for a total of Euro 50.75 million (Euro 2.5 million by 31/12/2011 and the residual Euro 48.25 million by 31/12/2012), the year in which the urbanisation process will be concluded.
During the year, Immobiliare Milano Assciurazioni S.r.l. paid approx. Euro 2.3 million as a shareholder loan.

Metropolis S.p.A.

The Group has a 29.73% holding in the Company. Metropolis S.p.A., incorporated in 2005 is a partnership with Baldassini-Tognozzi Costruzioni Generali S.p.A., Consorzio Etruria, Cosimo Pancani S.p.A. and the Industry and Artisan Chamber of Commerce of Florence and was the winning consortium of the competitive procedure established by FINTECNA S.p.A. for the selection of a partner for the recovery, the transformation and the development of the former Manifattura Tabacchi of Florence real estate complex.

Metropolis holds 50% of the share capital of the company Manifattura Tabacchi, owner of the buildings.
The new Council, in office since June 2009, has so far expressed a favourable opinion to the rapid development of the Manifattura area, to be undertaken within a new Structural Plan whose preparation is underway. On December 13, 2010, the new Structural Plan was in fact adopted by the Council; the feasibility for the redevelopment of the Manifattura Tabacchi area was included, through a recovery action with partial demolition and reconstruction. The Enactment Regulations, contrary to that established by the preceding instruments, do not establish the obligation to reserve a quantity of the gross service area for public use, but permit a mix of private uses, with the majority reserved for residences.

The project presented and welcomed by the municipality provide for the recovery of the historical monumental area, equal to approx. 50% of the entire gross area of 103,000 sq.m., and the demolition of the remaining volumes. To improve quality, high-rising buildings were favoured, in order to utilise land effectively. In the evaluation of the project with the Architectural Heritage Oversight Body, with a duty to protect architectural heritage, a difficulty arose in reconciling the plans with the protection requirements.

The Council was presented with a plan which provided for the adoption, in a very short time period, of a Recovery Plan with a simultaneous change to the existing PRG (Town planning scheme), which must be subject to an approval process - also at a regional level - of a duration of approx. one year.

Penta Domus S.p.A.

The Group has a 20% holding in the Company. The share capital of Penta Domus S.p.A. is held equally by Immobiliare Milano Assicurazioni S.r.l. and the shareholders Codelfa S.p.A., Impresa Rosso S.p.A., Maire Engineering S.p.A. and Zoppoli e Pulcher S.p.A..
In 2006, the Company acquired a 49% holding in Cinque Cerchi S.p.A., a company which between 2007 and the beginning of 2008 purchased a part of the "Spina 3" district of Turin, with total potential building surface area of approx. 114,000 sq. m..

In relation to the activities connected to the development of the real estate initiative managed through the holding Cinque Cerchi S.p.A., in 2010 Cinque Cerchi proceeded to put to tender at the beginning of June 2010 the construction works of the first UMCP 2b – UMI 2 lot, corresponding to approx. 18,000 sq.m. total surface area. The foundation works will be completed in the first months of 2011 and the above ground construction work will begin. At the end of November, the Council approved the proposal presented (in December 2008), allowing therefore the construction of a new complex which will see a significant reduction in the area dedicated to the service sector (Eurotorino: from over 43,000 sq.m. to 11,000 sq.m.) in favour of residences and business (respectively from approx. 66,000 sq.m. to 95,000 sq.m. and from 4,000 sq.m. to 7,800 sq.m.).

During the year, Immobiliare Milano Assciurazioni S.r.l. paid approx. Euro 0.5 million as a shareholder loan.

Renewal of the shareholder agreement related to IGLI S.p.A.

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

1. the extension of the duration of IGLI until 31/07/2012 and the alignment of the Agreement duration with this date;

2. introduction of the following among the matters for which it is required that the Board of Directors of Impregilo may only approve with unanimous support of the IGLI Directors:
    a. purchase or sale (or transfer) of Impregilo holdings in so-called strategic subsidiaries (i.e. currently Fisia Italimpianti S.p.A., Impregilo International Infrastructures NV, Primav Ecorodovias SA and Impregilo Edilizia e Servizi S.p.A.);
    b. the exercise of the right to vote in the extraordinary shareholders' meetings of the strategic subsidiaries, in which previously in both cases, the support of only two shareholders was sufficient;

3. the introduction, on the expiry of the Agreeemnt and in the case of the non renewal, of the proportional spin-off of IGLI where previously the sale of the Impregilo shares held by IGLI to shareholders was provided for - a sale which now will only occur in the case for whatever reason the spin-off does not take place.

On July 5, 2010 the Antitrust Authority announced that this agreement does not constitute a concentration as defined by article 5 c.1 of Law 287/90.
The Fondiaria SAI Group holding in IGLI is now equally divided between Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. following the non proportional partial spin-off in 2009 of Immobiliare Lombarda through the assignment to the above-stated companies of the principal assets including the holding that Immobiliare Lombarda held in IGLI and consisting of 8,040,000 shares (33.33% of the share capital), a holding which was assigned to the two beneficiary companies in equal measure.

Following the spin-off Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni subscribed to the original IGLI Shareholder Agreement. This Agreement established, in the case of transfer of IGLI shares between companies of the same Group, that the transferring company, in our case Immobiliare Lombarda, remained obliged, together with the beneficiary/beneficiaries for the fulfilment of all obligations under the Agreement. Under this obligation, Immobiliare Lombarda was also required to subscribe to the above-mentioned renewal of the IGLI Agreement.

Other Activities Sector

Asset Management

In 2010, net inflows to the managed savings industry in Italy, for the members of Assoreti, amounted to Euro 14.16 billion.
The positive trend of foreign funds and Sicav's continued, with inflows of Euro 13.96 billion. The outflow from Italian funds and Sicav's also continued however, with net outflows from the funds of Euro 4.5 billion.

With the progressive return of savers towards riskier instruments, in December significant outflows from bond funds took place, with net outflows of Euro 1.54 billion and total funds under management contracting to Euro 185.8 billion, comprising however 41.1% of total assets. Liquidity funds saw net outflows of Euro 2.28 billion and the total value decreasing to Euro 62.04 billion, 13.7% of sector assets.

At December 31, 77.5% of assets under management is held by Italian groups, with the remaining 22.5% by foreign groups.

Consumer credit

In 2010, consumer credit overall did not show any signs of recovery on 2009, except for the mortgage sector, favoured by low interest rates. According to the data provided by Assofin, the value of loans disbursed in 2010 compared to the previous year decreased by 5.3% against a slight decrease in the number of transactions (-1.2%).

In particular, loans decreased (-9.2%), particularly due to the continued contraction of car loans (-11.4%) and industrial vehicle loans (-19%), following the withdrawal of government incentives.
The credit card sector also contracted (-5.4%), while personal loans went against this trend, recording a slight recovery (+0.8%). Loans repaid through salary/pension deductions decreased significantly (-13.8%), following growth in 2009 (+4%).

Consumer credit has obviously been affected by the crisis, with household spending power reducing. This has caused a double effect. On the one hand, a section of consumers are more aware of exposing themselves financially, with a consequent contraction in credit demand; on the other hand, the decrease in disposable income has led to difficulties in repaying loans, with an increase therefore in defaults.
"Income weakness" has been and will be one of the major factors in a tightening of the criteria considered for the granting of credit, in order to avoid an exacerbation of default numbers. This has therefore also contributed to a further contraction in volumes disbursed.
Against this, for consumers who have maintained their spending power, they have tended to delay purchases and have focused more on saving rather than incurring debt, as a reaction to the continued uncertainty.

This fragility leads us to believe that, in the short-term at least, consumer credit will be subject to an uncertain recovery, which will be affected also by restructuring within the sector following the enactment of Legislative Decree No. 141 of August 13, 2010, under which operators will have to incur significant investments in order to comply with the new regulations.
The most important actions will be focused on increasing transparency and competition between operators in the sector and will ensure advantages for consumers which, being better protected and informed, will ensure in the future a new and more solid development within the sector.

It is highlighted, as in the above stated decree the faculty for insurance companies and their agents and brokers, based on the agreements and conventions, to promote and place loan contracts, of any type, through a direct mandate, among others, of banks and authorised financial intermediaries.

OPERATIONAL PERFORMANCE

The sector includes the Group companies operating in the banking, hotel and diversified sectors, as opposed to the insurance and real estate sectors.
The pre-tax loss was Euro 68 million (loss of Euro 14.7 million in 2009).

The poor performance is due to:

- the results of the Atahotels Group, which were affected, in addition to the loss in the year of approx. Euro 52 million, by the need to write-down residual goodwill for Euro 7 million. The negative performance was based on a volume of revenues still insufficient to cover significant rental costs of hotels and, more in general, overhead costs, within a very difficult economic situation which has significantly affected the hotel sector.
- the loss of BancaSai, which in addition to being affected by the deterioration of some debt positions, was affected by the recording to the Income Statement of costs related to some start-up initiatives which the Group no longer considers prudent to pursue.
- the valuation at equity of the associated company Finadin S.p.A., with an impact of over Euro 31 million on the sector result. In particular, this latter holding possesses financial instruments represented by equity securities whose market performance saw a continual reduction in stock market values for over 24 months.
  Consequently it was necessary in the valuation of the net equity of Finadin and with a view to uniformity of the accounting principles, to carry out an impairment of these financial instruments.
- the sector result benefited from the gain deriving from the sale of the subsidiary Agrisai (Euro 31 million) and the subsidiary Banca Gesfid (Euro 8 million).

The key results of the main Group companies in the banking and asset management sector are summarised below in accordance with IAS/IFRS criteria:

(in Euro thousands)	BROKERAGE MARGIN	CGE.%	RESULT
OTHER ACTIVITIES SECTORS			
BANCA GESFID (*)	15,605	(35,29)	1,930
BANCASAI	26,407	(3,18)	(14,954)
SAINVESTIMENTI SGR	4,042	(8,41)	1,501
SAI MERCATI MOBILIARI SIM	146	(86,65)	(1,616)

(*) Sold in 2010. The data refers to the period between the beginning of the year and the date of the sale.

The results of the other companies in the sector are reported below:

(in Euro thousands)	2010	2009	CGE %
OTHER ACTIVITIES SECTORS			
ATAHOTELS	(51,820)	(27,271)*	n.a.
FINITALIA	1,535	2,653	(42.13)
FINSAI INTERNATIONAL	5,446	2,617	108.09
FONDIARIA NEDERLAND	1,742	13,939	(87.50)
SAIAGRICOLA	28,349	(2,402)	n.s.
SAI HOLDING ITALIA	420	10,873	(96.14)
SAIFIN – SAIFINANZIARIA	(1,311)	3,185	(141.17)
SAILUX	566	754	(24.94)
SAINTERNATIONAL	(564)	(91)	n.a.

** data for the full year 2009*

BANCASAI S.p.A.
Share Capital Euro 116,677,161.
(Direct Holding 100%)

In 2010, a loss of approx. Euro 14,954 thousand was reported, in comparison to a profit of Euro 439 thousand in 2009. The key factors in the result were the following:

- the net financial management result, a profit of Euro 11.9 million, decreased compared to the previous year (Euro 23.2 million). this result reflects the current credit market difficulties, as described in detail below;
- the increase in operating costs, from Euro 22.3 million in 2009 to Euro 24.9 million in 2010 (+10%).

The net financial management result, a profit of Euro 11.9 million, decreased by 49% on the previous year. This account, which includes the total effect of the interest margin and services, net of the write-down costs of the loan portfolio, decreased substantially on the previous year.
This is mainly due to the increase in the loan provision of 72% on 2009, for a total amount of Euro 15.5 million.
The impairments were made necessary following the deterioration of the general economic situation, which has had negative effects on the quality of the asset, with the consequent need for further loan impairments. The increased deterioration of loans, comprising overdue and non-performing loans, or the persistent breaching of credit limits, illustrated in the table below, is caused by the widespread deterioration of the SME's and households, segments in which BancaSai has a strong presence.

On the other hand, the result was positively affected by the gains from trading activity begun at the beginning of 2010, of Euro 1.2 million and by the 2010 dividend of the subsidiary Finitalia for approx. Euro 1.8 million, paid in April.

The interest margin amounts to Euro 16.5 million, a decrease of 3% on the previous year, mainly due to the contraction in the spread between interest bearing assets and liabilities.
In 2010, the average yield from interest bearing assets was 2.38% compared to 3% in 2009; the cost of interest bearing liabilities was 0.7%, unchanged on 2009.

In relation to operating costs, personnel expenses increased by 13% and include the remuneration of the Directors, the Personnel costs of the companies of the Fondiaria SAI Group transferred to the Bank and the recovery of personnel expenses by the Bank from the companies of the Fondiaria SAI Group. The increase is substantially due to new hirings in the year following the implementation of the new trading structure.
Other administration expenses increased by 9% on the previous year. The increase in costs is due to the costs related to the activities to assist the growth of the Bank, and the implementation of the IT system and the increase in transactions carried out.

Lending activity continued to grow, which attests to the particular commitment of the Group to support households and small to medium-size businesses in this increasingly difficult economic climate. Loan assets (mortgages, loans disbursed and lines of credit) amounted to Euro 837.4 million at year-end, an increase of 15% compared to the previous year. Also in 2010 the increase in loans was sustained mainly through mortgage demand by households: in relation to this maximum attention was focused on the borrower risk profile and in particular on income capacity in relation to the current and future financial commitment; more restrictive rules were put in place for some types of product. In relation to loan demand from businesses, short-term operations were extended to medium term, in addition to requests for credit and the release of sureties.

The Bank has focused on improving relationships in the SME sector, seeking to offer an improved service in comparison to other financial brokers, in particular offering services tailor-made for the needs of individual enterprises.

Bank capital requirements amounted to Euro 102.1 million (Euro 118.5 million in the previous year). The total solvency coefficient, that is to say the ratio between capital requirements and the total assets weighted based on the level of risk, deriving prevalently from the credit risk, amounted to 14.90%.

FINITALIA S.p.A.
Share Capital Euro 15,376,285.
(Indirect Holding 100%)

In 2010, consumer credit did not show signs of recovery on 2009, except for the mortgage sector, favoured by low interest rates.
This situation had a double effect, on the one hand a section of consumers became more prudent in terms of financial exposure, with a consequent contraction in credit demand, and on the other a decrease in disposable income resulted in repayment difficulties, with an increase in defaults. This has led financial operators to comprehensively review the loan granting policies.

In this general situation, the activities of Finitalia in 2010 countered the market in general, due to the unique nature of the activities undertaken to develop synergies with the Insurance Group, in addition to those undertaken with the Banking Group. Volumes disbursed in 2010 increased for all products by 1.90% on 2009. Analysing the results in the various technical forms, the financing of insurance premiums through the virtual revolving credit card called MY CASH CARD, undertaken only within the private network of the Fondiaria SAI Group, increased by 16.7% on 2009 for individuals and by 13% for Small-Medium Sized Businesses. On the other hand, personal loans continued to decline (-27.9% on 2009).

Finitalia recorded a net profit of Euro 1,535 thousand in 2010 compared to Euro 2,653 thousand in 2009.

At the end of 2010, loans due amounted to Euro 210,404 thousand, compared to Euro 222,876 thousand in 2009, a decrease of 5.6%. The number of transactions continued to grow (+12.60% on 2009, 258,734 in 2010 compared to 229,780 in 2009), while amounts disbursed in 2010 amounted to Euro 222,716 thousand compared to Euro 218,573 thousand in 2009, with an increase of 1.90%, favoured by further growth in the financing of insurance premiums.

The debt amounted to Euro 159,218 thousand compared to Euro 183,021 thousand in 2009, a decrease of 13.01% due to the short duration of premium loans. Part of the debt, Euro 75,000 thousand, is due to the issue of bond loans entirely undertaken by the Parent Company BancaSai, of which Euro 50,000 thousand disbursed in the year. The new bond issue has a duration of 3 years and a revolving commitment (card portfolio) with the possibility of redemption only in the case of default.

The capital requirements were maintained well above the minimum requirements of current regulations, increasing from Euro 41,853 thousand in 2009 to Euro 42,025 thousand in 2010.

In 2010, Finitalia implemented further operational and organisational solutions in order to increase the security and efficiency of the IT systems, completed with the signing of an agreement with the company FSST-HP for the provision of outsourced IT services. This is undertaken in order to increase the level of service offered and to optimise the operational integration between the Companies of the Fondiaria SAI Group, to further develop the loan products.
For this purpose, an agreement between the Companies of the Fondiaria SAI Group, BancaSai and Finitalia, which creates significant operating synergies, and increased economies of scale, was signed.

Finitalia in 2011, in an agreement with the Fondiaria SAI Group, will launch new loan products, through the utilisation of the virtual credit card MY CASH CARD.
Commercial initiatives will be planned, including directly, to selectively relaunch the personal loans in favour of the most valued policyholders with the Group Agencies, the employees of the conventioned Companies and the account holders of BancaSai. All of the planned activities which support the Companies and the Parent Company BancaSai will favour a further commercial and profitability strengthening of the Company.

ATAHOTELS S.p.A.
Share Capital Euro 17,340,000.
(Direct Holding 51%, Group Holding 81.80%)

In 2010 the company reports a loss of Euro 52.1 million compared to a loss of Euro 27.3 million in 2009.
Due to the combined effect of the losses recorded and share capital injections by shareholders for Euro 30 million, the shareholders' equity at December 31 was a negative value of Euro 11.8 million.

Production costs exceeded the value of production by Euro 47.2 million, compared to costs exceeding the value of production by Euro 30.3 million in 2009. The EBITDA amounts to approx. 25% of revenues (19% in 2009) at Euro 26.9 million (+41% on 2009).
Total hotel revenues amounted to Euro 110.7 million, an increase of 6.4% on Euro 104.8 million in the previous year.

This data is substantially in line with the other major hotel chains. Overall, Atahotels succeeded in defending its market position well, despite the significant crisis in the congress sector, in which the Company holds a leadership position. In particular, within a still weakened market, the Company substantially complied with the projected budget until April, while from May, a general reduction in revenues, in particular in the Milan area occurred, due mainly to the significant contraction of the congress sector, in which the Company holds a strong position nationally.

In relation to the Vacation business, which comprises a significant share of Company revenues, a varied performance was seen within a holiday market which decreased 11% (ISTAT data of February 2011). Atahotels decided not to follow the market trend of reduced prices, deciding against smaller margins so as not to reduce average sales margins, with hopes of an upturn from 2011.

All resorts, with large numbers of meeting rooms, were affected by the congress market crisis, in part offset by the growth in individual tourist demand. The company performance improved from October for the business areas, which saw significant improvements on the same period of 2009. The most significant growth took place in the corporate segment, thanks to the activities carried out in the business travel market and in online sales.

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

The benefits in terms of efficiency and quality of service are increasingly evident and Atahotels today has a more efficient structure, more modern, more solid, with clear and uniform procedures and with more stable IT systems and more detailed management control processes. In addition, the department centralisation activities has improved the contribution and the professionalism of personnel operating in the chain structures.

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

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

Saiagricolo, a subsidiary of Fondiaria-SAI, completes the sale of the Agricultural business "Cascina Venerìa"

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

SAI Network Project

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

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

Securitisation operation of BancaSai

In the first half of 2010 a securitisation operation, carried out without recourse and in block sale, in accordance with and with the effects established by the combined provisions of articles 1 and 4 of Law No. 130 of April 30, 1999, of a portfolio of receivables from ordinary clients (comprising 1,176 loan contracts assisted by voluntary first degree mortgages on real estate for residential use, with a capital value of Euro 123 million) was completed to the vehicle company "Admiral Finance S.r.l.", and for the purposes of the issue of securities, in accordance with the combined provisions of Articles 1 and 5 of the Securitisation Law, held for sale to third parties. The operation was backed through the initial subscription of all the ABS (asset backed securities) issued through the vehicle company by BancaSai for an amount equal to the value of the receivables acquired and through the subsequent partial placement for a nominal amount of Euro 6 million to Fondiaria-SAI and to Milano Assicurazioni. In accordance with IAS 39, this operation does not eliminate from assets the receivables subject to the cession in the absence of their substantial transfer to the transferee of all the risks/benefits stemming from effective control. The operation, carried out in order to provide the necessary liquidity to finance investment initiatives, was organised by Banca Akros, with Moody's as the ratings company. As part of the operation BancaSai and the vehicle company "Admiral Finance S.r.l." undertook derivatives with primary market operators in order to transfer the risk of movements in interest rates. This allowed the vehicle company to neutralise the differences between the interest received on the securitised mortgages and the interests paid on ABS securities. The derivatives undertaken by the vehicle company and by BancaSai with institutional operators are substantially of a speculative nature. In relation to the above stated operation BancaSai disbursed a loan (so-called "limited recourse loan") in favour of the vehicle company for an amount of Euro 6 million in order to create a cash reserve to guarantee payment at each payment date, supported by liquidity and a securities receivable backed by a high rating (AAA from Moody's).

Asset and financial management

INVESTMENTS AND LIQUIDITY

At 31/12/2010, the volume of investments amounted to Euro 36,014 million, compared to Euro 34,646 million in the previous year, an increase of 3.95%. These latter were reclassified related to the properties held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (previously recorded under property, plant and equipment), considering the changed use of these assets also following the spin-off operation of Immobiliare Lombarda at the end of 2009.

The increase in the volume of investments was due to the strong performance in the Life sector and the quick re-investment, mainly in AFS financial assets, of insurance cash flow overall.

The investments, tangible fixed assets and liquidity at 31/12/2010 compared to the previous year are shown below.

Compared to 2009, the overall structure of investments changed the following:

(in Euro thousands)	**31/12/2010**	**Percent. %**	**31/12/2009**	**Percent. %**	**Cge. %**
INVESTMENTS					
Investment property	2,894,209	7.77	3,011,505	8.43	(3.89)
Investments in subsidiaries, associates and joint ventures	325,369	0.87	366,688	1.03	(11.27)
Loans and receivables	3,159,211	8.48	2,908,010	8.14	8.64
Investments held to maturity	592,138	1.59	808,473	2.26	(26.76)
Financial assets available-for-sale	20,302,882	54.54	18,896,658	52.90	7.44
Financial assets at fair value through the profit or loss account	8,740,064	23.47	8,655,108	24.23	0.98
Total investments	**36,013,873**	**96.72**	**34,646,442**	**96.99**	**3.95**
Tangible fixed assets: buildings and other fixed assets	594,334	1.60	500,329	1.40	18.79
Total non-current assets	**36,608,207**	**98.32**	**35,146,771**	**98.39**	**4.16**
Cash and cash equivalents	625,940	1.68	576,033	1.61	8.66
Total non-current assets and cash equivalents	**37,234,147**	**100.00**	**35,722,804**	**100.00**	**4.23**

The investment property includes the assets in the closed and reserved Tikal R.E. and Athens funds. These funds are fully consolidated and the relative property is valued at cost with a total contribution of Euro 467 million (Euro 484 million at 31/12/2009) for Tikal R.E. and Euro 54 million for Athens (Euro 56 million at 31/12/2009).
In relation to the financial assets at fair value through the profit and loss, they include Euro 8,559 million (Euro 8,323 million in 2009) related to investments where the risk is borne by the policyholder and from the management of pension funds, while the residual refers to positions held for trading by smaller Group companies.

The AFS financial assets and the financial assets valued at fair value through profit or loss are the following:

(in Euro thousands)	31/12/2010	31/12/2009	Cge. %
AFS financial assets	**20,302,882**	**18,896,658**	**7.44**
Equity securities	1,528,791	1,695,610	(9.84)
Fund units	819,961	937,833	(12.57)
Debt securities	17,952,179	16,261,242	10.40
Other financial investments	1,951	1,973	(1.12)
Financial assets at fair value through the profit or loss account	**8,740,064**	**8,655,108**	**0.98**
Equity securities	32,502	97,859	(66.79)
Fund units	459,900	410,088	12.15
Debt securities	7,758,432	7,470,196	3.86
Other financial investments	489,230	676,965	(27.73)

In line with its normal practice the composition of the Group investments relates mainly to the bond sector. Overall the bond component of the investments, without considering the bond component of the fund quotas held, accounts for 78.1% of the total investments of the Group (73.8% at 31/12/2009).

The key results of the financial and real estate activities for the last two years are shown below:

(in Euro thousands)	31/12/2010	31/12/2009	Changes
Net income from financial instruments recorded at fair value through profit or loss	**395,283**	**906,125**	**(510,842)**
Income from investments in subsidiaries, associates and joint ventures	**55,795**	**14,212**	**41,583**
Income from other financial instruments and property investments of which:			
Interest income	722,345	765,794	(43,449)
Other income	167,637	159,180	8,457
Profits realised	390,939	201,391	189,548
Valuation gains	476	4,591	(4,115)
Total income	**1,732,475**	**2,051,293**	**(318,818)**
Charges from investments in subsidiaries, associates and joint ventures	**55,279**	**83,540**	**(28,261)**
Charges from other financial instruments and property investments of which:			
Interest expense	80,414	102,652	(22,238)
Other charges	78,146	65,698	12,448
Losses realised	166,095	110,428	55,667
Valuation losses	490,656	219,606	271,050
Total interest expense and charges	**870,590**	**581,924**	**288,666**
TOTAL NET INCOME	**861,885**	**1,469,369**	**(607,484)**

The net income from financial instruments recorded at fair value through the profit and loss includes income related to contracts in the Life sector whose risk is borne by the policyholders for Euro 402 thousand (net income of Euro 857 million in 2009). This increase is offset by the corresponding decrease in the technical reserves of the Life sector related to this class of activity.

As reported in the introduction, the significant increase in impairments following the recognition in the income statement of the negative component of the AFS reserve relates to some equity securities held. In this particular case, it follows the recording of a continuous reduction over the last 24 months of the stock market value compared to the book value.

The principal positions subject to impairment were:

(in Euro millions)

Generali	167.6
Unicredit	118.6
Monte dei Paschi di Siena	44.6
Others	58.5
Total	**389.3**

compared with the impairment already implemented at 31/12/2009 of Euro 157.0 million.

Financial management

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

The activity in the **Non-Life sector** saw a large number of tactical and strategic operations on government bonds in the Eurozone - with particular reference to Italy. The corporate securities sector was managed with a view to diversification and an increase in profitability.
The significant volatility in the spreads between the “core” countries and the “peripheral” countries, with Italy seeing a deterioration in its relative yield, due to the “contagion” effect rather than any actual concrete events, enabled, particularly in the first half year, a high volume of trading activity - benefitting particularly from the large number of new government bond issues.
At a strategic level, the most significant exposure continues toward Italian Government securities which, although in a volatile environment, have provided good returns. The exposure to Greek, Portuguese and Irish bonds was removed in light of the difficulties experienced in the public finances of these countries. The Government Variable Rate bond component was maintained substantially unchanged in light of the new Italian variable rate Government Bond issues, whose indexing is no longer linked to the Treasury Bills yield but to the Euribor, favouring in this way higher interest also from foreign investors and revitalising an asset class in which interest had been lost internationally.
The **Life sector** activity in 2010 was mainly carried out at a tactical level and focused on the containment of the Portfolio risk. Activities were focused in the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook.
The average duration of the portfolio was maintained substantially unchanged, in a situation in which the European Central Bank may finally focus more attention on its mandate for currency stabilisation.
As part of a prudent management, the exposure to “risky” government securities was significantly reduced (those of Greece, Portugal, Ireland and Spain).

In relation to the debt securities sector issued by private companies (Corporate), given the strong performance of some sectors and issuers, it was considered appropriate to realise some of the gains matured, reinvesting in new high quality issues.
The management activities consistently considered the ALM profiles of each portfolio, seeking to maximise the investment objectives with strong returns for policyholders and integrating existing features into new products.

At the end of 2010, the bond sector of the Parent Company accounted for 76% of the total portfolio, with a total duration of 4.83.
The Non-Life Division is composed of 56.8% of fixed income bonds, with the remaining 37.8% at variable rates. There is also a residual component of approx. 5.4% in short-term monetary assets. The total duration of the Portfolio is 2.10.
The Life Division has an asset allocation based primarily on fixed rates (80.1%) while the variable portion comprises 19.9%. The total duration of the Portfolio is 5.53.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 72.2% of the portfolio, while the Corporate segment represented 27.8%.
The Corporate Securities are, in the majority, belonging to the “Investment Grade” category.

Milano Assicurazioni

The Bond sector represents, at the end of 2010, 78.5% of the total portfolio, with a total duration of 3.94 years.
The Non-Life Division is composed of 63.5% of fixed income bonds, with the remaining 33.9% at a variable rate. There is a residual component of approx. 2.5% of short-term monetary assets. The total duration of the Portfolio is 2.26.
The Life Division has an asset allocation based primarily on fixed rates (83.3%) while the variable portion comprises 16.7%. The total duration of the Portfolio is 5.21.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 76.3% of the portfolio, while the Corporate segment represented 23.7%.
The Corporate Securities are, in the majority, belonging to the “Investment Grade” category.

Market performances

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

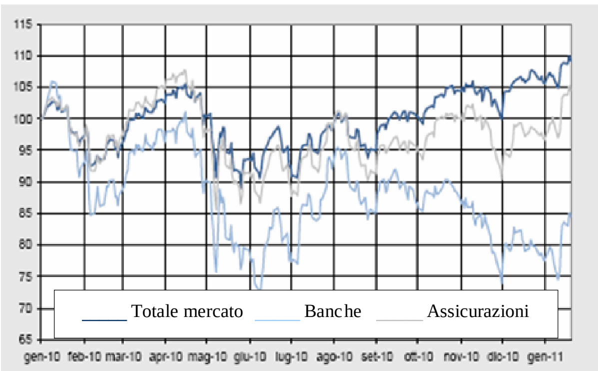
Within this difficult climate, the economic data from the Old Continent improved over the months, thanks to renewed economic leadership from Germany, driven by exports, private consumption and investments, in addition to an unemployment rate decreasing to the lowest level for 20 years.

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

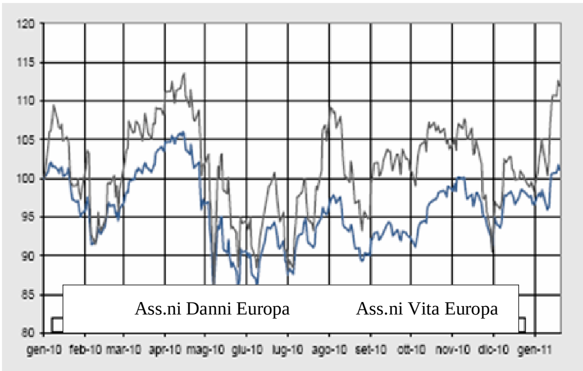
Despite this, it is expected that 2011 will be the year in which growth was consolidated, with positive effects for the rebalancing process, at a time in which China, thanks to the new five year economic plan will seek to accelerate its development, driven by internal demand, rather than exports, contributing to a slow but continuous revaluation of the Yuan.
In this situation, the Fondiaria SAI Group will continue to remain highly attentive to sovereign risk in relation to its investment choices, while the commonly held view is that market rates should increase in 2011 to levels more in line with a general economic situation of solid growth, with inflation not exceeding that contemplated by the Monetary Authorities.

Exchange rates must also be closely monitored, considering the possible timelines for an "exit strategy" and for the first rise in official rates between the various areas.
Investments in the corporate sector must also remain on the radar, although with a more dynamic focus, in part due to a more idiosyncratic rather than systemic approach to risk, and in part due to the undoubted position of the Asset Class as among the best performing in 2010, monitoring however a potential increase in market rates which may generate capital losses.

Graph 6 – Eurozone Sector Indices



Graph 7 - Listed European companies



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

Away from the industrial sector, which has implemented a process of recovery and realignment since the second quarter of 2009, the financial and banking sector has suffered from concerns surrounding the results of the stress test and the negative impacts of the introduction of Basilea 3, as well as a not particularly satisfying interest margin.
However the financial companies have continued the "deleveraging" process, favoured by easier access to credit, the stabilisation of the real estate sector and of loan defaults.

The increased debt of the financial institutions, the effect on the economic cycle and therefore on businesses and consumers has affected the public purses, with doubts over sustainability weighing heavy on the financial markets with a downward movement in the Italian stock markets (the FtseMib40 losing over 13% in 2010).
Allocation by "country risk" has therefore been considered a more prudent delineation compared to classic sector choices. One needs only to consider that within the Eurozone alone, Germany reports a very strong +16%, outperforming the Italian index by over 29% (FtseMib40 – 13.2%). The Greek (-35%) and Spanish (-17.5%) indices performed worse.

At an operational level, considering that the stock market from the beginning of the year recorded unsustainable growth, the Fondiaria SAI Group introduced a defensive strategy which however became less curtailed in the month of May. In particular, positions comprising over 1% of funds managed were taken by the Life management from May (13% of equities held) which were sold in the first part of the year, prudently selecting securities with stable dividends, considering the nature of the managed portfolio.
The maturity of Mandatory Intesa within the Life portfolio resulted in the delivery of underlying securities, with a consequent significant reduction in the equity component.

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

The insurance sector of the stock markets continued to enjoy the positive impact from the Life sector, with the Non-Life sector also improving in recent months. From the beginning of the year until February 18, insurance securities in the Eurozone in fact increased by nearly 20% (28% for the Life sector and 15% for the Non-Life sector). For Italian securities, the increases amounted to 19% in the Life sector and 17% in the Non-Life sector.

Sale of financial instruments issued by Lehman Brothers

On 15/9/2008 Lehman Brothers Holdings Inc. applied to the New York Bankruptcy Court for the “Chapter 11” procedure, which permits the debtor to continue the ordinary exercise of their activities and to restructure the business, where permitted, with the prospect of implementing a company restructuring, through the approval of a plan by the creditors and guaranteed by the US judicial authorities.
The procedure also allows for the automatic freezing of assets as protection from creditor judicial actions in the reorganisation attempt.

In May and June the Group sold to third parties a large part of the Lehman Brothers securities in portfolio.
The operation resulted in a gain of approx. Euro 23.5 million with net income of over Euro 83 million. Of these over Euro 76 million refers to the subsidiary Popolare Vita, which recorded a gain of Euro 18.8 million.

At 31/12/2010 therefore the Group holds in portfolio financial assets with Lehman Brothers as counterparty for an insignificant amount.

Pirelli shareholder agreement

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

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

FONDIARIA-SAI GROUP DEBT

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account.

The situation is summarised in the table below:

(in Euro millions)	31/12/2010	31/12/2009	Changes
Subordinated loans	1,041.4	1,040.4	1.0
Mandatory Sainternational	-	182.5	(182.5)
Banks and other lenders	530.9	470.0	60.9
Total debt	**1,572.3**	**1,692.9**	**(120.6)**

The account **Sub-ordinated** loans include the following loans with Mediobanca, with prior ISVAP authorisation:

- A subordinated loan of Euro 400 million undertaken by Fondiaria-SAI, agreed and issued on 23/07/2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;
- A sub-ordinated loan of Euro 100 million agreed by Fondiaria-SAI on 20/12/2005 (received on 31/12/2005), with the same sub-ordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan;
- A subordinated loan of Euro 300 million agreed on 22/06/2006 (received on 14/07/2006), subscribed 50% by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On 14/07/2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on 14/07/2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
- A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on 14/07/2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.

In relation to subordinated bonds, against a nominal Euro 1,050 million, Interest Rate Swaps were subscribed of Euro 800 million, in order to neutralise the risk related to the above mentioned loans.

On 27/09/2010, the bonds of a total nominal value of Euro 180.4 million related to a Repayable Bond, the so-called Mandatory Sainternational will be repayable through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa SanPaolo ordinary shares at the moment of the definition of the offer price.
Therefore the related debt was settled.

With reference to Bank and other lenders, amounting to Euro 530.9 million, the most significant amounts are reported below:

- Euro 131.8 million relates to the two loans signed by the Tikal R.E. Closed Real Estate Fund, the first in 2005 with Banca Intesa Sanpaolo as the Agent Bank while the second in 2007 with Mediobanca as Agent Bank. In relation to the first loan of Euro 279 million issued for the purchase of property and improvements at 31/12/2010 approx. Euro 15 million was yet to be repaid. While in relation to the second loan of Euro 118 million issued for the same purpose in the year the Fund repaid in advance approx. Euro 1 million. The cost of the loans is Euribor plus a variable credit spread between 70 and 110 basis points. The Fund, since 2008, has utilised interest derivative instruments in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 108.3 million refers to the bonds issued in 2009 and 2010 by BancaSai in part variable interest rate and in part fixed interest rate, with variable expiry from 2011 to 2014;
- Euro 82.1 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers mainly to the bank loan signed by Marina di Loano with Intesa SanPaolo as the Agent Bank with maturity on 17/03/2014 and an interest rate of Euribor at 3 months increased by 300 basis points. The company utilised a derivative instrument, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted. The subsidiary Meridiano Secondo has undertaken a property loan with maturity on 25/09/2012 and an interest rate at Euribor at 3 months increased by 90 basis points;
- Euro 75.0 million relates to a senior loan contract concluded on 24/06/2009 between Fondiaria-SAI S.p.A. and Mediobanca with issue date of 25/1/2010 and repayment date of 31/1/2011, applying a spread of Euribor at 12 months plus 200 bps. The Parent Company repaid the above-stated loan in a single payment on maturity, while utilising ordinary liquidity available;
- Euro 69.7 million refers entirely to the debt of the subsidiary Immobiliare Milano Assicurazioni. This mainly refers for Euro 36 million to a bank loan with maturity on May 31, 2011 and an interest rate of 6 month Euribor increased by 90 basis points, and for Euro 25 million to a bank loan with Efibanca with variable maturity up to 2012 and interest rate at 6 month Euribor increased by 83 basis points;
- Euro 44.1 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
- Euro 20.0 million relates to the short-term loans granted to the subsidiary Atahotels by three primary banks, granted for hotel restructuring and/or new hotel openings;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 31/12/2010 and at 31/12/2009, the Parent Company and the other Companies of the Group held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	31/12/2010		31/12/2009	
	Number	**Book value**	**Number**	**Book value**
Treasury shares held by:				
Fondiaria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	229,261	9,982,557	229,261
Sai Holding	1,200,000	28,306	1,200,000	28,306
Total	**14,382,557**	**321,933**	**14,382,557**	**321,933**
Saving treasury shares held by:				
Fondiaria –SAI	-	-	-	-
Total	**-**	**-**	**-**	**-**
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	14,107	18,340,027	19,189
Milano Assicurazioni	9,157,710	7,044	9,157,710	9,582
Saifin - Saifinanziaria	66,588	51	66,588	70
Total	**27,564,325**	**21,202**	**27,564,325**	**28,841**

The carrying value of the treasury shares of Fondiaria-SAI in the table differ from those recorded in the statutory financial statements; this difference results from international accounting standards which require the deduction of the cost of the treasury shares directly from net equity. The total fair value of the ordinary treasury shares in portfolio at 31/12/2010 amount to Euro 91 million.

Treasury shares

In 2010, the company did not carry out any share buy-back operations.
Therefore at year end, the total treasury shares held in portfolio by the parent company amounted to 3,200,000 ordinary shares, comprising 2.571% of the ordinary share capital.
We also report that the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares equal to 0.964% and the subsidiary Milano Assicurazioni S.p.A. held a further 9,982,557 ordinary shares, equal to 8.019%.

Shares of the holding company

During 2010 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A.
At 31/12/2010, the Parent Company held 18,340,027 shares amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni S.p.A. held a further 9,157,710 ordinary shares totalling 2.322% of the share capital.

PERFORMANCE OF THE LISTED SHARES OF THE GROUP

The share capital of the Parent Company amounted at the year-end to Euro 167,043,712, divided into an equivalent number of shares of a nominal value of Euro 1 (124,482,490 ordinary shares and 42,561,222 saving shares).

In 2010, the share price was between a minimum of Euro 5.2299 (at 30/11/2010) and a maximum of Euro 12.1552 (at 03/02/2010) for the ordinary shares, and between a minimum of Euro 3.1459 (at 30/11/2010) and a maximum of Euro 8.2428 (at 03/02/2010) for the saving shares.

At the year-end, the stock exchange share prices were the following:

(values in Euro)	**30/12/2010**	**30/12/2009**	**Change %**
Fondiaria-SAI ord.	6.3267	11.108	(43.05)
Fondiaria-SAI r.n.c.	3.9659	7.910	(49.87)

The corresponding stock exchange capitalisation at the year-end was Euro 956 million (Euro 1,719 million at 31/12/2009).

The share price of Milano Assicurazioni was the following:

(values in Euro)	**30/12/2010**	**30/12/2009**	**Change %**
Milano Assicurazioni ord.	1.1947	2.055	(41.87)
Milano Assicurazioni r.n.c.	1.325	2.221	(40.35)

The corresponding stock exchange capitalisation at the year-end was Euro 707 million (Euro 1,214 million at 31/12/2009).

In so far as this fact may be seen as an external sign of a loss in value, it is highlighted that the Stock Market listing prices reflect transactions between minority shareholders which do not include the right to control the management policies of the entity. The impairment tests carried out to verify the recoverability of goodwill recorded in the financial statements confirm the correctness of the net equity recorded and, in particular, a recoverable value in excess of the book value for the Cash Generating Units of both Fondiaria-SAI and Milano Assicurazioni.
For detailed information on the impairment tests carried out, reference should be made to part B of the present report and in particular the comment related to the account *Goodwill*.

RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

Rating

On March 26, 2010, the rating agency Standard & Poor's, within a general review of the Italian insurance market, revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni, from A- to BBB+. This change in the rating is related to the deterioration in the operating performance as well as the reduced financial and capital flexibility. The outlook is confirmed as negative, due to concerns on the capacity of the Group to return profitability to its historic levels. However the report underlines the solid leadership position held in the Non-Life sector in Italy and the continued improvement of the ERM (Enterprise Risk Management). The Standard & Poor's rating reflects the current difficult market conditions within the Non-Life sector.

On October 1, 2010 the rating agency Standard & Poor's revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni S.p.A. from BBB+ to BBB.
This revision is due to reduced funding opportunities which, in the opinion of the rating agency, stems from the weakening of the financial profile of Premafin Finanziaria; the capacity of the Group to recover the profit levels of the recent past has been hindered by the continuation of the crisis on the financial markets, in addition to a difficult non-life insurance market, particularly within the Auto sector, in which the Group is the undisputed leader.
The outlook improved from negative to stable in consideration of the ability of the Group to maintain a dominant position in the Italian insurance market in the medium term.

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

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

OTHER INFORMATION

Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the Extraordinary Shareholders' Meeting's resolution of Fondiaria-SAI of April 28, 2006. The Board of Directors meeting of June 20, 2007 resolved one year in advance the maturity of the vesting period established in the stock option plan regulations.

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

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

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

In accordance with IFRS 2 "Share based payments", the fair value of the options is established through suitable valuation models.

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

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

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

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

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

(a) On January 27, 2011, Mr. Fausto Marchionni resigned from the positions of Chief Executive Officer of Fondiaria-SAI and Chairman and Chief Executive Officer of Milano Assicurazioni, continuing as a Director of both companies (conclusion of mandate: approval of 2011 accounts).

(b) The data of “key management personnel” is at an aggregate level.

Social Responsibility

With reference to Legislative Decree No. 32/2007, through which the EU directive No. 51/2003 was partially implemented, together with the financial indicators, the civil code requires that the Annual Financial Report should also provide non financial indicators, where these can contribute to greater information on the company's situation. Article 94 of the Private Insurance Code, updated in January 2009, also requires that the Directors' Report contains non-financial indicators related to the specific activities exercised, including information related to the environment and personnel.

The Group initiatives in the social and environmental area are briefly detailed herein as a greater description of these activities are outlined in the Social Responsibility Report, which is the main instrument for communications with the various stakeholders.

HUMAN RESOURCES

General Information

In 2010, the Fondiaria-SAI Group employed 8,019 people (8,417 at 31.12.09) of which 2,594 employees of the Parent Company (2,659 in 2009) and 5,425 in the subsidiaries (5,758 in 2008), and is broken down the following:

Number	**31/12/2010**	**31/12/2009**	**Changes**
Italian companies	6,202	6,531	(329)
Foreign entities	1,817	1,886	(69)
Fondiaria SAI S.p.A. Group	**8,019**	**8,417**	**(398)**

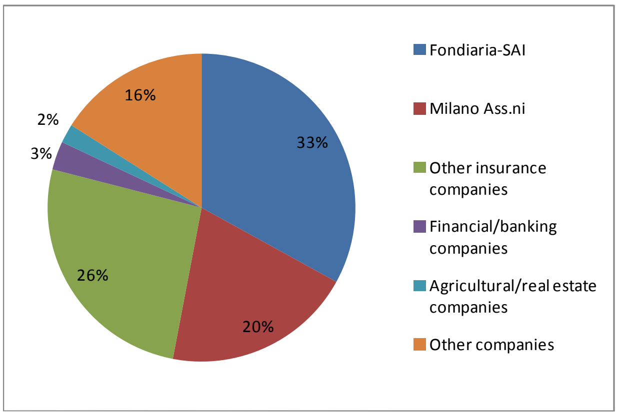
A decrease was recorded for the foreign companies following the sale of Banca Gesfid.

For the Italian companies, the change was due to:

- the decrease in the number of personnel of Atahotels due to the outsourcing of some services and the utilisation of the Extraordinary Lay-Off Scheme;
- the sale of SAI Asset Management SGR;
- the upskilling of Group employees following the restructuring of processes.

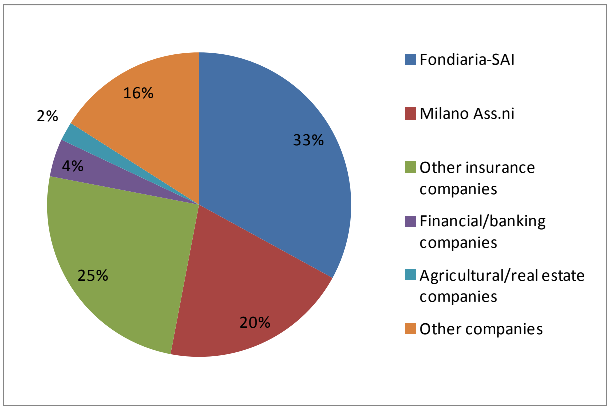
In addition, the employees of the foreign companies include 744 brokers.

At 31/12/2010



Company	Personnel in %
Fondiaria-SAI	33
Milano Ass.ni	20
Other insurance companies	26
Financial/banking companies	3
Agricultural/real estate companies	2
Other companies	16

At 31/12/2009



Company	Personnel in %
Fondiaria-SAI	33
Milano Ass.ni	20
Other insurance companies	25
Financial/banking companies	4
Agricultural/real estate companies	2
Other companies	16

Development and selection processes

The Group considers the professional and managerial qualities of its personnel a primary asset of the business, in which it is necessary to invest, through the creation of a stimulating environment and the development of skills and knowledge necessary for innovation and the growth of the organisation.
The human resources development strategy is implemented through the Fondiaria-SAI Skills Model, initiated in 2006 in order to encourage individual and collective behaviour in line with the fundamental values of the Group. The Model has been extensively used in recent years in the performance evaluation processes, with application to approximately 70% of employees. Managed through the Performance Management Tool, an online evaluation instrument, the evaluation system enables:

- the matching of the skills and potential of employees with corporate needs and the individual's expectations;
- drawing up training plans and specific development for the varying professional development needs of employees;
- the adoption of remuneration policies which recognise individual worth and which encourage excellence.

In 2010, the Group Skills Model was reviewed through a mapping of technical skills and the development of differentiated instruments for household and professional roles. The objective was to improve the performance evaluation instrument in order to implement evaluation processes based on the specific needs of the business units and the individual roles.

The Professional Review (PR) initiative was continued in the year, a skills evaluation programme aimed at highly performing young persons. The project, begun in 2009, seeks to identify high level skills within the Group and to encourage the managerial and professional growth of human resources. The Professional Review programme, which to date has involved approx. 100 Professionals, is an important instrument to encourage internal growth of persons and to facilitate the professional development of those involved through a structured review on their work style and the skill level reached.
The Job Evaluation system was updated also in 2010, through a focused analysis and an evaluation of the principal company positions according to an international standard which includes parameters related to managerial capacity, the impact upon results, and on the extent and level of know-how applied. The identification of the value of each company position has allowed the linking of the award system and the development plans to objective parameters both internally and in relation to the market.
The selection process is based on a constant analysis and mapping of the needs of new skills and professional attributes which emerge from within the Group. The process is undertaken through a methodology which differentiates by type of profile required; the process includes the following steps: focused interview to evaluate capacity, quality and motivations, individual technical interviews to determine the level of technical/specialist know-how and an assessment centre to record potential.
In 2010, the Group promoted a constant and targeted internal mobility policy, aimed at promoting its personnel in taking up different professional opportunities in the different offices. This policy permitted target investments in the skills present within the Group and to offer significant individual growth opportunities to employees.
Particular attention was also dedicated to the promotion policies and recruitment to attract the best talent available in the marketplace. The participation at events organised at Universities and Business Schools and the offer of work experience permitted the Group to further consolidate its ties with the university system and achieve a good positioning on the job recruitment market.

Training at Fondiaria-SAI

2010 involved training activities in which approx. 5,000 employees participated in at least one training initiative, approx. 2,400 more than the previous year.

Among the initiatives carried out, we particularly highlight:

- the drawing up and the initiation of a three-year Training Project concerning Solvency II, involving the entire Company with both classroom and distance training methods (involving a total approximately 8,000 student days in the three-year period) and providing, in addition to a general knowledge on the subject, also specific information for the departments affected greatest by the new regulations;
- the continuation of growth paths for Managers and initiatives concerning Independence and Implementation Skills;
- the beginning of the Skills development course for Professionals based around the theme of Problem Solving;
- the launching of an initiative focused on the Development of Managerial Ability for a selected Group of Managers and Professionals;

- a training course in Naples for a duration of approx. 8 weeks for a core group of 35 persons newly employed in the Claims Structure, including theoretical lessons, exercises, monitoring operations and distance learning;
- the commencement of training activities included in the New Catalogue of Internal Courses distributed at the beginning of the year, featuring Interdepartmental Division Laboratories, and the preparation of the 2011 Catalogue with 6 new initiatives;
- a Distance Training course was provided to all employees on the control and management system of Corporate risks.

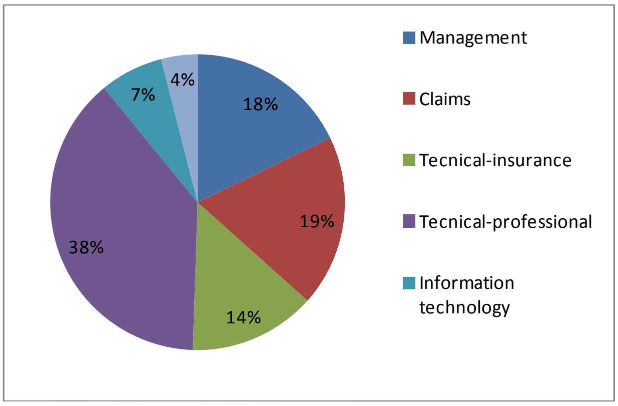
The typical indices to measure training performance are represented by the concepts of number of attendances and training days.
For attendance, the number of participants at each individual initiative is taken: for example, if one individual participates at 2 different and separate initiatives, then 2 attendances are recorded.
For training days, the number of attendances by the number of days of the initiative is taken.

In 2010, in relation to employees, approx. 8,200 student days were recorded and 8,000 attendances.
Attendances exceed student days as during 2010 all the company was involved in Distance Training initiatives, involving therefore a large number of course attendances with duration not greater than 4 hours.

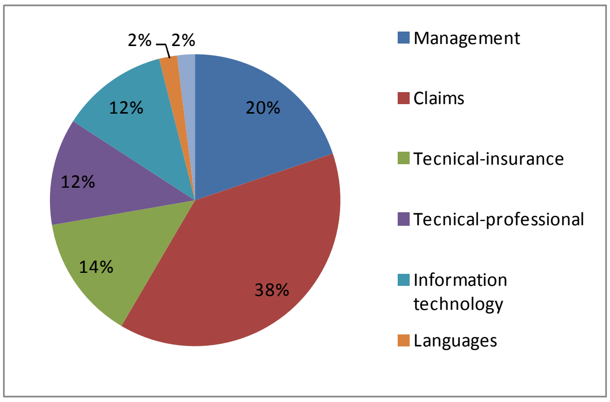
The following table shows the volume of activities broken down by the courses organised within the Company for the classroom (INTERNAL) and distance (FAD) and the subscription to external courses (EXTERNAL).
Nearly all activity was carried out internally within the Group (approx. 97% of the total).

Graph 8 - Personnel Involved by Type of Initiative and Course

At 31/12/2010



At 31/12/2009



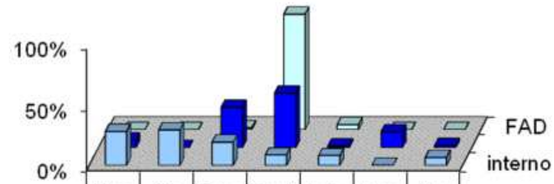
Courses	Personnel in %
Management	18
Claims	19
Technical- insurance	14
Technical- professional	39
Information technology	7
Languages	-
Other	4

Courses	Personnel in %
Management	20
Claims	39
Technical- insurance	14
Technical- professional	12
Information technology	12
Languages	2
Other	2

The following graph shows the volume of activity, broken down between courses designed and organised internally by the Company for the classroom (INTERNAL) and distance (FAD) and the subscription to external courses (EXTERNAL).
A large part of the activities took place internally within the Group (student days internal courses + distance learning: approx. 8,000 student days, 96% of the total).

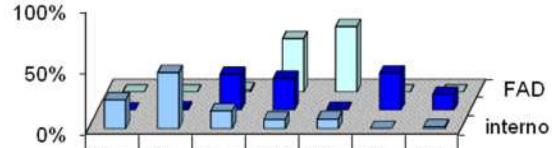
Graph 9 - Personnel Involved by Type of Initiative and Course Method

At 31/12/2010



	Mng	Sin	T-ass.	T-prof.	Info	Ling	Altro
interno	28%	29%	19%	9%	8%	0%	6%
esterno	6%	0%	33%	45%	1%	13%	2%
FAD	0%	0%	1%	95%	4%	0%	0%

At 31/12/2009



	Mng	Sin	T-ass.	T-prof.	Info	Ling	Altro
interno	23%	46%	14%	7%	8%	0%	1%
esterno	0%	1%	29%	26%	0%	30%	13%
FAD	0%	0%	2%	44%	54%	0%	0%

Industrial Relations Policy

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

The negotiations, beginning in the autumn of 2009 were particularly complex due to the particular situation within the company and the wider economy and the presence of two trade union platforms and also due to the difficult issues in relation to harmonising the different types of pre-existing contracts (5, in addition to differing regulations) within the Group.

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

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

Following the contractual renewal in the three-year application period (2010-2012), personnel costs will increase on average by 2.003%. This increase is slightly under the average sector increases of approx. +2.5%.

In general during the year, 12 agreements were concluded with the Trade Union Organisations, under which various contractual conditions were included related to the conclusion of the move of Pronto Assistance Servizi from the commercial sector to the insurance sector, and in relation to integrated pensions and training. In relation to this we highlight the signing of two agreements, the first on July 29 and the second on September 1, 2010, in relation to the financing from Fondo Banche Assicurazioni (FBA) regarding employee training plans, concerning both the compliance process of Fondiaria-SAI and Milano Assicurazioni with Solvency II and the development of professional training for the updating, upskilling, reconversion, growth and professional development of Group employees.

In the second half of the year, negotiations began for the renewal of the National Collective Agreement which governs relations between the Insurance Companies and non-managerial employees, which expired on 31/12/2009. Currently the National Collective Agreement has not been renewed and the negotiations continue.

Employee disputes before the courts remained limited, however increasing slightly on previous years.
At December 31, 2010, there were 41 cases pending for Fondiaria-SAI S.p.A. and 26 for Milano Assicurazioni S.p.A.

Workplace Health and Safety

The provisions for the application of regulations related to workplace health and safety have been efficiently implemented by the Fondiaria-SAI Group.
The Prevention and Protection Service makes use of the technical skills of the internal structures, including, in the case of healthcare surveillance, the Health Care Management Office. This office represents a centralised structure that has been established to control any processes related to healthcare issues or which involve healthcare matters, and advocates the use of adequate resources, structures and methods for all of the Group’s companies.

A similar and innovative project that is unique in Italy provides General Management with a better strategic vision and homogeneity of healthcare related interventions among the various Group companies through the use of the four units belonging to the structure: medical consultancy management, Group healthcare services, a healthcare network and auditing. For this purpose, there are seven workplace physicians, each of whom has been assigned a territorial area, to execute periodic verifications for healthcare surveillance (pursuant to Legislative Decree 81/2008).

It is important to highlight that in addition to compliance with regulatory and contractual obligations, the Group’s attention to the protection of employee health and safety as well as the prevention of healthcare problems is also shown through individual initiatives undertaken by the Group companies. In fact, a variety of different services of a medical/healthcare nature are carried out, including eye and audiometric examinations and other interventions for both male and female employees, including check-ups, ECG, flu vaccinations, etc.

With regard to compliance with the requirements of Legislative Decree 81/2008 all supporting documents have been made available, Employee Safety Agencies have been established, while, with regard to the management of emergencies, personnel have been assigned to fire-prevention and emergency aid teams. The training/continuing education of the aforementioned personnel involved 580 employees.

The efficiency of these teams is periodically verified with specific trial runs that involve entire facilities and hundreds of employees. The worksite inspections are carried out periodically by the Physicians along with the Prevention and Protection Service and the RLS.

In these circumstances, special attention is paid to fire-prevention and emergency aid safeguards, the layout of work environments and ergonomic elements, and if required, as in the case of noise or air quality, specific instrumental inspections are provided for. In certain offices, especially Turin, the provision of extraordinary maintenance, which will allow for significant improvements in terms of workplace safety and environmental comfort, have continued.

Another aspect, related to prevention, relates to the ongoing activities of employee training and information which are carried out through both classroom computer training days and independent learning programs that are made available through the Intranet. In 2010 a new training and information programme involving approximately 5,000 employees was drawn up.

AGENTS

The Italian insurance market has undergone a significant radical adjustment, particularly in recent years with the contraction of household spending and a substantial loss in profitability from businesses. We have shifted from a demand based market to one which serves the “highly evolved” end of the market.

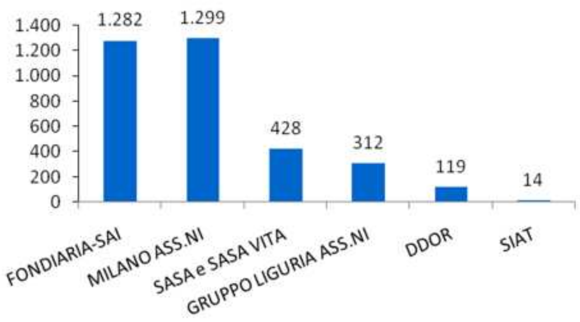
Therefore the traditional approach to a market of insurance intermediaries centred on established sales and the use of commercial wholesale discounts, has reached a crisis point.

In this situation, only the networks which are able to make a significant cultural change towards sales mechanisms and methods based on the quality of the product and the services offered will survive.

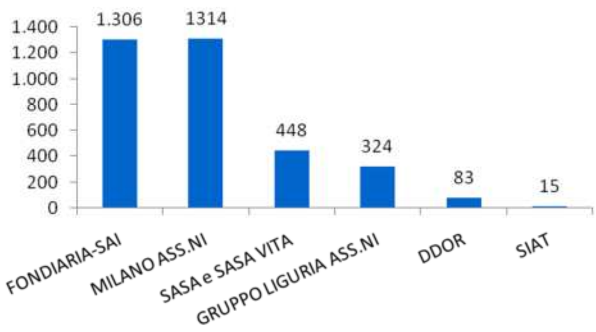
Therefore the agent as an “insurance professional” who can build relationships with the client based on an analysis of the real needs of the policyholder (households and businesses), highlighting the protection guaranteed by the insurance services over time, needs to be re-established. Drawing up an insurance plan for the business and/or the family means investing in and for the future. Simply put, we must return to the “social role of the insurer”.

In 2010, premiums were mainly produced by 3,454 agencies operating through 2,766 points of sale and representing the traditional sales channels. Specifically, the distribution structure includes 1,282 sole agencies and other locations belonging to the Parent Company, as well as 2,172 sole and multi-firm agencies that collaborate with the other Group companies.
The agencies who signed up to the distribution mandate with Finitalia number 2,611 at the end of 2010 compared to 2,668 in 2009.
The BancaSai network in total includes 335 financial promoters, following the restructuring of the sales networks begun in June 2008.

As at 31/12/2010



As at 31/12/2009



The principal activities carried out to support the company distribution networks, with either direct or indirect relevance from a social viewpoint, are listed below.

Training and Network Development

In 2010, training activity once again focused on the content and methods which will allow a substantial increase in the professionalism of agents, of subagents and agency partners.

The Fondiaria SAI Group, among the leading large Italian insurance groups, is dedicated to extensive focused training which will guarantee the professional growth of its agents and the cultural change necessary to establish a new relationship with clients.

The major training courses undertaken in the year were the following:

- Corporate, Fire and Civil Responsibility risks;
- “Expert” courses for high potential agency partners;
- New agent courses for newly employed persons or those joining from other companies;
- General management courses on public communication and on the efficient management of structures and resources;
- Launch of new products with training courses and self-training based on the social content of guarantees.

At a quantitative level, in 2010:

- 20,049 training participations were carried out, of which:
    - 249 organised and managed by the Training and Network Development structure;
    - 3,662 managed by the Commercial managers with support from the Training and Network Development;
    - 16,138 managed by agents with support from the Training and Network Development;
- 38,078 participations of self training by agents and their partners were carried out through the Group intranet;
- on average, each agency participated in 23 training courses;
- following training courses on corporate risks, the following results were achieved by the agencies involved:
    - Civil Responsibility policies: +10%;
    - Civil Responsibility premiums: +13%;
    - Fire policies: +11%;
    - Fire premiums: +34%.

Network agency training

The Fondiaria-SAI Group has always focused on the needs of its agency networks, with the growth and development of the technical and commercial knowledge necessary to establish the group as a market leader being a primary objective since the 1960s.
Over time the training activity, initially focused exclusively on Agents, with a wider range of themes and courses began to centre also on the agency networks, including therefore sub-agents and sales and front line staff. Particular focus is placed on new sales staff who attend a structured training course which provides all of the commercial and technical knowledge necessary to provide the best service possible to clients.

The Fondiaria SAI Group has implemented in recent years an ambitious project to satisfy the training needs of its agency network: the project is called Gate Formazione. Drawn up mainly to respond to the various needs of the attendees of the various courses, it is structured to serve 3 groups: training modules for agents, sub-agents and sales and front line personnel – agency personnel with close contact with the client.

The themes covered during the courses are broken down, based on the role covered by the participants, the following:

- technical issues, on products, on specific markets, on procedures and on internal IT functioning within the company and on regulatory and fiscal aspects:
- commercial, technical sales and marketing issues;
- matters concerning conduct and client relations, for a more transparent and efficient communication with clients;
- managerial matters, related also to the conduct of partners.

Various participation means are established for the courses: catalogue courses, organised and provided by the Insurance Company (registration through the company Intranet), invitational courses (invitation to the participants directly from the Insurance Company), regional level meetings (organised by the Zone and Area managers, often related to training on new products and their marketing) and self-training courses through new e-learning methods. These latter multimedia training modules facilitate quick and efficient training of all the agency network and will gradually replace the large number of self-training courses today present in the catalogue.
It is highlighted also:

- a course entirely dedicated to recently hired agents, with duration of 5 consecutive days, which focuses on all of the activities related to their new role and presents the company departments with which they will deal with most;
- the Expert project, a course which involves a Group of Sub-agents (15 for each course), alternating classroom sessions and activities in an agency. The course has been developed over approximately 13 months and seeks to develop the professionalism of high potential personnel, in order to release their potential in the company.

The teaching of part of the courses is carried out by Insurance Company personnel (technicians, sales staff and Technical assistance), involving agents for the training of their partners and allowing therefore the review of the training content of some courses, in order to fulfil the training obligations established by ISVAP Regulation 5/2006.

For all courses, a certificate is provided following the passing of a final test (as established by the ISVAP Regulation).

In 2010, the commitment towards training, in terms of both human and economic resources, was significant.
The catalogue and invitational courses, organised directly by the Company, amounted to 164 for Fondiaria-SAI and 85 for Milano Assicurazioni, for total participations respectively of 2,167 and 1,129 (for a total of 249 courses and 3,296 participations). The courses organised and held by the regional structures amounted to 1,705 for Fondiaria-SAI, with 21,491 participations, and 1,957 for Milano Assicurazioni, with 14,167 participations (a total of 3,662 courses and 35,658 participations). The courses held by agents to train their partners, utilising training materials and instruments provided by the insurance company, were significant: 9,135 courses and 54,717 participations for Fondiaria-SAI while Milano Assicurazioni recorded 7,003 courses and 35,630 participations. Finally in relation to self-training and e-learning courses, 38,078 participations were recorded (Fondiaria-SAI + Milano Assicurazioni), therefore with a high number of participants in these training modules.

CUSTOMERS

The Client-Policy ratio

An index of particular importance for the Group is the “cross-selling rate” or the ratio between the number of policies subscribed to and the number of Clients. The index represents, both for the segment and the total Client base (corporate and retail), a loyalty index, as the turnover of the Policyholders is greatest when “insurance consumption” is low.
Greater satisfaction and loyalty of the Clients translates into the increased possibility of cross-selling. If a Client is satisfied with their policy, they are more likely to subscribe to further coverage, in this way awarding the company. An inverse correlation between the level of satisfaction of the Client and the rate of erosion exists, while a direct correlation between the cross-selling index and profitability exists.

The cross-selling rate for the listed companies of the Group highlights an increase in the number of corporate policies by Client (3.7 at 31/12/2010, 2.9 at 31/12/2009), with the cross-selling rate by Retail Clients remaining stable - as reported below.

Cross-selling rates

	2010		2009	
	Fondiaria-SAI	Milano Assicurazioni	Fondiaria-SAI	Milano Assicurazioni
CORPORATE				
No. of Clients	190,859	203,528	197,871	211,024
No. of policies	709,009	392,357	564,859	423,417
No. of policies per client	**3.7**	**1.9**	**2.9**	**2.0**
RETAIL				
No. of Clients	4,246,149	3,491,878	4,418,584	3,669,643
No. of policies	6,788,842	5,286,118	7,065,251	5,565,051
No. of policies per client	**1.6**	**1.5**	**1.6**	**1.5**

SUPPLIERS

In the supply of goods and services Fondiaria-SAI is committed to the principles of the Ethics Code of the Group and the internal procedures. In this context and in accordance with these regulations, the employees involved in transactions with suppliers must in the selection of such comply with the requirements of quality, price, convenience, capacity and efficiency or other predefined characteristics and make choices on an objective, impartial and transparent basis, avoiding any actions based on favouritism or on the certainty or the hope to obtain advantage, also with reference to situations outside of the supply relationship.

The Group in fact considers that the creation of a network of long-term and satisfactory reciprocal relations with qualified suppliers represents a strategic objective and a source of competitive success.
To guarantee the quality of the settlement service, a Group Supplier Register has been established and an Internet site has been set up for all of the Suppliers regularly used for claims management.

The role of Suppliers

- **Experts/assessors**: these have the duty to evaluate the damage and to assess the causes and the responsibility of claims. Their activity is fundamental for the correct quantification of damage, in order to limit any attempts at fraud.
- **Medical professionals**: their duty is to evaluate the injuries suffered by a damaged party following a claim; this generally includes expert insurance medical-legal professionals. In light of the new provisions introduced by the direct indemnity procedure, the objective is to avail of a trusted medical network, fully trained in the problems related to the valuation of physical damage, in line with the settlement policies of the Group and able to draw up correct and timely evaluations, in agreement to the greatest extent possible with the insured party/damaged party.
- **Legal experts**: they have the duty to assist the parties, protecting the rights of the insured party in the case of a dispute. The Group places particular attention on the number of disputes attributable to each professional, in order to guarantee, where possible, equal volumes.

COLLECTIVITY

Corporate Social Responsibility

The belief has solidified that at the beginning of the recession an economic and business culture which focused particularly on the short-term was prevalent, which compromised long-term financial solidity.
The financial crisis therefore focused the attention of the corporate world on issues neglected in the past. In a period in which unemployment has reached - and is continuing to further escalate - high and worrying levels, and with a simultaneous increase in job instability, the economic situation may lead to greater social division, and in less recognition of the potential positive social role of businesses.

Sustainable development is the central theme of public opinion, with the sustainability of the economic model in the developed countries taking a backseat in recent years.

Business, by definition, is based on risk, decision making and hard work, with profit pursued in an environment governed by rules which ensure correctness and transparency. There has therefore been an increasing call by civil society on business to contribute to the building of a business ethic more focused on transparency in processes and economic relationships, capable of developing new types of leadership which can integrate the renewed demand for respect of fundamental social issues in the decision making processes.

The company therefore undertakes great responsibility in relation to all its stakeholders: the Governments and citizens of the countries in which it is present, civil society and the international institutions.

For example purposes, details of the principal initiatives undertaken by the Fondiaria-SAI Group in 2010 are reported below.

Corporate Image and Public Relations Interventions

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

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

Fondiaria Sai Foundation

The association helps those in need through professional concrete programmes, working towards real objectives and expanding each project.
Based on this, in 2004 the Fondiaria-SAI Group created its foundation in order to support large scale humanitarian projects, both at a national and international level.

Solidarity is assured which involves not just the provision of funds, but the offer of time, work and of spirit. For the on-site projects, the ability to create synergies with institutions and the choices of collaborators guide the everyday actions of the Foundation. Each year, the Organisation works on many fronts: managing the projects in course and undertaking new challenges.

The Foundation is entirely financed by the founding Shareholders, Fondiaria-SAI and Milano Assicurazioni which, also in 2010 made an annual contribution of Euro 300 thousand each.

For greater details on the Foundation, reference is made to the www.fondazionefondiariasai.it.

COMMUNICATIONS

Branding , internal and external communications

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

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

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

Sponsorship and Donations

The support plan of the Fondiaria-SAI Group also for 2010 focused on, although with a reduced budget, problems associated to marginalisation and physical and mental health.
The support continued of AIMAC – the Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of initiatives and publications. The support for the Aid Association for persons with the Prader Willy syndrome continued, which concerns the research and care related to the rare genetic disorder which affects the intellectual and emotional development of children and the Gulliver Association, a support centre for those recovering from drug dependency and providing assistance to their families.
Among the social-cultural initiatives, the Fondiaria SAI Group supported the third edition of the Fiuggi Film Festival, a film festival entirely dedicated to the family, and for which a stand has been erected featuring Group company products.
As part of the celebrations marking 150 years of Italian Unity, Fondiaria-SAI supported the “Towards 2011 – the Founding Fathers” show, charting the construction of a unified Italian state.
Always attentive to the needs and the particular features of the region in which it operates, Fondiaria-SAI has supported for many years the AIM – the Metropolitan Interests Association, established with the objective to support the Milan metropolitan area through research, projects, conventions and publications.
In the sporting field, Fondiaria-SAI reconfirmed, among others, the support for the historic Milan Football Association Masseroni Marchese, created in 1948 in order to encourage sport as an important instrument in the training of young persons.

Press Office

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

In particular, in the second half of 2010, a number of particularly significant divestments took place, such as Banca Gesfid and the agricultural company “Cascina Veneria”.

The following number of price-sensitive press releases were issued - Fondiaria-SAI 24, Milano Assicurazioni 12, and 3 joint Fondiaria-SAI and Milano Assicurazioni.

LITIGATION

Actions by shareholders

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

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

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

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

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

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

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

Tax Audits

In 2010, as in previous years, the Inland Revenue Department has carried out tax audits on Fondiaria-SAI and other Group Companies of a general nature. This activity is related to the assessment of declared income and, more in general, the establishment of taxes due, as well as the application of tax regulations both in relation to ordinary operations and in relation to specific extraordinary operations.
In relation to the results of these activities, Fondiaria-SAI and the subsidiaries have instituted reconciliation provisions or have disputes pending before the Tax Commission or the Cassation Court.

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

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

This assessment was drawn up following general verifications, carried out in the year related to the tax periods between 2005 and 2008.

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

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

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

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

ANNUAL CORPORATE GOVERNANCE REPORT

FIRST SECTION – THE GOVERNANCE STRUCTURE OF THE COMPANY: GENERAL GUIDELINES

1) Introduction

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

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

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

2) The Corporate Boards

2.1) <u>Board of Directors and Executive Committee</u>
The Board of Directors is responsible for operational activities and organisational and strategic direction of the Company and the Group, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.

The directors may not be appointed for a period above three years and may be re-elected.

In compliance with the regulation introduced by law No. 262 of December 28, 2005 (hereafter: "Savings Law"), the Extraordinary Shareholders' Meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the nomination of the Board of Directors, in order that one Director may be elected by the minority shareholders.

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

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

In accordance with article 14 of the company by-laws, the Company, with the exception of those reserved by law or the company by-laws to the shareholder or board meetings, may delegate their powers to the Chairman, Vice Chairman and/or to one or more of its members, determining the content, the limits and any manner for the exercise of the delegated powers.

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

The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman are described in the second section of the present report.

2.2) Board of Statutory Auditors

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

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

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

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

2.3) Shareholder Meetings and shareholders

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

The share capital, composed of ordinary and saving shares with rights as per the company by-laws, is controlled by Premafin Finanziaria - Holding di Partecipazioni S.p.A. pursuant to article 2359, paragraphs 1 and 2 of the civil code.

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

3) Management and control

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

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

SECOND SECTION - INFORMATION ON THE IMPLEMENTATION OF THE SELF-GOVERNANCE CODE

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

1) Board of Directors and Executive Committee

1.1) Role of the Board of Directors

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

a) Examines and approves the strategic, industrial and financial plans of the Company and of the Group which the Company heads, the corporate governance of the Company and the structure of the Group. In relation to the boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Group;
b) Periodically verify the adequacy of the internal control system, assisted by the Internal Control Committee;
c) Evaluates, based on the information and reports received from the executive functions, the adequacy of the organisational, administration and accounting system of the Company and of the Group, with particular reference to the internal control system and to the management of the conflict of interests, as well as the general operational performance. Approves the company organisational structure;
d) Attributes and revokes powers to the directors and to the Executive Committee, defining their limits and procedures for the exercise of these powers;
e) Determines, after examining the proposals of the Remuneration Committee and after having consulted the Board of Statutory Auditors, the fees of the executive directors and those who hold specific positions, as well as dividing the total fees to which the directors are entitled among the individual members of the board;
f) Examines and approves the operations of the Company and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

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

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

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

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

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

1.2) Composition of the Board of Directors

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

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

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

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

1.3) Executive Committee

In accordance with Article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee, currently composed of 7 members, its powers, with the exclusion of those which by law or regulation may not be delegated, and also those concerning all decisions in relation to transactions with related parties, which are the exclusive remit of the Board. The Board of Statutory Auditors are called to attend Executive Committee meetings.

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

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

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, three Vice Chairmen and the Chief Executive Officer. The current board has changed in comparison to December 31, 2010 following the entry of Mr. Emanuele Erbetta in place of Mr. Fausto Marchionni, due to the above stated rotation between the two of the office of Chief Executive Officer.

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

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

The delegated management powers of the Chairman, the Vice Chairmen and the Chief Executive Officer, pursuant to article 14 of the by-laws, are attributed by the Board.

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

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 30 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

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

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

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

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

1.5) Chairman of the Board of Directors

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

The Chairman of the Board of Directors, in addition, presides over and organises the Shareholders' Meeting. He is also attributed - as described - powers by the Board, as previously indicated. The Chairman normally exercises these powers only in the case of necessity or urgency, in the absence or impediment of the Chief Executive Officer, or - in any case - when particular circumstances render it necessary.

1.6) Duty conferment to the office of Vice Chairman

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

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

1.7) Meetings of the Board of Directors and Executive Committee

The Board of Directors meet regularly.

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

During the year 2010:

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

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

1.8) Non-executive and independent directors

In addition to the Chairman and the Chief Executive Officer - holders, as reported, of delegated powers for the management of the Parent Company attributed to them by the Board - the Vice Chairman Antonio Talarico is also to be considered an executive director, as holder of operational powers and/or directional functions in subsidiary companies operating in the real estate sector and, among these, in the company Immobiliare Lombarda S.p.A., responsible for the management of the real estate assets of the Parent Company and of the Group. The same applies to the Director Gioacchino Paolo Ligresti, who covers the role of Chairman, with managerial powers, of Immobiliare Lombarda.

All the directors other than those indicated above are to be considered non-executive, in that they do not hold operational and/or functional directional powers in the operations. In addition to their number, the non-executive directors are for their expertise and authority such as to guarantee that their judgement can have a significant weight on the Board decisions, contributing their specific competences to the making of decisions that conform to corporate interests.

The contribution of the non-executive directors is particularly useful on matters in which the interests of the executive directors and those more generally of the shareholders do not coincide. In fact, the non-executive component of the Board may evaluate with greater detachment the proposals and operations of the directors with executive powers.

In accordance with the definitions contained in the new Code, the non-executive independent directors are: Mr. Andrea Broggini, Mr. Maurizio Comoli, Ms. Valentina Marocco, Mr. Enzo Mei, Mr. Giuseppe Morbidelli and Mr. Cosimo Rucellai. These directors, in fact, are not in the situations indicated by the Code where their position is not compatible with that of an independent director.

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

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

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

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

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

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

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

1.9) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 23, 2011 by the Parent Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is shown below:

Jonella LIGRESTI

Chairman of:	SAI HOLDING ITALIA S.p.A.
Vice Chairman of:	GILLI S.r.l. PREMAFIN FINANZIARIA S.p.A.
Director of:	ASSONIME Associazione fra le società italiane per azioni FINADIN S.p.A. Finanziaria di Investimenti ITALMOBILIARE S.p.A. MEDIOBANCA S.p.A. MILANO ASSICURAZIONI S.p.A. RCS MediaGroup S.p.A.

Giulia Maria LIGRESTI

Chairman and Chief Executive Officer of:	PREMAFIN FINANZIARIA S.p.A.
Chairman of:	GILLI S.r.l. SAIFIN SAIFINANZIARIA S.p.A.
Chief Executive Officer of:	SAI HOLDING ITALIA S.p.A.
Director of:	FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A. PIRELLI & C. S.p.A. SAILUX S.A. SAINTERNATIONAL S.A.

Massimo PINI

Chairman of:	Shareholder Agreement - GEMINA S.p.A.
Vice Chairman of:	ADR S.p.A. IMMOBILIARE LOMBARDA S.p.A.
Director of:	FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A.
Management Board member of:	Shareholder agreement - RCS

Antonio TALARICO

Chairman of:	FINADIN S.p.A. Finanziaria di Investimenti MARINA DI LOANO S.p.A. SAIAGRICOLA S.p.A.
Vice Chairman of:	IMPREGILO S.p.A.
Chief Executive Officer of:	IMMOBILIARE LOMBARDA S.p.A.
Director of:	ATAHOTELS S.p.A. IGLI S.p.A. MILANO ASSICURAZIONI S.p.A. SAI INVESTIMENTI SGR S.p.A.

Emanuele ERBETTA

Chairman and Chief Executive Officer of:	MILANO ASSICURAZIONI S.p.A.
Chairman of:	BANCASAI S.p.A. EUROSAI S.r.l. GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.
Vice Chairman of:	SISTEMI SANITARI S.c.r.l.
Director of:	ATAHOTELS S.p.A. AUTO PRESTO&BENE S.r.l. CONSORZIO SERVIZI LOGISTICI S.c.r.l. CONSORZIO SERVIZI TECNOLOGICI S.c.r.l. POPOLARE VITA S.p.A. FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. LIGURIA ASSICURAZIONI S.p.A.

Andrea BROGGINI

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

Maurizio COMOLI

Vice Chairman of the Supervisory Board of:	BANCO POPOLARE S.c.a.r.l.
Chairman of the Board of Statutory Auditors:	BASTOGI S.p.A. MIRATO S.p.A.
Statutory Auditor:	BRIOSCHI Sviluppo Immobiliare S.p.A. LORO PIANA S.p.A.

Francesco CORSI

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

Carlo d'URSO

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

Vincenzo LA RUSSA

Director of:	METROPOLITANA MILANESE S.p.A.

Gioacchino Paolo LIGRESTI

Chairman of:	IMMOBILIARE LOMBARDA S.p.A. S.R.P. SERVICES S.A. SAINT GEORGE CAPITAL MANAGEMENT S.A. STAR MANAGEMENT S.r.l.
Vice Chairman of:	ARTNETWORTH S.r.l. ATAHOTELS S.p.A. BANCASAI S.p.A. MILANO ASSICURAZIONI S.p.A. MARINA DI LOANO S.p.A. PREMAFIN FINANZIARIA S.p.A. SAI INVESTIMENTI SGR S.p.A. SAIAGRICOLA S.p.A.
Director of:	FINSAI INTERNATIONAL S.A. GILLI S.r.l. MILAN A.C. SAI HOLDING ITALIA S.p.A. SAILUX S.A. SAINTERNATIONAL S.A. SAINTERNATIONAL LUGANO BRANCH S.A.

Fausto MARCHIONNI

Chairman and Chief Executive Officer of:	SIAT S.p.A.
Chairman of:	ATAHOTELS S.p.A. AUTO PRESTO&BENE S.r.l. BIM VITA S.p.A. PRONTO ASSISTANCE SERVIZI S.c.r.l. SISTEMI SANITARI S.c.r.l. THE LAWRENCE RE IRELAND LTD
Director of:	ALITALIA S.p.A. ANIA (indennizzo diretto RC Auto) ASSONIME Associazione fra le società italiane per azioni DDOR-Novi Sad IRSA HINES ITALIA SGR S.p.A. MILANO ASSICURAZIONI S.p.A.
Management Board member of:	Shareholder Agreement shares in PIRELLI & C. S.p.A.

Valentina MAROCCO

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

Enzo MEI

Chief Executive Officer of:	GENERAL SERVICE ITALIA S.p.A.
Director of:	AEROPORTI DI ROMA S.p.A. BEE TEAM S.p.A. LA MAGONA S.r.l. VIGEST S.r.l.

Giuseppe MORBIDELLI

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

Cosimo RUCELLAI

Vice Chairman of:	MILANO ASSICURAZIONI S.p.A.
Director of:	ESSELUNGA S.p.A. SUPERMARKETS ITALIANI S.p.A.

Salvatore SPINIELLO

Chairman of the Board of Directors of:	CAMPO CARLO MAGNO S.p.A.
General representative of the saving shareholders of:	RCS MEDIAGROUP S.p.A.
Sole Director of:	G.B. & CO S.R.L. G.B.H. S.P.A.
Chairman of the Board of Statutory Auditors:	AIMING S.p.A. EMITTENTI TITOLI S.p.A. GRANDI LAVORI FINCOSIT S.p.A. TA.RO. S.p.A.

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

Sergio VIGLIANISI

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

Graziano VISENTIN

Director of:	21 INVESTIMENTI SGR S.p.A. AIVE S.p.A. ALERION CLEAN POWER S.p.A. BANCASAI S.p.A. INDUSTRIA E INNOVAZIONE S.p.A. PREMAFIN FINANZIARIA S.p.A. STEFANEL S.p.A.
Chairman of the Board of Statutory Auditors:	CREDIT AGRICOLE VITA S.p.A. RGI S.p.A. SINERGIE ITALIANE S.p.A.
Statutory Auditor:	ALITALIA S.p.A. COIN S.p.A. EUROSTAZIONI S.p.A. FIN PRIV S.r.l. FINANZIARIA COIN S.r.l. FONDI ALLEANZA Sgr S.p.A. HINES ITALIA SGR S.p.A. INA ASSITALIA S.p.A. ISTITUTO EUROPEO ONCOLOGIA S.r.l. OVIESSE S.p.A. SCHEMAQUATTORDICI S.p.A. UPIM S.r.l.

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

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

1.10) Appointment of the directors

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

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

At the shareholders' meeting of April 24, 2009 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates and distributed to the participants. The candidature is accompanied by a declaration by the relevant party in relation to holding the necessary requisites in accordance with law and the by-laws, as well as the independence of the party. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. In line with the regulatory amendments introduced by Legs. Decree No. 27 of January 27, 2010 the new statutory provisions provide for a period of 25 days before the date fixed for the shareholders' meeting in first call for the filing of the slate at the registered office.

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

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by CONSOB. At the shareholders' meeting of April 24, 2009 which appointed the last Board of Directors, CONSOB established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

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

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

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

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

1.11) <u>Director remuneration</u>

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

In 2010, the Board also determined, upon appointment, the compensation of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office.

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

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

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

1.12) Stock options plans

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

The assignment by the Board was made in execution of the extraordinary shareholders' meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the executive directors, a total of 8,700,000 options were assigned in favour of the parties and in accordance with the quantities approved by the above-mentioned shareholders' meeting. In relation to the management, the stock option plan relates to 75% of the executives in service in the Group, totalling 6,300,000 options. The number of the options assigned to the individual beneficiaries takes into account the level of responsibility attributed and of the impact of the office held in the activities of the business and toward its results.

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

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

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

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

1.13) Remuneration Committee

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

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;

- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the executive directors and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

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

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

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

1.14) <u>Significant transactions with related parties</u>

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

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

Significant operations

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

Transactions with related parties (including inter-group transactions)
The following is reported in relation to 2010:

a) the related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, related to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of CONSOB Regulation No. 11971/1999, were reserved to the exclusive and prior approval of the Board of Directors. In 2010, no transactions governed by this regulation were undertaken;

b) they were also presented for examination and approval by the Board of Directors or the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman and Chief Executive Officer, any series of inter-group and related party transactions specifically identified by type and value, considered individually or cumulatively with other transactions in the previous twelve months.

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

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

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

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

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

The directors that have an interest in the operation informed in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting.

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

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

In approving the above-stated resolution, the Board of Directors took account of the unanimous approval of the steering committee comprising exclusively independent directors previously appointed by the Board in the persons of Mr. Comoli, Mr. Mei and Mr. Morbidelli, to examine the procedures in question and to draw up an opinion for the Board of Directors.

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

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

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

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

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

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

The threshold is reduced to 2.5% for transactions with the parent company Premafin Finanziaria or related parties to this latter which in turn are related to the Company. The significance threshold is reduced to 2.5% also for transactions between Fondiaria-SAI and Milano Assicurazioni or for each of them with parties which are related to both companies.

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

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

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

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

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

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

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

2) Board of Statutory Auditors

2.1) <u>Composition, role and meetings of the Board of Statutory Auditors</u>
The current Board of Statutory Auditors is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 24, 2009, when only one slate was presented by shareholders, within the terms established by the by-laws. This slate obtained the majority of the votes at the shareholders' meeting.

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

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

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

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

2.2) Appointment of the Board of Statutory Auditors

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

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

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Parent Company at least 25 days before the date fixed for the shareholders' meeting in first call, except in the cases as per Article 144, paragraph 5 of CONSOB Regulation No. 11971/1999. Together with the slates, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by CONSOB. At the shareholders' meeting of April 24, 2009 which appointed the last Board of Statutory Auditors, CONSOB established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

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

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

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

Antonino D'AMBROSIO

Statutory Auditor: PREMAFIN FINANZIARIA S.p.A.

Marco SPADACINI

Director of:	A. MONDADORI EDITORE S.p.A.
Director of Supervisory Board:	INTESA SAN PAOLO S.p.A.
Chairman of the Board of Statutory Auditors :	ATLANTIA S.p.A.

The Chairman of the Board of Statutory Auditors, Mr. Benito Giovanni MARINO, does not currently hold offices in other listed companies.

3) Internal control

3.1) Introduction

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

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

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

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

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

3.2) Control procedures utilised

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

3.2.2) *Group Risk Management Department*
The monitoring of risks is covered by the Group Risk Management department, with the duties of:

- Managing the activities to develop and complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Undertake recurring monitoring of the risks through the reporting indicators;
- Contribute to the definition of the operating limits and the relative tolerance thresholds related to the measurement of the risks assigned to the operating structures and draw up the procedures for the prompt verification of these limits;
- Prepare reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the violation of fixed operating limits;
- Defines, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- Communicating, together with the Group Audit function, the periodic reports to ISVAP.

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

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

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

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

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

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

In November 2010, the Board of Directors of the Parent Company approved an update to the Group Risk Policy, which complies also with the Solvency II Directive, which has been approved. The General Policy is based on the ERM model and the individual policies drawn up in relation to the separate risks identified.

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

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

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

3.2.3) *Group Compliance Department*

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

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

The compliance department of the Group reports functionally to the Board of Directors of Fondiaria-SAI and its subsidiaries.

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

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

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

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

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

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

3.2.4) *Group Audit Department*

The verification of the adequacy, efficiency and effectiveness of the procedures adopted is undertaken by the Audit department of the Group, reporting to the Chief Executive Officer of Fondiaria-SAI and functionally to the Board of Directors of Fondiaria-SAI and its subsidiaries. The Audit activities also extend to the business processes of Fondiaria-SAI and of Group companies (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors annually approves the work plan of the Group Audit department, which is prepared independently on the basis of a valuation of the typical operating risks of Fondiaria-SAI and of the other insurance companies of the Group. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers. This department – which liaises with the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the “Executive Responsible”) in relation to the management model pursuant to law No. 262/2005, as per point 3.4 below - also coordinates with the Internal Control Committee, to which it reports its work, with the Board of Statutory Auditors and with the audit firm of the Company.

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

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

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

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

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

3.3) <u>Internal Control Committee</u>

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

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Enzo Mei, Salvatore Spiniello and Prof. Maurizio Comoli. This latter is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board resolved to attribute to these directors a special remuneration for the role undertaken.

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

The Internal Control Committee has the role to:

a. Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
b. Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
c. Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;

d. Assist the Board, in relation to the application of law No. 262/2005, in the supervision:
    - On the implementation of the Action Plan;
    - On the effective compliance with the administration and accounting procedures;
    - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
    - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
e. Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
f. Evaluates the work plan prepared by the Group Audit department and receive periodic reports;
g. Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
h. Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
i. Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
j. Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

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

In the undertaking of its consultative functions, the Committee also carried out in 2010 a preliminary examination of related party transactions (including inter-group), in accordance with the guidelines and conduct principles adopted by the Board of Directors of the Parent Company commented upon above, which were subject to examination and approval by the Board of Directors or by the Executive Committee.

As previously stated at point 1.14, the new procedures for transactions with related parties, approved by the Board of Directors on November 30, 2010 and applicable from January 1, 2011, establishes that the Internal Control Committee is appointed to express an opinion to be put to the Board of Directors in relation to less significant transactions with related parties, therefore those established by CONSOB Regulation No. 17221/2010 above and identified in the procedures.

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

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

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

In 2010, the Committee met 18 times, with an average duration of the meetings of 1 hour 15 minutes. It is expected that a similar number of meetings will take place in 2011. In 2011 the Committee has already met 4 times.

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

- that the accounting principles utilised, having consulted with the Executive Responsible and taking into account the considerations of the audit firm, on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- that, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Parent Company at December 31, 2009;
- that the governance rules adopted by the Parent Company, to the current knowledge of the Committee, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations supplied by ASSONIME ed EMITTENTI TITOLI S.p.A., taking into account the recommendations of the Self-Governance Code and justifying the reasons for the choices made where these are different than those recommended by the Code;
- that the carrying out of the individual activities indicated in the action plan established by the management model as per Law No. 262/05 (reported at point 3.4 below) substantially complies with the time periods and manner established.

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

3.4) Executive responsible for the preparation of corporate accounting documents

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

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

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

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

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

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

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

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

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

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

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

4) Independent Auditors

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

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

5) The Shareholders' Meeting and relations with the market

5.1) Shareholders' Meetings

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

Normally all of the directors attend the Shareholders' Meetings.

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

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

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

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

5.2) General representative of the saving shareholders

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

5.3) Relations with institutional investors and other shareholders

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

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

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

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) Treatment of corporate information

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

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

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

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

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

The code is available on the Parent Company's website.

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

In relation to the regulations which govern insider trading offences and market manipulation, a procedure is also implemented related to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Parent Company in a manner not in line with current regulations. This procedure in particular relates to:

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

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

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

TABLE 1: BOARD OF DIRECTORS AND COMMITTEES

Board of Directors (2010)							Interrnal Control Committee		Remuneration Committee		Nomination Committee (a)		Executive Committee	
Office	Members	Executive	Non-executives	independent in accordance with the Self-Governance	***	Number of other offices held *	**	***	**	***	**	***	**	***
Chairman	Jonella LIGRESTI	X			100%	9							X	100%
Vice Chairman	Giulia Maria LIGRESTI		X		94%	9							X	50%
Vice Chairman	Massimo PINI		X		94%	6							X	100%
Vice Chairman	Antonio TALARICO	X			100%	9							X	100%
Chief Executive Officer	Fausto MARCHIONNI (1)	X			100%	15			X (4)				X	50%
Director	Andrea BROGGINI		X	X	75%	6								
Director	Maurizio COMOLI		X	X	81%	5	X	100%						
Director	Francesco CORSI		X		94%	0								
Director	Carlo d'URSO		X		69%	6								
Director	Vincenzo LA RUSSA		X		87%	1							X	100%
Director	Gioacchino Paolo LIGRESTI	X			87%	19							X	100%
Director	Lia LO VECCHIO (2)		X		75%	2								
Director	Valentina MAROCCO		X	X	100%	0								
Director	Enzo MEI		X	X	87%	5	X	83%	X					
Director	Giuseppe MORBIDELLI		X	X	81%	1			X (5)					
Director	Cosimo RUCELLAI		X	X	100%	3			X (4)					
Director	Salvatore SPINIELLO		X		94%	14	X	78%						
Director	Sergio VIGLIANISI		X		94%	0								
Director	Graziano VISENTIN (3)		X		85%	22			X (5)					

(1) On 27/01/2011 Mr Fausto Marchionni resigned from the post of Chief Executive Officer and Director General, maintaining the office of Director. Also on 27/1/2011, Mr Emanuele Erbetta replaced Ms. Lia Lo Vecchio as a Director and was appointed Chief Executive Officier.

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

(3) In office from 23/04/2010

(4) In office until 26/10/2010

(5) In office from 26/10/2010

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

NOTE:

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

** This column indicates with an "X" whether the member of the BoD is a member of the Committee.

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

<u>TABLE 2:</u> BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of participation at Board meetings	Number of other offices held *
Chairman	Giovanni Benito MARINO	100%	-
Statutory Auditor	Antonino D'AMBROSIO	96%	1
Statutory Auditor	Marco SPADACINI	96%	3
Alternate Auditor	Alessandro MALERBA		
Alternate Auditor	Maria Luisa MOSCONI		
Alternate Auditor	Rossella PORFIDO		
Number of meetings held in the year: 24			
Indicate the quorum required for the presentation of slates by minority shareholders for for the election of one or more standing members (as per art. 148 CFA): 2%			

<u>NOTE:</u>

* This column indicates the offices held as director or statutory auditor in other listed companies in regulated Italian markets. The report on corporate governance indicates all offices held.

TABLE 3: OTHER PROVISIONS OF THE SELF-GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		
Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.
Internal Audit			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)			Group Audit Department
Investor relations			
Has the company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			Investor Relations Departement - Corso G. Galilei, 12 TORINO Tel. 011/6657.642 *e-mail: investorrelations@fondiaria-sai.it*

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

a) Share capital structure

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

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

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

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

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company by-laws and other rights pursuant to law.
In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.
The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 6.5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.
The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 5.2% of the nominal value of the share.
When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.
Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

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

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

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

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

(*) excluded voting right pursuant to law
(**) as manager of the individual and collective investment portfolios

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

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

g) Shareholder agreements

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

h) Change of control clauses

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

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

Other loan contracts signed by some of the subsidiaries provide for advance repayment and/or cancellation by the financier in the case of changes in the shareholder structure.

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

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

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

Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The by-laws also provide for a period of 25 days before the date fixed for the Shareholders' Meeting in first call for the filing of the slates at the registered office, in accordance with applicable regulations, recently amended by the regulation concerning shareholders' rights.

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

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

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.

The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

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

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

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

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

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

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

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

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

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

We recall that:

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

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

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 23, 2010 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 250,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 3,750,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by CONSOB, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

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

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

Introduction

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

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

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

In 2007 the Company began a specific project called "Savings law 262/2005" with the objective to establish a Management Model, in line with the best industry practices, establishing a risk management and internal control system in relation to the financial disclosure process. This system was drawn up based on the following pillars:

- Company Level Controls**;**

- IT General Controls;
- Administrative-Accounting Model

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

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

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

- analysis of the contribution of the individual companies to the Consolidated Financial Statements of the Group, through the identification of significant financial statement account items based on quantitative and qualitative significance parameters;
- the correlation of the administrative-accounting processes related to the significant financial statement accounts, which contribute and generate information of a statement of financial position, economic and financial nature.

In the selection of the Subsidiary Companies, the total number of financial statement accounts equal or higher to the significance threshold is considered, identified based on a percentage of net equity or the result for the year of the Parent Company, based on specific qualitative factors, such as for example the type of business, in order to include the companies considered "significant" although with a number of financial statement accounts lower than the significance threshold.

Specifically, the Companies recognised as significant in terms of contribution to the Consolidated Financial Statements currently consists of the following:

- insurance business: Dialogo Assicurazioni S.p.A., Liguria Società di Assicurazioni S.p.A., Liguria Vita S.p.A., Popolare Vita S.p.A., SIAT Società Italiana Assicurazioni e Riassicurazioni S.p.A., The Lawrence RE Ireland Ltd, The Lawrence Life Assurance Co. Ltd.;
- real estate business: Immobiliare Lombarda S.p.A. Athens R.E. Fund, Tikal R.E. Fund;
- banking: BancaSai S.p.A., Finitalia S.p.A.;
- services: Gruppo Fondiaria-SAI Servizi S.c.r.l., Auto Presto&Bene S.p.A..

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

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

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

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

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

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

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

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

For the new corporate processes, the procedure establishes that the Organisational Manager works with the Human Resources and Organisational management to initiate the consequent analysis, recording and design of the process flow. At the same time the Risk Management department establishes the identification of the risks, the identification and evaluation of the control activities and the establishment of any offsetting actions. The unit operates in accordance with Law 262 attributing to the new processes, based on a significance analysis, the administrative-accounting significance, providing communications to the various Governance managers.
In relation to the existing corporate processes, the Organisational Manager has the responsibility to verify on a quarterly basis the correspondence between that documented in the overall documentation and that effectively implemented, communicating any impacts in terms of the modification of the processes and the risks and controls related to the implementation of analyses by the Human Resources and Organisational Management, of the Risk Management department and of the unit implementing law 262.

The Management Model has identified the duties of the Executive Responsible for the preparation of the corporate accounting documents, appointed in accordance with paragraph 1, of article 154-bis of Legislative Decree No.58/98, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.
The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.
The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

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

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Internal Control Committee.
In relation to the mitigation actions identified, the Board of Directors, with prior consultation of the Internal Control Committee and on the proposal of the Chief Executive Officer and the Executive Responsible, draws up the budget, the intervention plans and the relative priorities.
The implementation of these actions is attributed to the individual Process Owners which, with the support of the organisational managers, monitor quarterly the relative state of advancement. The Executive Responsible, receiving information from the individual Process Owners, reports bi-annually to the Internal Control Committee on the situation in relation to the offsetting actions identified, supported by the dedicated unit.
In relation to the information required by article 123-bis, paragraph 2, letters C & D of the CFA, reference is made respectively to points 5) and 1) in the Second Section of the Corporate Governance Report.

SIGNIFICANT EVENTS AFTER THE YEAR-END

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

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

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

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

2011 Group budget and new organisational structure approved

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

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

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

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

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

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

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

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

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

On February 3, the Chief Executive Officer of Fondiaria-SAI S.p.A. commented through webcasting on the 2011 budget, the guidelines and on the new strategy for 2011.
In addition to expanding upon that communicated to the market previously, the principles and actions to be adopted which support improved forecasts were set out and additional information provided on the underlying details of the 2011 budget.

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

On March 9, 2011, the rating agency Standard & Poor’s revised the rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB to BBB-.
Standard & Poor’s considers that communicated by CONSOB in relation to the query from Groupama and reported to the market may increase uncertainties concerning the successful completion of the share capital increase of PremafinHP S.p.A. and consequently of Fondiaria-SAI S.p.A..

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

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

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

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

Premafin

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

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

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

Fondiaria-SAI

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

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

and approved among other issues:

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

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

Milano Assicurazioni

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

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

and approved among other issues:

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

Conclusions

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

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

Milan, March 23, 2011

For the Board of Directors
The Chairman

Ms. Jonella LIGRESTI

2010 Consolidated Financial Statements

Fondiaria-SAI S.p.A. is a public company incorporated under the Italian law : the addresses of the registered office and of the locations in which the main activities are carried out are indicated in the introduction to the accounts. The Company is listed on the Italian Stock Exchange. The main activities of the Company and of its subsidiaries are described in the Directors' Report and in the section Segment Information.

These consolidated financial statements comprise, pursuant to IAS 1.10 (Presentation of Financial Statements), theStatement of financial position Statement of the financial position, the Income Statement, the Comprehensive Income Statement, the Statement of change in Shareholders' Equity, the Cash Flow Statement and the Notes to these Financial Statements. They also include the attachments as per ISVAP Regulation No.7 of July 13, 2007 and the information required by Consob and the Stock Exchange as per article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Fondiaria-SAI S.p.A. have the purpose to present financial statements in accordance with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), also taking into account the formats and instructions issued by ISVAP (the Supervisory Authority) with Regulation No. 7 of July 13, 2007 and subsequent amendments.
The consolidated financial statements, have been prepared in accordance with the IAS/IFRS as currently in force.

STATEMENT OF FINANCIAL POSITION - ASSETS

(in Euro thousands)

		2010	2009
1	**INTANGIBLE ASSETS**	**1 587 734**	**1 896 618**
1.1	Goodwill	1 468 570	1 593 007
1.2	Other intangible assets	119 164	303 611
2	**PROPERTY, PLANT & EQUIPMENT**	**594 334**	**500 329**
2.1	Buildings	500 691	403 099
2.2	Other tangible assets	93 643	97 230
3	**TECHNICAL RESERVES – REINSURANCE ASSETS**	**823 184**	**870 300**
4	**INVESTMENTS**	**36 013 873**	**34 646 442**
4.1	Investment property	2 894 209	3 011 505
4.2	Investments in subsidiaries, associates and joint ventures	325 369	366 688
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	20 302 882	18 896 658
4.6	Financial assets at fair value through profit & loss	8 740 064	8 655 108
5	**OTHER RECEIVABLES**	**2 314 375**	**2 422 885**
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	464 991	472 318
6	**OTHER ASSETS**	**996 064**	**4 920 061**
6.1	Non-current assets or disposal group classified as held for sale	3 452	4 102 633
6.2	Deferred acquisition costs	87 603	142 111
6.3	Deferred tax assets	361 195	174 230
6.4	Current tax assets	387 573	304 633
6.5	Other assets	156 241	196 454
7	**CASH AND CASH EQUIVALENTS**	**625 940**	**576 033**
	TOTAL ASSETS	**42 955 504**	**45 832 668**

STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

		2010	2009
1	**SHAREHOLDERS' EQUITY**	**2 550 105**	**3 710 651**
1.1	**Shareholders' equity attributable to the Group**	**1 882 127**	**2 716 187**
1.1.1	Share Capital	167 044	167 044
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	209 947	209 947
1.1.4	Retained earnings and other reserves	2 620 792	3 010 474
1.1.5	(Treasury shares)	-321 933	-321 933
1.1.6	Reserve for currency transaltion difference	-56 598	-3 857
1.1.7	Unrealized gain or loss on financial assets available for sale	-34 759	-53 957
1.1.8	Other unrealized gain or losses through equity	15 216	51 062
1.1.9	Net profit (loss) for the year	-717 582	-342 593
1.2	**Shareholders' equity attributable to non controlling interest**	**667 978**	**994 464**
1.2.1	Non controlling interest capital and reserves	902 126	1 071 435
1.2.2	Unrealized gains and losses through equity	-22 869	-28 051
1.2.3	Net profit (loss) for the year	-211 279	-48 920
2	**PROVISIONS**	**340 637**	**298 631**
3	**INSURANCE CONTRACT LIABILITIES**	**34 827 972**	**31 718 050**
4	**FINANCIAL LIABILITIES**	**3 850 106**	**4 750 460**
4.1	Financial liabilities at fair value through profit & loss	1 646 935	2 085 415
4.2	Other financial liabilities	2 203 171	2 665 045
5	**PAYABLES**	**836 934**	**850 121**
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	638 185	615 645
6	**OTHER LIABILITIES**	**549 750**	**4 504 755**
6.1	Liabilities directly associated with non current assets or disposal group classified as held for sale	0	3 873 998
6.2	Deferred tax liabilities	132 060	137 761
6.3	Tax liabilities	54 306	16 977
6.4	Other liabilities	363 384	476 019
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**42 955 504**	**45 832 668**

INCOME STATEMENT

(in Euro thousands)

		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 re-insurers*	*-326 206*	*-379 301*
1.2	Commission income	57 317	70 686
1.3	Net income from financial instruments recorded at fair value through profit and loss	395 283	906 125
1.4	Financial income from investments in subsidiaries, associates and joint ventures	55 795	14 212
1.5	Financial income from other financial instruments and property investments	1 281 397	1 130 956
1.5.1	*Interest income*	*722 345*	*765 794*
1.5.2	*Other income*	*167 637*	*159 180*
1.5.3	*Profits realised*	*390 939*	*201 391*
1.5.4	*Valuation gains*	*476*	*4 591*
1.6	Other income	556 503	682 277
1	**TOTAL REVENUES AND INCOME**	**14 931 592**	**14 692 998**
2.1	Net insurance benefit and claims	-12 152 941	-11 872 025
2.1.2	*Amounts paid and changes in technical provision*	*-12 341 912*	*-12 155 745*
2.1.3	*Quota ceded to reinsurers*	*188 971*	*283 720*
2.2	Fee and commission expenses	-28 421	-38 261
2.3	Fianncial expenses from investments in subsidiaries, associates and joint ventures	-55 279	-83 540
2.4	Financial expenses from other financial instruments and property investments	-815 311	-498 384
2.4.1	*Interest expenses*	*-80 414*	*-102 652*
2.4.2	*Other expenses*	*-78 146*	*-65 698*
2.4.3	*Losses realised*	*-166 095*	*-110 428*
2.4.4	*Valuation losses*	*-490 656*	*-219 606*
2.5	Management expenses	-1 920 182	-1 910 631
2.5.1	*Commissions and other acquisition expenses*	*-1 426 987*	*-1 458 127*
2.5.2	*Investment management charges*	*-14 377*	*-12 458*
2.5.3	*Other administration expenses*	*-478 818*	*-440 046*
2.6	Other expenses	-967 183	-815 292
2	**TOTAL COSTS AND EXPENSES**	**-15 939 317**	**-15 218 133**
	LOSS BEFORE TAXES	**-1 007 725**	**-525 135**
3	Income tax	**77 102**	**132 940**
	NET LOSS	**-930 623**	**-392 195**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**1 762**	**682**
	CONSOLIDATED LOSS	**-928 861**	**-391 513**
	Net Loss attributable to the Group	-717 582	-342 593
	Net Loss attributable to non controlling interest	-211 279	-48 920

COMPREHENSIVE INCOME STATEMENT

	2010	2009
CONSOLIDATED LOSS	**-928 861**	**-391 513**
Change in reserve for currency transaltion difference	-52 741	-7 900
Gain or loss from financial assets available for sale	24 037	366 290
Gain or loss on cash flow hedging instruments	-16 524	-1 573
Gain or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	-1 208	4 042
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible assets	-8 763	-668
Income/(charges) on non-current assets or disposal group classified as held for sale	675	-675
Actuarial gains and losses and adjustments to employee defined benefit plans	-2 511	-224
Other	-7 172	-55
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-64 207**	**359 237**
Total Comprehensive consolidated income	**-993 068**	**-32 276**
group share	**-786 971**	**-52 863**
minority share	**-206 097**	**20 587**

Consolidated Statement of changes in Shareholders’ Equity for the year ended December 31, 2010

RelatedIn relation to the statement of change in shareholders' equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1 and the amendments introduced by ISVAP measure No. 2784 of March 8, 2010 is presented below.

In particular:

- the account “Unrealized gain and loss on financial assets available-for-sale” relate to the recorded effects of the valuation of the linked financial instruments net of the effects attributable to the policyholders and recorded as a deferred liability to policyholders;
- The “Allocation” relates to, among others, the allocation of the result for the year, the allocation of the result for the previous year to the reserves, the increase in share capital and other reserves, and the changes in unrealized gains and losses recordedthrough equity.
  The “Adjustments due to the reclassification to the income statement” includes the gains and losses previously recorded through equity which are reclassified in the income statement in accordance with international accounting standards;
- the “Transfers” include, among others, the distribution of dividends and the decrease of share capital and other reserves, including the purchase of treasury shares.

The statement highlights all the changes net of taxes and of profits and losses, deriving from the valuation of financial assets available-for-sale, attributable to policyholders and recordable under insurance liabilities.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31-12-2008	Change in opening balances	Allocation	Reclassification to Income Statement	Transfers	Balance at 31-12-2009	Change in opening balances	Allocation	Reclassification to Income Statement	Transfers	Balance at 31-12-2010
Group Net Equity	Share capital	167,044					167,044					167,044
	Other equity instruments	0					0					0
	Capital reserves	209,947					209,947					209,947
	Retained earnings and other reserves	3,069,434		15,807		-74,767	3,010,474		-356,913		-32,769	2,620,792
	(Treasury shares)	-302,573				-19,360	-321,933					-321,933
	Loss for the year	87,409		-388,466		-41,536	-342,593		-340,008		-34,981	-717,582
	Other comprehensive income items	-296,482		238,305	51,425		-6,752		-202,406	136,720	-3,703	-76,141
	Total Group share	**2,934,779**	**0**	**-134,354**	**51,425**	**-135,663**	**2,716,187**	**0**	**-899,327**	**136,720**	**-71,453**	**1,882,127**
Minority Interest Net Equity	Minority interest capital and reserves	1,054,232		48,626		-31,423	1,071,435		-49,704		-119,605	902,126
	Loss for the year	3,355		-47,889		-4,386	-48,920		-156,708		-5,651	-211,279
	Other comprehensive income items	-97,558		41,516	27,991		-28,051		-45,305	50,219	268	-22,869
	Total Minority Interest share	**960,029**	**0**	**42,253**	**27,991**	**-35,809**	**994,464**	**0**	**-251,717**	**50,219**	**-124,988**	**667,978**
Total		**3,894,808**	**0**	**-92,101**	**79,416**	**-171,472**	**3,710,651**	**0**	**-1,151,044**	**186,939**	**-196,441**	**2,550,105**

Consolidated cash flow statement for the year ended December 31, 2010

In relation to the Cash Flow Statement, the attachment as per Regulation No. 7/2007 which complies with IAS 7 is provided. IAS 7 requires that the preparation of this statement satisfies some minimum requirements and, relatedand that the presentation of the cash flow from operating activities is prepared using the direct method, which indicates the main categories of gross receipts and payments, or alternatively the indirect method, which adjustes the results for the period for the effects of non-cash items, for any deferral or accrual of future operating receipts and payments, and for revenues or costs related to financial cash flows from investing and financial activities.
The following cash flow statement, prepared using the indirect method, , set forth separately the net cash flow from operating activity and the net cash flow from investing and financial activity.

CASH FLOW STATEMENT (indirect method)

(Euro thousand)	31/12/2010	31/12/2009
Loss before taxes	**-1,007,725**	**-525,135**
Non-cash adjustments	**4,144,212**	**4,234,246**
Change in non-life unearned premium reserve	35,638	23,277
Change in claims reserve and other non-life technical reserves	217,426	310,595
Change in 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	42,006	-164,406
Non-cash income/charges from financial instruments, property investments & holdings	245,254	49,871
Other movements	316,195	280,671
Change payables & receivables from operating activities	**-191,716**	**-261,632**
Change in payables and receivables from direct insurance operations & reinsurance	-141,597	-120,833
Change in other payables and receivables	-50,119	-140,799
Income taxes paid	**-29,480**	**-35,262**
Net liquidity generated/absorbed from cash items relating to investing & financing activities	**-584,988**	**-2,213,134**
Liabilities from financial contracts issued by insurance companies	-449,522	17,722
Bank and interbank payables	-52,101	376,355
Loans and receivables from banks and interbank	-48,347	-375,231
Other financial instruments at fair value through profit and loss	-35,018	-2,231,980
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**2,330,303**	**1,199,083**
Net liquidity generated/absorbed from property investments	80,727	82,815
Net cash generated/absorbed from investments in subsidiaries, associates & joint ventures	49,424	-78,915
Net cash generated/absorbed from loans and receivables	-385,148	49,268
Net cash generated/absorbed from investments held to maturity	216,335	-56,000
Net cash generated/absorbed from AFS financial assets	-2,043,241	-743,306
Net cash generated/absorbed intangible & tangible fixed assets	-15,877	-80,147
Net cash generated/absorbed from investing activities	228,635	6,256
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	**-1,869,145**	**-820,029**
Net cash generated/absorbed from Group equity instruments	0	0
Net cash generated/absorbed from treasury shares	0	-19,360
Distribution of Dividends relating to the Group	-67,751	-116,904
Net cash generated/absorbed from min. interest capital & reserves	-115,207	83,355
Net cash generated/absorbed from sub-ordinated liabilities & financial instruments in holdings	0	0
Net cash generated/absorbed from other financial liabilities	-228,293	-510,184
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**-411,251**	**-563,093**
Exchange difference effect on cash and cash equivalents	**-3,282**	**2,892**
CASH AND CASH EQUI. AT BEGINNING OF THE YEAR	576,033	760,072
INCREASE/(DEC) IN CASH AND CASH EQUIVALENTS	49,907	-184,039
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	625,940	576,033

Explanatory Notes

PART A - Accounting Principles

Section 1 - Declaration of compliance with international accounting standards

The consolidated financial statements have been prepared in accordance with International Accounting Standards IAS/IFRS as issued by the IASB (International Accounting Standard Board), and endorsed by the European Union.

Due to the entry into force of European Regulation No. 1606 of July 2002, European public companies registered on regulated markets must adopt IAS/IFRS for the preparation of their consolidated financial statements to improve comparability and transparency at European level.

The application in the European community of the international accounting standards – ("IAS" for those issued up to 2001 and "IFRS" for those issued subsequently), as well as their interpretations, known as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) is subject to the homologation process, finalized to guarantee that the international accounting standards are compatible with European Community Directives and the publication of the documents as approved in the Official Gazette of the European Union.

REGULATIONS

The accounting standards adopted are consistent with those utilised in the previous year, with the exception of the new standards and/or interpretations, and modifications therein, entered into force as of January 1, 2010. In detail:

- 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 amendments by: 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 effect of the above-mentioned standards and interpretations are described the following:.

IFRS 2
On March 23, 2010, the European Commission approved Regulation No. 244/2010 published in the Official Gazette of the European Union L. 77 of March 24, 2010. The Regulation homologates the document "Amendments to IFRS 2 Share-based payments" issued on June 18, 2009 by the IASB. The amended IFRS 2 clarifies the scope and the accounting of group cash settled share-based payment transactions.
This amendment must be applied for annual periods beginning on or after January 1, 2010, and retrospectively, subject to the transitional provisions of IFRS2, and in accordance with IAS 8. The above-mentioned amendment did not have any impact on the financial position or results of operations of the Group.

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

Goodwill and non-controlling interests: a new option of IFRS 3 allows the acquirer to record the entire amount of the goodwill recognised from the entity acquired, including the "non-controlling interests" (term replacing "minority interests") instead of limiting it to the equity interests acquired. According to this treatment, known as the "full goodwill method", the effect on non-controlling interest is recorded as a component of the consolidated shareholders' equity (the amount of the "total Comprehensive Income Statement" attributable to non-controlling interest is also attributed in case their value becomes negative). Finally, the method may be adopted on a case by case basis.
The amendments to IAS 27 states that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Therefore, such transactions no longer generate goodwill impairments, nor gain or losses. In addition, the amended standard introduces changes in relation to the accounting of the loss of control of the subsidiary; the transaction requires the valuation at fair value of the investment retained and the resulting difference compared to the carrying value is recognized as a gain or loss in the income statement; the provisions of IAS 28, 31 and 39 are subsequently applicable to the investment retained, in accordance with the circumstances.
The IFRS 3 and IAS 27 amendments must be applied prospectively to business combinations and purchases and sales of controlling shareholdings as well as transactions with minority shareholdings of subsidiaries subsequent to January 1, 2010.
The above-mentioned standards are applied prospectively and did not have significant effects.

IAS 39
The amendment clarifies that an entity may designate a portion of the changes of fair value or of the cash flows of a financial instrument as the hedged item. The amendment also clarifies that inflation may be considered a risk eligible for hedge accounting as long as, based on contractual provisions, changes in inflation modify the cash flow of financial instruments recorded in the financial statements.
The application of this amended standard did not have any significant effects.

IFRIC 17
On November 26, 2009, the European Commission approved Regulation No. 1142/2009 published in the Official Gazette of the European Union L. 312/8 of November 27, 2009. The Regulation homologates the document "IFRIC 17 Distribution of non-cash assets to owners" issued on November 27, 2008 by the International Financial Reporting Interpretations Committee (IFRIC). This interpretation provides guidance on the accounting of agreements based on which an entity distributes non-cash assets to its owners as dividends or distribution of reserves. This interpretation did not have any impact on the financial position or results of operations of the Group.

In relation to the most important international accounting standards, interpretations and amendments, already approved by the IASB and homologated by the European Union, not yet entered into force and not earlier adopted by the Group (IAS 32, IAS 24, IFRIC 19) it should be noted that at the moment no significant effects are expected on the financial statements. In relation to the accounting standards for which homologation process is still ongoing, in particular IFRS 9, it should be noted that the current best interpretation and potential improvements do not currently permit to perform a reasonable assessment of the impact.

RelatedIn relation to the Bank of Italy/CONSOB/ISVAP Document No. 4 of March 2010 issued by the joint coordination Table related to the application of the IAS/IFRS criteria for the "Years 2009 and 2010" - Information to be provided in the financial reports on the verification of reductions in values of assets (impairment test), on the contractual clauses of financial debt, on debt restructuring and on the "Hierarchy of fair value", we highlight that the Group has always sought to provide the best financial communication possible and for this purpose, in consideration of the greater complexity of the financial statements on the one hand and on the evident importance and significance of these "specific" market events on the other, a detailed re-examination of the information provided has been made in order to improve the usefulness of such information, providing at the same time a series of improved disclosure on the matters of greatest significance. At this regard and in full compliance with the initiative of the Bank of Italy, CONSOB and ISVAP, the requirements were fully fulfilled through the relative disclosure.

Section 2 - Basis of presentation

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

The consolidated financial statements were prepared on the basis of the ISVAP instructions contained in Regulation No. 7 of July 13, 2007.

Section 3 -

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the consolidated financial statements, the statement of financial positions of the companies of the Group examined by the respective Boards of Directors were utilised. These financial statements were adjusted and reclassified in order to reflect the application of the International Accounting Standards.
The consolidated financial statements have been prepared on the basis of the financial statements of the subsidiaries as approved by the respective Board of Directors. The financial statements of subsidiary companies have been adjusted and reclassified to apply the International Accounting Standards

CONSOLIDATION METHODS

- Line-by-line

The consolidated financial statements include the Parent Company's financial statements and the financial statements of Italian and foreign companies, in which Fondiaria-SAI has the power to exercise control as defined in paragraph 4 of IAS 27, also in consideration of potential voting rights.
The Control is presumed to exist also if the Parent Company owns half or less of the voting power of an entity when the Parent Company has:

- The control of more than half of the voting rights in virtue of an agreement with other investors;

- The power to govern the financial and operating policies of the entity in virtue of 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 governing body of the entity; or
- The power to exercise the majority of the voting rights in the Board of Directors or equivalent administrative body.

As per the line-by-line consolidation method, the book value of each investments is eliminated against the relatied shareholders' equity, and the total assets and liabilities as well as income and charges of the investing company are recorded.
The non-controlling interest equity and result for the period relatedare recorded in specific accounts in the statement of financial position statement of financial positionand income statement.
The differences between the carrying value of the investments and their shareholders' equity, which arises at the acquisition date of the investments, is allocated to identifiable specific property and equipment when the higher cost reflects their fair value and to specific intangible assets (among which the Voba -Value of business acquired), the Vif (Value in Force), the Value of the premiums or of the client list, in this case valuing also the non-controlling interests and the tax effect and, residually, to Goodwill, in case that the higher price paid reflects the future prospects of the economic results.

- Proportional consolidation

As per IAS 31, the consolidated financial statements include also companies in which the Parent Company has joint control with other shareholders on the basis of a contractual agreement,. In this case, the consolidation may be undertaken, using the equity method or alternatively in accordance with the proportional method of the investment held.

- Equity method consolidation

Associates are consolidated under the equity method in accordance with IAS 28: an associate is a company over which the Parent Company exercises significant influence and which is classifiable neither as a subsidiary nor as an interest in a joint venture.
In accordance with IAS 28.6, the significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.
Therefore, in accordance with the above procedure, the consolidated financial statements only include the shareholders' equity of the investment including the result for the year, but does not include individual accounts of the financial statements.

- Other consolidation operations

The other consolidation operations mainly relate to make homogeneous the application of the accounting policies in terms of substance (i.e. valuation criteria) and in terms of presentation.

In particular, using fixed schemes, such as those required by the Supervisory Authority, and common reporting package for all of the subsidiaries, ensures the compliance of the formal standardisation.

To apply homogeneously the accounting policies the following operations has been performed:

- elimination of dividends paid or resolved by any consolidated companiy;
- elimination of inter-company transactions, both in the income statement and the statement of financial positionstatement of financial position;
- elimination of gains and losses from sale/purchase operations made between Group companies and related to equity values, even if consolidated under the Equity method;
- adjustments to make homogeneous the accounting policies within the Group;
- Recognition, where applicable, of tax effects due to any adjustments made to homogeneously apply measurement criteria to the financial statements items or other consolidated adjustments.

DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are presented as of December 31, 2010, the financial statements of all the subsidiaries consolidated on the basis of the line-by-line method are also prepared as of December 31, 2011.
Therefore, there were no problems to make homogeneous accounting period, during to the coincidence of the administrative periods of the financial statements in the consolidation.

CURRENCY

The consolidated financial statements are presented in Euro which is the company's functional Due to the substantial uniformity of the functional currencies with the presentation currency of the consolidated financial statements, it should be noted that the translation into Euro of financial statements in currencies other than the Euro is carried out using the exchange rates in force at the reporting date for the statement of financial positionstatement of financia position items and the average exchange rate for the income statement items.
The exchange rates utilised, for the principal currencies other than the Euro are reported in the notes to the financial statements.
It is also indicated in the notes whether the amounts reported are in thousands or millions.

Section 4 - Accounting principles

The accounting principles adopted are consistent with those utilised in the previous year.
It should be noted that the Group, during the first half of 2010 reclassified the book values of some of the properties held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni from the item Property, plant and equipment to the item Investment Property, and reclassified accordingly in the present financial statement the comparative data -.
This current classification has been adopted as a consequence of the partial non-proportional spin-off of the ex Immobiliare Lombarda in the previous year, as it is considered to be a better representation of real estate management policies, focused on a greater stability in assets over time, in comparison to the policies of the ex Immobiliare Lombarda, from which these properties originate.

The book value, as at December 31, 2009, of the reclassified properties was Euro 431 million. The reclassification did not have any significant impact on the result for the year and for the previous years, given that for both the items Property, plant and equipment and Investment Property the measurement criterium adopted by the Group is the cost method.

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

STATEMENT OF FINANCIAL POSITIONSTATEMENT OF FINANCIAL POSITION - ASSETS

(in Euro thousands)		**31/12/2010**	**31/12/2009**	**01/01/2009**
1	INTANGIBLE ASSETS	1,587,734	1,896,618	1,899,998
2	PROPERTY, & EQUIPMENT	594,334	500,329	784,751
	of which "Property"	*500,691*	*403,099*	*598,403*
3	– REINSURANCE ASSETS	823,184	870,300	833,548
4	INVESTMENTS	36,013,873	34,646,442	33,897,299
	of which "Investment Property"	*2,894,209*	*3,011,505*	*2,919,217*
5	OTHER RECEIVABLES	2,314,375	2,422,885	2,520,006
6	OTHER ASSETS	996,064	4,920,061	939,393
7	CASH AND CASH EQUIVALENTS	625,940	576,033	760,072
	TOTAL ASSETS	42,955,504	45,832,668	41,635,067

STATEMENT OF FINANCIAL POSITIONSTATEMENT OF FINANCIAL POSITION– SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)		**31/12/2010**	**31/12/2009**	**01/01/2009**
1	SHAREHOLDERS' EQUITY	2,550,105	3,710,651	3,894,808
2	PROVISIONS	340,637	298,631	463,037
3	INSURANCE CONTRACTS LIABILITIES	34,827,972	31,718,050	29,321,536
4	FINANCIAL LIABILITIES	3,850,106	4,750,460	6,263,208
5	PAYABLES	836,934	850,121	958,201
6	OTHER LIABILITIES	549,750	4,504,755	734,277
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,955,504	45,832,668	41,635,067

The main accounting principles utilised in the financial statements are the following:

ASSETS

1. INTANGIBLE ASSETS

Goodwill
In accordance with IAS 38 "Intangible assets" and IFRS 3 "Business Combinations", the goodwill, having an indefinite useful life is not systematically amortised, but is subject to an impairment test, to be performed on an annual basis or a shorter period where events or circumstances indicate the existence of a permanent loss in value.

For this purpose, the Group:

- Identified the cash flow generating units related to the goodwill recorded;
- The identification has been made through criteria which takes into account the minimum organisational level to which the goodwill is monitored by senior management;
- Determined the recoverable value of each cash-generating unit as the higher between its fair value and its value in use;
- Identified the future cash flows from each cash-generating unit for the value in use of the goodwill;
- Appropriately discounted the future cash flows to determine the "recoverable value" of the goodwill and record any loss in value.

For business combinations and other business aggregations completed in 2010, reference should be made to part F.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful life mainlymainly consists of brands, which do not have limitations in terms of useful life as per contractual, legal, economic and competitive conditions. Intangible assets with indefinite useful life are not amortised but are annually tested, or more frequently where there is an indication that the asset may have suffered a loss in value, to identify any impairment.

Other intangible assets
In accordance with IAS 38 an intangible asset is recorded only if identifiable, controllable, determinable in the cost and able to generate future economic benefits.
Consequently, set-up and expanding costs and research and advertising costs are recognized in the income statement when incurred.
Intangible assets which may be capitalised are amortised on a straight-line basis over the estimated useful life of the asset, subject to verify whether there has been a loss in value. There are no intangible assets generated internally.

The explanatory notes provide indications on the useful life of each category of intangible assets.

2. PROPERTY & EQUIPMENT

The item includes buildings for use by the company and other fixed assets.
IAS 16 "Property, plant and equipment" provides that the buildings for use by the enterprise are initially recognized at cost; subsequent evaluation may be performed on the basis of the cost model (paragraph 30) or of the revalued amount (paragraph 31).
In relation to investment property, the Group decided to utilise the cost principle for the valuation of buildings for both own use and investment use. Reference should be made to the paragraph related to investment properties.

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if 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 related liabilities are recognized in accordance with IAS 17.

Also included in this category are buildings classified as inventory in the financial statements of the companies operating in the real estate segment. These are valued, in accordance with IAS 2, at the lower between cost (including purchase cost, transformation and other costs incurred) and net realisable value. In particular, the purchase cost of the completed buildings and the real estate initiatives ongoing is determined based on the historical cost increased by the costs incurred for extraordinary maintenance, which increase permanently the value or the purchase cost of investments allocated to assets up to the current value attributed to them at the moment of acquisition. The cost is also increased for improvement expenses and, in case of buildings under construction, for borrowing costs capitalised, if specifically related to the asset.
RelatedRegarding agricultural activities, the forecast crops are evaluated on the basis of the work made up to the reporting date, while the fair value of the biological activities was determined through the comparison between the production values and market values.

3. REINSURANCE ASSETS

The item refers to the obligations of reinsurers arising from reinsurance contracts in accordance with IFRS 4. The reinsurance assets are recognised and accounted for in accordance with the accounting principles applied to the underlying direct insurance contracts.

4. INVESTMENTS

Investment property
The investment properties include properties held for rental purposes and/or for the capital appreciation.
IAS 40 "Investment properties", which rules the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, they should be initially recongnized at cost, subsequently to evaluate investment properties the entity can choose between the cost or the fair value.
The fair value is the price at which the ownership of the building can be exchanged between knowledgeable and willing parties at an arm's length transaction, which is normally referred to as the market price.

Except for the followings, the Group has chosen to utilise the cost model to evaluate all buildings – both those utilised by the entity, and those held as investment properties utilised by third parties.
In accordance with IAS 16, as referred in IAS 40, the Group provided for:

- Separate from the value of the buildings fully owned, the value of the land where the buildings are located. As land have unlimited duration, they are not subject to depreciation;
- Recognize the depreciation on the determined net value, calculated through the application of specific technical-economic depreciation rates determined in relation to the expected residual use of the each part of the buildings, such as the equipment and the structure;

The investment properties are subject to impairment test also through comparison of the book value with the fair value, estimated by independent valuation experts.

revaluations of the buildings performed in previous years were not excluded in the re-determination process of the costs. They were considered part of the amortised cost, since they reflect the change in the price indices or were made to proxy the fair value of the buildings at the revaluation date, they concur to determine the amortised cost.
Differently, to evaluate the property transferred to the Tikal R.E. closed Real Estate Fund, was utilized the fair value as replacement of cost, consistently with the choices adopted in the "First Time Adoption" phase.
Any profit or loss due to the disposal of an investment property is recognized in the income statement in the year of its disposal.

Investments in subsidiaries, associates and joint ventures
The item includes investments in associated companies valued under the equity method, and investments in subsidiaries which the Group does not consider to material and valued at cost. As previously described in the paragraph related to the consolidation, an entity subject to joint control with other parties (joint ventures) is included in this item, consistently with the application of the proportional consolidation method.

Financial Instruments
IAS 39 – "Financial Instruments: recognition and measurement" provides that the financial instruments should not classify, based on their nature, but based on their use in the operational activity of the entity. In particular, IAS 39 identifies, the following categories for the classification of financial assets:

- "financial instruments valued at fair value through profit or loss" - include the securities held for trading in the short-term period and securities which, are recognized by the entity in this category, on the basis of their features;
- "loans and receivables" which, beside receivables and loans, as defined by the Italian accounting principles, include debt securities not listed, not available for sale and whose recovery depends exclusively on the credit worthiness of the issuer;
- "financial instruments held-to-maturity", include debt securities with fixed maturity and fixed or determinable payments which the entity intends to, and is apabl to, hold to maturity;
- "financial instruments available-for-sale", include securities not classified in the previous categories.

Financial assets are initially recognized at the fair value which generally corresponds to the price paid for their acquisition. Subsequently, in accordance with the criteria identified in IAS 39 each category of financial instrumesnts is valued differently. In particular:

- The financial instruments at fair value through profit or loss, are valued at fair value, and the difference between the fair value and the initial value is recognized in the income statement;
- The financial instruments held to maturity and the loans and receivables are valued at amortised cost, calculated utilising the effective interest rate method;
- The financial instruments available-for-sale are valued at fair value, and the differences are directly recognized in the shareholders' equity as a separate specific reserve. This reserve is reversed to the income statement when the financial instrument is realized or a loss has occurred due to the reduction in value.

It should be noted that, the ordinary sales and purchases of financial assets are accounted for at the settlement date of the operation, that is the date in which the Group receives or delivers the asset.

Additionally, in accordance with IAS 32, any gains or losses due to sale/purchase of treasury shares is recognized in the income statement, while the amount paid or received is directly recognized in the shareholders' equity.

This method is applied also in case of sales of treasury shares which do not result in loss of control. Therefore, as long as the control is maintained the gains and losses due to the dilution are recognized in the shareholders' equity for a better representation of the result for the year. This accounting method does not apply to the sale of investments in subsidiaries held in portfolio of the separated management of the Life Insurance Sector, in consideration of the particular consolidation mechanism of these profits in the services to be recognised to the policyholders.
It should also be noted that in case of acquisitions of further investments in subsidiaries, the difference between the purchase cost and the book value of the non-controlling interests acquired are accounted for in theGroup shareholders' equity, as per the so-called economic entity theory.

Reclassification of financial instruments
We recall, that in accordance with IAS 39, currently in force, as enacted on October 13, 2008, a financial asset classified as available-for-sale may be reclassified in the category "loans and receivables" provided it complies, at the acquisition date, with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The operational choices and the relative impacts, are disclosed in the explanatory notes.

Based on this option, as of January, 1 2009 the Group reclassified to “Loans and Receivables”debt securities for Euro 808,419 thousand that as at December 31, 2008 were included in the item “Financial Assets Available-for-sale” . These securities, mainly containing subordination clauses and issued by corporate parties, were measured at fair value as at December 31, 2008 through mark-to-model, with the objective to provide maximum transparency and clarification in the valuations of the accounts. This intention does not easily match with the nature of the securities and with the difficulties to define and, therefore, to provide an objective fair value, in consideration of the current economic-financial crisis which does not permit normal pricing, in particular for these types of securities.
The value transferred is equal to 2.4% of the total amount of the Investments of the Group as at January 1, 2009: therefore this reclassification operation was not considered significant for the purposes of the fulfil of the attachment related to the “Details of the financial assets reclassified and of the effects on the income statement and on comprehensive income”.
For the residual value of the financial instruments transferred reference should be made to the account “Loans and receivables” in the explanatory notes.

Loans and receivables
The account includes loans as defined by IAS 39.9, with the exclusion of trade receivables.
In particular, the account includes the deposits of the reinsurers of the ceding companies, some debt securities held which are not listed on an active market, the mortgages and loans given, as well as loans on life policies and time deposit contracts.
This latter includes the value of the “time deposit” securities acquired, while the value of the “time deposit” security sold is recorded under Financial Liabilities in the account Other Financial Liabilities.

The interest and the difference between the “current” and “forward” value is recognized as Income deriving from other financial instruments.
The loans and receivables are measured under the amortised cost method, using the effective interest rate method.

Investments held-to-maturity
This account includes financial instruments with fixed maturities and fixed and determinable payments which the Group has the intention and capacity to hold until maturity. Specifically debt financial instruments of the Life Insurance sector servicing policies with specific provisons are included in this account. Investment held to maturity are measured at amortised cost, using the effective interest rate criteria.

Measurement of the fair value of financial instruments
The fair value represents the payment for which an asset may be exchanged or a liability settled in an arm’s length transaction between willing and knowledgeable parties, at a certain date; therefore, this consists of the price that would be paid in an ordinary transaction, or a transaction which concerns market participants or transactions between willing market participants, therefore excluding forced transactions.
The determination of the fair value of the financial instruments is based on the going concern of the business.

The criteria to determine the hierarchy of fair value, based on market parameters, are the followings:

Level 1: Quoted price inactive markets
The valuation is the market price of the identical financial instrument that have quoted price in 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 observabed on the market.

Level 3: Valuation methods based on non observable market parameters
The determination of the fair value is based on valuation techniques which are prevalently based on significant input not available on the market and on estimates and assumptions made by management. In case the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

Further disclosure required by IFRS 7 is provided in the explanatory notes.

Financial assets available-for-sale
The item includes all non-derivative financial assets, designated as available-for-sale. The account relates to the majority part of the financial assets of the Group, represented by equity securities mostly listed, mutual funds quotas and debt securities (both listed and non listed), which the Group has designated as belonging to this category.

As previously illustrated, the gains and losses from fair value changes of these assets are directly recognized in the shareholders'equity until they are disposed or have incurred a permanent loss in value. At that moment the gains or losses, already booked in tha shareholders' equity, are recognized in the income statement of the period.

Impairment on financial instruments belonging to the AFS segment

In relation to the recognition of losses for reduction in value, it should be noted that IAS 39, paragraph 59, indicates as indicators of a possible reduction in the following qualitative factors:

- significant financial difficulties of the issuer;
- breach of contracts or failure to pay interest or capital;
- risk of insolvency procedures for the issuer;
- elimination of an active market for the financial assets subject to valuation;
- data which indicates the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
    - unfavourable changes in the payments of the beneficiaries in the Group;
    - local or national economic conditions which are related to the non compliance of the activities within the Group.

As per Paragraph 61 of IAS 39 the evidence of reduction of value of an instrument represented by capital provides information of important changes that caused adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction in the market value of equity instrument below the original purchase cost constitutes an evidence for impairment.

Following the publication of the "IFRIC Update" in July 2009, it became clear that the two criteria "significant or prolonged" must be applied separately and not jointly. The requirement of the above stated Joint Document No.4 of March 3, 2010 has already been applied by the Group starting from the 2009 half-year report.

Therefore for the purposes of the recognition of the reduction of value, the Group defined the conditions for the prolonged and significant reduction of fair value, the following:

1. reduction in market value above 60% of the original cost at the reporting date of the financial statement;
2. market value continuously lower than the original book value, for a period of two years.

The change in the determination of the significant condition from 80% to 60% is to be considered a more prudent criteria consistent with the best market practice.

For the financial assets AFS that are not subject to the "automatic" criteria stated above, in the presence of significant losses on equity securities and funds, further analytical evaluations are carried out to ascertain the presence of any impairment indicators.
Where such analysis indicates difficulty in the recovery of the book value, the entire negative reserve is recognised in the income statement.

Financial assets at fair value through the profit or loss account
The account includes the financial instruments held for trading in the short-term period, as well as the assets which the Group has designated in this category in accordance with IAS 39 currently in force. The category includes therefore both debt securities and equity securities listed and non listed, as well as the positions open on derivative finance contracts held for both efficient management and for fair value and cash flow hedges.

This account also includes financial instruments hedging insurance or investment contracts issued by the insurance companies for which the investment risk is on the policyholder, as well as the financial assets deriving from the management of pension funds (so-called class D of the investments according to Italian GAAP).
As per the above-mentioned Amendment to IAS 39 in October 2008, the category of financial assets through the profit and loss is "open" and, therefore, when the asset is no longer held for the purposes of its sale or repurchase in the short-term, the asset may be classified outside of 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 world financial markets in the final four months of 2008 was a clear example.

5. OTHER RECEIVABLES

This account includes the trade receivables as per IAS 32 AG4 (a) in application of IAS 39.
The main receivables recognized in the account relate to positions with: policyholders for premiums due, agents and other brokers, co-insurance and reinsurance companies.

Receivables are valued at amortised cost calculated using the effective interest rate method, identified calculating the rate which is equal to the present value of the future cash flows of the receivable to the amount of the loan granted.
The amortised cost method is not utilised for receivables of a short-term nature. These receivables are valued at historical cost which is equal to the nominal value and are periodically subject to impairment tests. Similar criteria is utilised for the receivables without established maturities.

Periodically, an estimate is made of the unrecoverable credit risk. The uncollectible receivables are written down at the moment of the identification, taking into account the financial effects related to the expected realisable period, where significant.

6. OTHER ASSETS

Non-current assets or disposal group classified as held for sale
This account includes non-current assets or disposal groups held for sale in accordance with the definition of IFRS 5. These assets are recorded at cost and valued at the lower between book value and fair value, net of selling costs.

Deferred acquisition costs
The acquisition commissions due to the 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 Insurance sector, the amortisation is made up to the limits of the policy loading. Periodically, the future use of the acquisition commissions are re-examined. All other charges incurred for the acquisition of the risks related to long-term contracts and for their management are recognized in the income statement in the year incurred.

Deferred tax assets and tax receivable assets
Tax receivables refers to assets of a fiscal nature as defined by IAS 12.
The Group records the effects related to current and deferred income taxes based on the valuation of the tax charge for the period determined in accordance with fiscal regulations. In case of temporary differences between the result for the year and the taxable income, the deferred tax is calculated taking into account the fiscal rate in force at the moment of the reversal and making adjustments in tcase of a change in rates compared to those applied in previous years.

The deferred tax assets are accounted for up to the amount of their probable recovery in relation to the capacity to generate taxable income in the future.
This account also, includes tax receivables assets due to payment of taxes pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02 as brought into law by article 1 of Law 265/2002, as supplemented. This is in compliance with Regulation No. 7 of 13/07/2007 even if the above-mentioned assets do not relate to income taxes.

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

Other assets
The account includes the transitory reinsurance accounts, the deferred commissions connected relatedto contracts not subject to the application of IFRS 4 and other residual assets not included in the previous accounts.

Financial service contracts related to insurance policies
ndex linked and unit linked products of financial nature are splitted between the financial contract component (IAS 32 and 39) and the service contract (IAS 18) to manage the investor's position.

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

- The related revenues and costs of the operation must be recorded simultaneously;
- The associated revenues and costs for an operation which results in services must be recorded with reference to the stage of completion of the operation.

The stage of completion may be determined through different methods. In particular, when services are performed through an indeterminate number of acts over a specified period of time, revenue are recognised on a straight-line basis over the specified period unless there is evidence that the use of other method would better represent the stage of completion.
On the basis of the above considerations, the amortisation of the costs incurred on financial contracts and, conversely, the revenues not yet matured related to these contracts were determined on a straight line basis.
Therefore for the financial contract component the liability is valued at Fair Value while the service contract component being the cash flows (loading) not aligned with the costs (commissions and operating expenses), defers the revenues (Deferred Income Revenue, “DIR”) and the acquisition commissions (Deferred Acquisition Cost, “DAC”).

For index-linked products the estimate of the DIR and the DAC, amortised for the period between the inception up to the valuation date, is made directly on the portfolio in force taking into account the total loading and the acquisition commissions by tranche.
For the financial unit linked products the revenue, loading and management commissions, this latter for the estimated amount, are always considered higher than the costs and they are recorded on an accruals basis over the residual duration of the contract.

7. CASH AND CASH EQUIVALENTS

The account includes cash, bank accounts and deposits payable on demand as well as other highly liquid investments, readily convertible into cash and without any risks.
These balances are recognized at their nominal value.

LIABILITIES AND SHAREHOLDERS’ EQUITY

1. SHAREHOLDERS’ EQUITY

Attributable to the Group

The account includes instruments representative of capital and the related Group equity reserves.

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

The account **Profits and losses on financial assets available-for-sale** includes the gains and losses due to the valuation of the financial assets available-for-sale net of the related deferred tax where applicable, and the part attributable to the policyholders and recorded under insurance liabilities (so-called shadow accounting).

The account **Treasury shares** includes, as adjustments to the Group shareholders’ equity, the book value of the instruments representative of capital of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

Attributable to non-controlling interests

The account includes the instruments and the components representative of capital and related reserves attributable to non controlling interest.

2. PROVISIONS

The account includes the liabilities defined and governed by IAS 37. Provisions for risks and charges are made only 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 presumable financial obligation. The future financial cash flows are discounted only if the effect is significant: in this case the adjustment of the provisions made for the passing of time is recorded as a financial charge on the basis of a discount rate which reflects the current valuation of the cost of money on the market.

3. INSURANCE CONTRACT LIABILITIES

The account includes the commitments from insurance contracts gross of the reinsurance cessions. In particular, they include the provisions made following the verification of the adequacy of liabilities and the deferred liabilities to policyholders.

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

In particular:

Non-Life Unearned Premium provision
Article 37 of Legislative Decree 209/05 requires the obligation to record the unearned premium liabilities under two components, “provision for fraction of premium” and “provision for current risks”.

- *Provision for fraction of premium*
  This is calculated in all the Classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in Articles 51 and 52 of Legs. Decree No. 173/97.
  For the risks deriving from hailstorms and nuclear energy, the calculation was made as per article 15 of ISVAP Regulation No. 16/2008.
  For the Credit Class, the provisions of article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.
  In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural catastrophes, in accordance with ISVAP Regulation No. 16.
  In the bail class, the additional provisions were made in accordance with article 12 of ISVAP Regulation No. 16.

- *Provision for current risks*
  This provision in accordance with article 9 of Regulation 16/08 aims to cover the risks on the company after the year-end, to meet all the costs for claims which may arise from contracts which contributed to the formation of the provision for the premium fraction, in the limits that the expected costs of these risks exceed the provisions for the premium fraction.

  The calculation procedure to determine this provision is in accordance with the empiric method as suggested by the Supervisory Authority in the above-mentioned Regulation, applied separately for each class, and, within each class, for each category of risk included. The ratio of claims utilised was also determined taking into account a sufficient period of time in relation to the nature of each class or of individual types of risks included.

Non-Life Claims provision
The claims provision represents the total amount of the funds which, based on a prudent valuation of objective elements, are necessary to face the payment of claims open at the year-end, as well as the relative settlement expenses.
The claims provision is determined in accordance with Article 27 and thereafter of Regulation 16/08, utilising the latest cost as calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate related to the claims occurred during the year but not yet reported at the year end.

In particular:

- *Motor TPL Division*
  In accordance with article 37, paragraphs 5 and 6 of Legislative Decree 209/05 and Articles 24-34 of Regulation No. 16, the Company determined the claims provisions as following.

  a.1 Provision for claims reported

  The claims provision includes the amounts that, based on a prudent evaluation of objective elements and separately for each claim, are necessary to face the payment of the claims of the year, or of previous years still not paid, as well as the related settlement expenses.

  The provision is determined on the latest cost and therefore takes into account all foreseeable charges, determined on the basis of historical data and objective prospective elements.

  The claims provisions recorded in the accounts is the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through analytical analysis of the single open positions by the settlement offices, followed by a process, assigned to the management level of the company, utilising statistical-actuarial methods to determine the measure of the latest cost of the claims.

  When the preliminary valuation is not made by the settlement offices, a statistical average cost reserve is applied.

  The average statistical cost was defined grouping the claims in homogeneous categories, divided by type of claim (material, injury, mortal), type of vehicle, province. For these categories of claims the average statistical cost was obtained from the average cost paid on the basis of the damages settled in the year and in previous years. In order to obtain reliable estimates, it is necessary that the number of each identified homogeneous group is sufficiently large; in case this does not occur, the territorial factor "province" is replaced by the territorial factor "region", or regions are combined until eventually the integration of the entire national territory. In this case it is possible to obtain sufficiently large combinations. For CARD Debtor the average statistical cost was adjusted to take into account the regulations defined by ISVAP relatied to the threshold and plafond on physical claims while on the CARD material damage has been set equal to the flat-rate due.

  In particular, with the introduction of direct indemnity in 2007 and further amendments, it was necessary to separately evaluate the claims provision of the current generation from that of the previous ones.

  <u>Current generation</u>

  On this data a verification process was made based on the principal statistical basis:

  - cancellation speed;
  - settlement speed;
  - average cost paid;

- average reserve cost;
- average cost accepted;
- ratio between claims and premiums.

Previous generations

With reference to the previous generations the historical series of the claims caused by our policyholders with the claims managed were updated. This historical series, for the introduction of the direct indemnity, is not linear, which is the basis of each actuarial statistical method. For this reason the Fisher-Lange model was updated in order to include the operational discontinuity and take into account the projection of future payments.

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

The process for the determination of the Motor TPL is based on the following principles:

- The Fisher Lange model was confirmed as the benchmark statistical actuarial method utilised. This choice was made based on the need to calculate the estimate of the reserve taking into account modifications made to the settlement policies and due to the effect of the direct remuneration system, in addition to the effect of the changes introduced by the new claims management system around the middle of 2009.
- The valuation was made based on the claims classified by year, net of the late claims and therefore the final estimate does not contain the IBNR reserve which was estimated separately.

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

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

a.2 Provision for claims not yet reported

The provision for claims not reported (IBNR) was determined based on the criteria defined by article 32 of ISVAP Regulation No.16 of March 4, 2008 as following.

Considering that the valuation of the claims provision at latest cost is carried out by year of occurrence, the estimate includes the provision necessary to face the claims attributable to the year but not yet reported at the year-end, based on the historical experience in previous years.

The estimate of the number of expected IBNR was carried out with the Chain-Ladder method applied on a historical series of reported claims. An “accepted claims” rate was applied to the IBNR number consistent with the actual data in order to obtain the definitive estimate.

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

- *Other Non-Life Classes*

  The valuations were made analytically claim-by-claim by the department dedicated to the settlement. These valuations were adjusted by the management based on the results of specific valuation models, in order to determine the ltest cost of the claims. These models take into account past experience in relation to the adequacy of the claim provision and the effective show of late claims.

- *Settlement expenses*

  With reference to the quantitative and attribution of the settlement expenses the following is noted:
  - on payment, the external expenses are directly allocated 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, the external and internal expenses are a component of the valuation of the provision at the latest cost and are subsequently determined applying to the total provision a percentage defined based on the experience from the trend in the settlement expenses.

- *Late claims provision*

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

Other technical provision

In accordance with article 37, paragraph 8 of Legislative Decree 209/05, this account includes the ageing reserve comprising the insurance contracts against long term disease and for which the company has renounced the right of withdrawal; the provision was calculated in accordance with paragraph eight of the above-mentioned article.

Catastrophic and equalisation provision

IFRS 4 “Insurance contracts” defines insurance liabilities as a net contractual obligation by the insurer in accordance with an insurance contract.

Based on this definition, the financial statements prepared in accordance with IAS/IFRS may not include any component of the premium provision which, although mandatory for Italian GAAP as made in compliance with specific regulations, do not relate to individual insurance contracts but the overall contracts covering a certain risk of a catastrophic nature and are calculated, based on a flat-rate, in addition to the provision for premium fraction of the individual contracts, calculated with the pro-rata method, aimed to strengthen the ability to cover these of a catastrophic nature.

Therefore, these additional provisions are made not as a consequence of claims already occurred (which gives rise to a contractual obligation of the insurer, to be recorded in the claims provision) but against the possibility that claims of this nature will occur in the future. In accordance with IFRS 4, this event should be covered not through a liability, but through a greater amount of shareholders’equity.

Life insurance contracts liabilities

The insurance contracts liabilities of the direct life insurance relatedis calculated analytically for each contract, on the basis of the commitments without detraction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and operating expenses) used for the calculation of the premiums related to the contracts in force. In any case, the actuarial provision is not lower than the redemption values. The premium quota related 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 No. 21 and the additional provisions for the base techniques to take into account the higher charges which the company will incur to face the existing differences between the interest rate given to the policyholders and the trend of the expected yields of the separated managements over the next four years.

These provisions meet the commitments related to the life insurance policies and those with discretional profit participation.

Shadow Accounting

To provide greater disclosure of the data application was made of paragraph 30 of IFRS 4 to correlate the value of the actuarial provision related to discretional profit participation contracts of the policyholders (including the separated management in the Life Insurance Sector) with the value of the relative assets determined in accordance with IAS 39.

The securities included in the separated management of the Life Division are included in fact in the category “available-for-sale”, or in the category “fair value through the profit or loss” and, as such, are valued at fair value, recognizing as an increase in shareholders’ equity or in the result for the period of the difference between the fair value and the carrying value determined in accordance with Italian GAAP.

Therefore, the return on the securities included in the separated management determines the returns of the policyholders and the impact on the amount of the actuarial provision.

The insurance contracts liabilities were adjusted for the contracts included in the separated management in accordance with the valuation of the related assets, recognizing the difference in the shareholders’ equity (or in the income statement); in this manner the liabilities of these contracts take into account the unrealized gains and losses of the securities assigned to the separated management attributable to policyholders. Based on the contractual clauses and current regulations, these differences are recognised to the policyholders only when realised with the sale of the relative assets.

It should be noted that the recognition method is adopted in the limits of safeguarding the minimum guaranteed return contractually, within each separated management, for each minimum guaranteed line, in order not to penalize the rights of the policyholders. We report that, following the previously mentioned amendment to IAS 39, the reclassification of financial instruments has been taken into account also for shadow accounting purposes.
The above-mentioned accounting treatment allows to reduce, although partially, the valuation mismatch between assets and liabilities and within the minimum provision levels emerging from the adequacy tests of the liabilities.

Adequacy test on liabilities (Liability Adequacy Test or LAT)
In accordance with IFRS 4 insurance companies must verify the adequacy of the insurance contract liabilities recorded in the financial statement. This verification must comply with some minimum requirements based on the best current estimates of the cash flows related to the contracts in portfolio at the year-end and of those related (such as settlement expenses), and should take into account cash flows from guarantees and implicit options.

Any deficiencies in the insurance contract liabilities recorded in the financial statement in relation to the estimate of the future cash flows must be fully recognised in the income statement.

In relation to this it should be noted that the Italian regulations do not explicitly require to perform tests on the adequacy of the insurance contract liabilities. However, specific Italian provisions in relation to insurance companies require certain fulfilments which are similar to IFRS 4, although not satisfying all the requirements.
In particular, for the Life sector the actuarial provisions are calculated on the basis of demographic and financial assumptions utilised to determine the pure premium (first order technical bases), in turn integrated by the so-called additional insurance contract liabilities based on current assumptions at the moment of the valuation (second order technical bases). These include:

- the provision on the expected returns as per article 35 of ISVAP Regulation No. 21 which in any case is not extended to the duration of the contracts;
- the additional provision for demographic risk, under article 50, paragraph 2 of ISVAP Regulation No. 21;
- the additional provisions to guarantee the result and/or repayment of the capital (pursuant to article 41 Legislative Decree 209/05).

Therefore, the Group developed a measurement model on the adequacy of the insurance contracts liabilities in the Life Insurance sector which is illustrated in section E related to the uncertainty of the financial insurance flows.

With reference to the Non-Life insurance sector, the components of the premium provision attributable to the provision for current risk, which is necessary whenever the expected claims in the class are higher than those utilised in the construction of the tariff premium, is considered representative of a reasonable approximation of the adequacy test of the liabilities. In relation to the claims provision, the Italian regulations established that these must be determined in accordance with the latest cost criteria, that is the total sum paid to the beneficiary at the moment of indemnification. Also in this case the determination of the claims provision in accordance with Italian GAAP based on the principle of the latest cost is inclusive of the principal future cash flows without taking into account any discounting factors may be considered greater than those from the application of the L.A.T. in accordance with IFRS 4.

4. FINANCIAL LIABILITIES

The account includes the financial liabilities as per IAS 39 other than trade payables as per IAS 32 AG4 (a).

Financial liabilities at fair value through profit or loss account
The account includes the financial liabilities valued at fair value through profit or loss as defined by IAS 39. In particular, the account includes the commitments to policyholders from investment contracts not regulated by IFRS 4, as well as those from the management of pension funds.
Therefore these categories includes the liabilities related to those products with characteristics indicated by article 41, paragraph 1 and 2 of Legislative Decree 209/95, such as unit and index linked, as well as Class VI insurance contracts, whose limited underlying insurance risk resulted in the reclassification from insurance contracts to financial contracts.

In this case the recording through the profit and loss of the fair value changes allows the correlation of the underlying assets with the valuation in accordance with the Explanatory memo of November 19, 2004, issued by European Commission regarding the correlated valuations between the assets and liabilities ,IAS 39 as well and the indications provided by Isvap in Regulation No. 7 of July 13, 2007.
The account also includes the losses on derivative in place at the end of the year.

Other financial liabilities
The account includes the financial liabilities defined and governed by IAS 39 not included in the previous category. in particular it includes the financial and operating liabilities of the Group, such as the subordinated loan (for the financial component), the deposits received from reinsurance, other loans and other financial liabilities.
Aditionally it includes the investment contracts not subject to IFRS 4 unit and index linked, such as, contracts pursuant to article 33, paragraph 4 of Legislative Decree 209/05.
These liabilities which on first recognition are initially recognized at fair value, are subsequently valued at amortised cost determined utilising the effective interest rate method.

5. PAYABLES

The account includes trade payables as per IAS 32 AG4 (a) and IAS 39. In particular, the account includes the payables from direct and indirect insurance operations, as well as provisions for employee leaving indemnities.

Employee leaving indemnity and other employee benefits

Following the pension reforms, from January 1, 2007 with application of Legislative Decree No. 252/2005, private sector employees may choose, depending on whether they work in a company with less or more than 50 employees, to allocate the portion of the Employee Leaving Indemnity that matures after January 1, 2007 to an INPS Treasury Fund or to a Complementary Pension. This choice must be made by June 30, 2007 or within six months from the employment date.

Following this reform the portion matured at December 31, 2006 continues to be considered as a “defined benefit plan”, but the liability was recalculated without taking into account the pro-rata service as the service to be valued has already fully matured, giving rise to the “curtailment” recorded in the income statement in 2007 in one single amount (see paragraph 111 of IAS 19).

In relation to the portion matured after December 31, 2006 and allocated to the INPS Treasury Fund and/or Complementary Pension, this is considered a defined contribution plan and therefore no longer subject to actuarial valuation.

Service bonus pursuant to Art. 32 CCNL
The fund was created for all employees of insurance companies with 25 and 35 years of service at the insurance company based on the annual contributions matured at the payment date. Annually, in accordance with Italian GAAP, the provision is made for each employee in service for the amount matured. The provision is used for the premiums paid. This provision is recognized in accordance with IAS 19, also qualifying as “other long-term employee benefits”.

6. OTHER LIABILITIES

Tax liabilities and deferred tax liabilities
The account includes the tax liabilities as defined and governed by IAS 12.
The valuation of the fiscal charge, for the current period and deferred, related to the income taxes is made based on the actual tax rates at the statement of financial positionreporting date.
In particular, the recognition of the deferred liabilities occurs, generally, for all the temporary differences, whether financial or economic, which will reverse in future years applying, the tax rates in force when they reverse. At the year-end, the current and deferred tax liabilities are recognized net of the corresponding tax assets in accordance with the compensation rules provided by IAS 12.

INCOME STATEMENT

INSURANCE CONTRACTS

From the date of entry into force of IFRS 4, all the contracts not having a significant insurance risk, although legally insurance contracts, were reclassified. In particular all the contracts related to the Life Insurance Division (except those with discretional 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 recognized as financial contracts in accordance with the provisions of IAS 39 ("deposit accounting" method). The contracts which comply with the definition of IFRS 4 are accounted for in accordance with the actual rules of Italian GAAP and the relative provisions are subject to the adequacy test.

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

- Insurance contracts and financial instruments with discretional profit participation 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 Insurance Sector are accounted for in accordance with IFRS 4 as are all the contracts of the Life Insurance sector with the exception of the unit linked contracts of some portfolio indices, valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (measured at fair value through the profit or loss) from the component of premiums attributable to the services on behalf of the policyholders, valued in accordance with IAS 18.

PREMIUMS WRITTEN

The gross premiums written include the amounts matured during the year for the insurance contracts, as defined by IFRS 4 (Insurance Contracts). This item does not include revenues related to the policies which although legally insurance contracts, have an insignificant insurance risk and therefore fall under the scope of IAS 39 and IAS 18. These contracts are in fact treated under the "deposit accounting" method which, inter alia, requires explicit and implicit loading, to be recorded in the income statement, 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 ISVAP Regulation in relation to the accounts of insurance companies, the premiums include:

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

FEE COMMISSION INCOME AND EXPENSES

These accounts include commissions related to the investment contracts not included within the scope of IFRS 4. As already mentioned to in the comment on the premium item, 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 intermediariess.

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

INVESTMENT INCOME

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

Income/expensess from investments in subsidiaries, associates and joint ventures
This includes income originated from eqioty investments in associated companies recorded under the corresponding asset account. This relates in particular to the share of the result for the period pertaining to the investee companies.

Income/cexpenses from other financial instruments and investment property
This item include:

- income and gains realised (and expenses and losses realised) on investments classified as “available-for-sale”;
- income and expenses on loans and receivables;
- income and expenses related to investment property.

OTHER REVENUES

The account includes:

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

NET INSURANCE AND BENEFIT CLAIMS

The account includes:

- the amounts paid, net of recovery;
- the changes in claims provisions and other inusrance contract liabilities in the Non-Life Sector;
- the changes in actuarial reserves and other inusrance contract liabilities in the Life Sector;
- the changes in inusrance contract liabilities related to the contracts for which the investment risk is on the policyholder related to insurance contracts and financial instruments that fall in the application scope of IFRS 4.

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

INVESTMENTS EXPENSES

Expenses from investments in subsidiaries, associates and joint ventures

This item Includes the charges arising from investment in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result for the period pertaining to the in the investment of the investee companies.

Expenses from other financial instruments and investment property

The account includes expenses from investment property and financial instruments not measured at fair value through profit or loss and in particular:

- Financial expenses recognised utilising the effective interest method;
- Other charges and, in particular, the costs related to investment property, such as property expenses, and maintenance and repairs expenses not carried out to increase the value of the investments;
- Losses realised following the sale of financial assets and investment properties or the derecognition of financial liabilities;
- Losses on valuation, mainlymainly due to depreciation and impairment.

OPERATING EXPENSES

Commissions and other acquisition expenses

The account includes acquisition costs related to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

Investment management charges

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

Other administration expenses
The account includes general and personnel expenses not allocated to the relative claims expenses, expesnses related to, contract acquisition and investment management charges. The account relates in particular to the general expenses and personnel costs of the companies which do not exercise activities in the insurance sector, not otherwise allocated, as well as the general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not included within IFRS 4.

OTHER COSTS

The account comprises:

- The costs related to the sale of goods other than those of a financial nature;
- The other net technical charges related to insurance contracts, (refer to the comments on the premium items);
- The provisions made in the year;
- The exchange differences recorded in the income statement as per IAS 21;
- The losses realised, and any impairment, depreciation and amortization of property and equipments, and on intangible assets.

INCOME TAX

The income taxes recognized in the income statement include all taxes, current and deferred, calculated on the income of the Group on the basis of the theoretical tax rates in force at the date of the statement of financial positionfinancial statement, except for those directly recorded in shareholders' equity, such as those related to adjustments to assets and liabilities in the financial statement directly recognized in the shareholders' equity.
The account includes:

- The charges (or income) for current taxes in the year and any adjustments made in the year for current taxes related to previous years;
- The charges (or income) for deferred taxes related to the temporary fiscal differences as well as adjustments to deferred taxes made in previous years following, in particular, changes in tax rates;
- The amount of the deferred tax charge or income based on the elimination, in future years, of the temporary fiscal differences which were originally recorded;
- The amount of tax charges (or income) related to changes in accounting principles, valuation processes, estimates or errors compared to those made in previous years.

COMPREHENSIVE INCOME STATEMENT

The statement shows the revenue and cost items (including adjustments from restatement) not recognized in the income statement for the year they are directly recognized in the shareholder's equity; therefore this statement shows all changes in the shareholders' equity and the profits or losses which, in accordance with IAS/IFRSs, must not be recognized directly in the income statement.

OTHER INFORMATION

SEGMENT INFORMATION

In accordance with IFRS 8, the disclosure on the operating segments provides the information which allowing users of the financial statements to evaluate the nature and the effects on the financial statements of the business activities and the economic context in which the company operates.
The standard is applied to provide information on the profits or losses in the segment including revenues and expenses, assets and liabilities of the segment based on the principles adopted. For these purposes IFRS 8 establishes operating segments as "identifiable units which undertake business activities generating revenues and costs, whose operating results are periodically reviewed at the highest managerial level for the purpose of adopting decisions on resources to be allocated to eachsegment and the assessment of the results"
The operating segments presented in this section were identified based on the ISVAP Regulation No.7 and based on the reporting utilised by management to make strategic decisions.

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

The Non-Life insurance segment provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/05.
The Life insurance segment offers insurance cover with payment of capital or an annuity in case an event related to human life occurres, and the securitisation contracts with or without significant insurance risk (article 2, paragraph 1 of Legislative Decree 209/05).
The Real Estate segment rents those offices, buildings and residential homes which exceed the coverage requirements of the insurance contracts liabilities of the Group, additionally actively operate in the management of investment properties.
The Other Activities Segment, by its nature residual, offers products and services in asset management and the financial and agricultural segments. The identification of the residual segment is based on a discretional valuation in order to illustrate the primary sources of risks and benefits for the Group.

receivables and payables, costs and revenues infra-group are directly eliminated within the segments if the companies operate within the same segment. Where the infra-group transaction relates to companies operating in different segments, the elimination is shown in the segment “Inter-segment eliminations”.
Otherwise, the treatment is the following:

- Investments are eliminated within the segment in which the companies hold the assets;
- Dividends are eliminated in the companies that receive the payments;
- realized gains and losses are eliminated by the company that recorded the relative results, even though the counterparties operate in different segments.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting standards necessarily implies significant elements of judgement based on estimates and assumptions which are uncertain at the time of their assessment.

For the 2010 financial statement the assumptions made are considered to be appropriate and consequently the financial statement are considered to be prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. As per paragraph 116 of IAS 1 summarized information is provided below. In the relative sections of the notes to the financial statement adequate and exhaustive information is provided about the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

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

However, it cannot be excluded, that changes in estimates and assumptions may determine significant effects on the statement of financial positionstatement of financial position and income statement, as well as on the potential assets and liabilities reported for information purposes in the financial statement, if different opinions from those prevailing at the time of reporting are brought to bear.

In particular, the management used more subjective valuations in the following:

- assessment of impairment of goodwill arose from business combinations, and of goodwill in investment and the relative Value of Business Acquired;
- assessment of the fair value of financial assets and liabilities when not directly obtained from active markets. In this case, subjectivity relate to, the choice of the valuation models to use or of the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of equity and debt securities, particularly those non-listed, included in the Available-for-Sale category to verify the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- assessment of the recoverability of the deferred tax assets;
- assessment of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised;

Example above aim to provide the reader of the financial statement a better understanding of the main areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

In addition, the estimante in the financial statement are made based on the going concern assumption, as any risks identified which could compromise the ordinary activity of the company. Information on financial risks is contained in Part E – Information on risks and uncertainties.

Section 5 - Consolidation scope

As at December 31, 2010, the Fondiaria-SAI Group, including the Parent Company, was made up of 115 Companies, of which 17 operate in the insurance sector, one in the banking sector, 46 in the real estate and agricultural sectors and 20 in the financial services sector; the remaining companies are service companies. The foreign company within the Group are 19.
The fully consolidated companies are 82 and those consolidated under the Net Equity method are 20, while the remaining companies are consolidated following the proportional method or maintained at carrying value given their insignificant amount to the Group.
There are 89 subsidiary companies, of which 30 are directly controlled by the Parent Company.
Subsidiaries that ,due to their size or nature of activities, are not significant for the purposes of a true and fair view of the present financial statement are excluded.

In 2010 the following companies exited the consolidation scope of the Fondiaria SAI Group:

- sale of 51% of BIPIEMME VITA S.p.A.;
- sale of 100% of BANCA GESFID S.A.;
- sale of 100% of CRIVELLI S.r.l.;
- sale of 100% of AGRISAI S.r.l.;
- dilution of the holding in EX VAR S.C.A. and consequent reduction of the holding below the threshold for associated companies;
- sale of 90% of SAI ASSET MANAGEMENT SGR S.p.A.

In addition the following operations are reported:

- incorporation of the finance 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 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 the company HYPO GARANT of DDOR Penzija Plus AD and the name of the incorporating company changed to DDOR GARANT;
- transfer of shares, equal to 40%, of DIALOGO VITA S.p.A. by Fondiaria-SAI to Milano Assicurazioni, which now holds control and subsequent merger of DIALOGO VITA S.p.A. into Milano Assicurazioni;

- transfer of shares, equal to 100%, of SAINT GEORGE CAPITAL MANAGEMENT S.A. from Banca Gesfid S.A. to Saifin-Finanziaria S.p.A. which now holds control;
- transfer of shares, equal to 100%, of APB CAR SERVICE S.r.l. by SAI HOLDING Sp.A. to AUTO PRESTO&BENE S.p.A., which now holds control;
- change in the name of the company Casa di Cura Villanova S.r.l. to CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.;
- change in the legal form of the company Hedf Isola S.c.s. to ISOLA S.C.A.;
- change in name and scope of the company Meridiano Quarto S.r.l. to APB CAR SERVICE S.r.l.;
- change in the name of the company AGRISAI S.r.l. to AGRISAI - Società Agricola S.r.l.;
- change in the name of the company CAPITALIA ASSICURAZIONI S.p.A. to INCONTRA ASSICURAZIONI S.p.A.;
- change in legal form of Auto Presto & Bene S.r.l. to AUTO PRESTO & BENE S.p.A.;
- change in legal form of the company Garibaldi S.c.s. to GARIBALDI S.C.A..

The full consolidation continues of the Tikal R.E. and ATHENS R.E. Closed Real Estate Funds, in which the Group holds control and determines the management policies of the companies. This treatment is in accordance with IAS 27 and in particular with its Basis for Conclusion.

In addition, in accordance with SIC 12, the company ADMIRAL FINANCE S.r.l. is fully consolidated - a vehicle mortgage securitisation company held by the subsidiary BancaSai.

Additionally, in accordance with IAS 27 paragraph 40 d) the associated company Fondiaria-SAI Servizi Tecnologici S.p.A. is valued at net equity method, even though Fondiaria-SAI owns a majority of 51% of the voting rights, the operating control of the company is exercised by another company in accordance with governance agreements made.

	Sector	Percentage of control Direct		Indirect	Group Holding
SUBSIDIARY COMPANIES					
Companies consolidated line-by-line					
ADMIRAL FINANCE S.r.l. (*) Rome Share Capital Euro 10,000	Financial		BANCASAI S.p.A.		
APB CAR SERVICE S.r.l. Turin Share Capital Euro 10,000	Services		AUTO PRESTO&BENE S.p.A	100.00	100.00
ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A. Milan Share Capital Euro 17,340,000	Services	51.00	MILANO ASSICURAZIONI S.p.A.	49.00	81.80
ATAVALUE S.r.l. Turin Share Capital Euro 10,000	Services		SAI HOLDING ITALIA S.p.A.	100.00	100.00
ATHENS R.E. FUND – SEPECULATIVE FUND	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
AUTO PRESTO&BENE S.p.A. Turin Share Capital Euro 5,000,000	Services	100.00			100.00
BANCASAI S.p.A. Turin Share Capital Euro 116,677,161	Banking	100.00			100.00
BIM VITA S.p.A. Turin Share Capital Euro 7,500,000	Life Insurance	50.00			50.00
BRAMANTE S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN) Share Capital Euro 9,311,200	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
CARPACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
CASA DI CURA VILLA DONATELLO S.p.A. Florence Share Capital Euro 361,200	Services	100.00			100.00
CASCINE TRENNO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00

(*) consolidated as per SIC 12

	Sector	Percentage of control: Direct		Indirect	Group Holding
CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. Sesto Fiorentino (FI) Share Capital Euro 182,000	Services	100.00			100.00
CITTÀ DELLA SALUTE S.c.r.l. Florence Share Capital Euro 100,000	Services		CASA DI CURA VILLA DONATELLO S.p.A CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. DONATELLO DAY SURGERY S.r.l. FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.	50.00 45.00 2.50 2.50	100.00
COLPETRONE S.r.l. Umbertide (PG) Share Capital Euro 10,000	Agriculture		SAIAGRICOLA S.p.A.	100.00	97.48
CASTELLO CONSORTIUM Florence Share Capital Euro 51,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l.	99.66	98.50
DDOR NOVI SAD ADO Novi Sad (Serbia) Share capital. Rsd 2,579,597,280	Mixed Insurance	99.99			99.99
DDOR RE JOINT STOCK REINSURANCE COMPANY Novi Sad (Serbia) Share Capital Euro 5,130,603.91	Insurance		THE LAWRENCE R.E. DDOR NOVI SAD ADO	99.998 0.002	100.00
DIALOGO ASSICURAZIONI S.p.A. Milan Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.85	62.76
DOMINION INSURANCE HOLDING Ltd London (GB) Share Capital GBP 35,438,267.65	Financial		FINSAI INTERNATIONAL S.A.	100.00	99.99
DONATELLO DAY SURGERY S.r.l. Florence Share Capital Euro 20,000	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share Capital Euro 5,160,000	Non-Life Insurance	100.00			100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share Capital Euro 100,000	Financial	100.00			100.00
FINITALIA S.p.A. Milan Share Capital Euro 15,376,285	Financial		BANCASAI S.p.A.	100.00	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share Capital Euro 44,131,900	Financial	19.92	SAINTERNATIONAL S.A. SAILUX S.A.	43.92 36.15	99.99

	Sector	Percentage of control Direct		Indirect	Group Holding
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. Florence Share Capital Euro 10,400	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
FONDIARIA-SAI NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070	Financial	100.00			100.00
GRUPPO FONDIARIA-SAI SERVIZI S. c.r.l. Milan Share Capital Euro 5,200,000	Services	64.16	MILANO ASSICURAZIONI S.p.A.	34.21	87.10
			SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	0.18	
			DIALOGO ASSICURAZIONI S.p.A.	0.20	
			EUROPA TUTELAGIUDIZ.S.p.A.	0.02	
			FINITALIA S.p.A.	0.02	
			INCONTRA ASSICURAZIONI S.p.A.	0.02	
			BANCASAI S.p.A.	0.02	
			PRONTO ASSISTANCE S.p.A.	0.90	
			SAI MERCATI MOBILIARI SIM S.p.A.	0.02	
			LIGURIA SOC. DI ASSICURAZIONI S.p.A.	0.02	
			LIGURIA VITA S.p.A.	0.02	
			PRONTO ASSISTANCE SERVIZI S.c.a.r.l.	0.02	
			SISTEMI SANITARI S.c.r.l.	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	
IMMOBILIARE FONDIARIA-SAI S.r.l. Turin Share Capital Euro 20,000	Real Estate	100.00			100.00
IMMOBILIARE LITORELLA S.r.l. Milan Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital Euro 24,493,509.56	Real Estate	64.17	MILANO ASSICURAZIONI S.p.A.	35.83	86.69
IMMOBILIARE MILANO ASSICURAZIONI S.r.l. Turin Share Capital Euro 20,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
INCONTRA ASSICURAZIONI S.p.A. Milan Share Capital Euro 5,200,000	Non-Life Insurance	51.00			51.00
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Milan Share Capital Euro 2,580,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
ITALRESIDENCE S.r.l. Pieve Emanuele (MI) Share Capital Euro 100,000	Services		ATAHOTELS S.p.A.	100.00	81.80

	Sector	Percentage of control Direct		Indirect	Group Holding
LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. Segrate (Mi) Share Capital Euro 36,800,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.97	62.83
LIGURIA VITA S.p.A. Segrate (Mi) Share Capital Euro 6,000,000	Life Insurance		LIGURIA SOC. DI ASSICURAZIONI S.p.A.	100.00	62.83
MARINA DI LOANO S.p.A. Milan Share Capital Euro 5,536,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MASACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000	Real Estate	100.00			100.00
MERIDIANO BELLARMINO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO BRUZZANO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO PRIMO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO SECONDO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MILANO ASSICURAZIONI S.p.A. Milan Share Capital Euro 305,851,341.12	Mixed Insurance	60.58	FONDIARIA-SAI NEDERLAND B.V. POPOLARE VITA S.p.A. PRONTO ASSISTANCE S.p.A. SAI HOLDING ITALIA S.p.A. SAINTERNATIONAL S.A.	1.50 0.02 0.05 0.51 0.20	62.85
MIZAR S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI. S.p.A.	3.12	98.84
PONTORMO S.r.l. Milan Share Capital Euro 50,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
POPOLARE VITA S.p.A. Verona Share Capital Euro 179,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A.	25.61	50.00

	Sector	Percentage of control Direct		Indirect	Group Holding
PROGETTO BICOCCA LA PIAZZA S.r.l. in liquidation Milan Share Capital Euro 3,151,800	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	74.00	74.00
PRONTO ASSISTANCE S.p.A. Turin Share Capital Euro 2,500,000	Non-Life Insurance	100.00			100.00
PRONTO ASSISTANCE SERVIZI S.c.a.r.l. Turin Share Capital Euro 516,000	Services	37.40	MILANO ASSICURAZIONI S.p.A.	28.00	79.63
			DIALOGO ASSICURAZIONI S.p.A.	24.00	
			LIGURIA SOC. DI ASSICURAZIONI S.p.A.	2.20	
			INCONTRA ASSICURAZIONI S.p.A.	0.15	
			SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	0.35	
			BANCASAI S.p.A.	0.10	
			SISTEMI SANITARI S.r.l.	0.10	
			PRONTO ASSISTANCE S.p.A.	7.70	
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
SAI HOLDING ITALIA S.p.A. Turin Share Capital Euro 50,000,000	Financial	100.00			100.00
SAI INVESTIMENTI S.G.R. S.p.A. Turin Share Capital Euro 3,913,588	Asset Management	51.00	MILANO ASSICURAZIONI S.p.A.	29.00	69.23
SAI MERCATI MOBILIARI SIM S.p.A. Milan Share Capital Euro 20,000,000	Real Estate Brokerage	100.00			100.00
SAI NETWORK S.p.A. Turin Share capital Euro 8,000,000	Financial	18.00	BANCASAI S.p.A.	64.00	93.31
			MILANO ASSICURAZIONI S.p.A.	18.00	
SAIAGRICOLA S.p.A. SOCIETÀ AGRICOLA Turin Share Capital Euro 66,000,000	Agriculture	92.01	MILANO ASSICURAZIONI S.p.A.	6.80	97.48
			PRONTO ASSISTANCE S.p.A.	1.19	
SAIFIN-SAIFINANZIARIA S.p.A. Turin Share Capital Euro 102,258,000	Financial	100.00			100.00
SAILUX S.A. Luxembourg Share Capital Euro 30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A.	99.99	100.00
			FINSAI INTERNATIONAL S.A.	0.01	
SAINT GEORGE CAPITAL MANAGEMENT S.A. Lugano (CH) Share Capital. CHF 1,200,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A.	100.00	100.00
SAINTERNATIONAL S.A. Luxembourg Share Capital Euro 154,000,000	Financial	99.99			99.99
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A.	100.00	97.48

	Sector	Percentage of control Direct		Indirect	Group Holding
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A.	30.00	88.86
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa Share Capital Euro 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A.	94.69	94.69
SIM ETOILE S.A.S. Paris Share Capital Euro 3,049,011.34	Real Estate	99.99			99.99
SINTESI SECONDA S.r.l. Milan Share Capital Euro 10,400	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	100.00	62.85
SISTEMI SANITARI S.c.r.l.	Services	78.31	MILANO ASSICURAZIONI S.p.A.	19.630	92.21
Milan			BANCASAI S.p.A.	0.040	
Share Capital Euro 1,000,000			BIM VITA S.p.A.	0.010	
			DIALOGO ASSICURAZIONI S.p.A.	0.020	
			FINITALIA S.p.A.	0.022	
			LIGURIA SOC. DI ASSICURAZIONI S.p.A.	0.220	
			LIGURIA VITA S.p.A.	0.020	
			POPOLARE VITA S.p.A.	0.510	
			PRONTO ASSISTANCE	0.030	
			PRONTO ASSISTANCE SERVIZI S.c.a.r.l.	0.410	
			SAI SIM S.p.A.	0.010	
			SYSTEMA COMPAGNIA DI ASSIC.NI S.p.A.	0.010	
			EUROPA TUTELA GIUDIZIARIA S.p.A.	0.001	
			GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	0.090	
			SAI INVESTIMENTI SGR	0.010	
			SERVICE GRUPPO FONDIARIA-SAI S.r.l.	0.010	
			SAIAGRICOLA S.p.A.	0.050	
			IMMOBILIARE LOMBARDA S.p.A.	0.200	
			SIAT SOC.. ITALIANA ASS. E RIASS. S.p.A.	0.200	
			AUTO PRESTO&BENE S.p.A.	0.200	
SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A. Rome Share capital Euro 3,877,500	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	51.67	51.67
SOGEINT S.r.l. Milan Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
SRP Services S.A. Lugano (CH) Share Capital CHF 1,000,000	Services		SAINTERNATIONAL S.A.	100.00	99.99
STIMMA S.r.l. Florence Share Capital Euro 10,000	Real Estate	100.00			100.00
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A. Milan Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
THE LAWRENCE LIFE ASSURANCE CO. LTD Dublin (IRL) Share Capital Euro 802,886	Life Insurance		POPOLARE VITA S.p.A.	100.00	50.00

	Sector	Percentage of control Direct		Indirect	Group Holding
THE LAWRENCE R.E. IRELAND LTD Dublin (IRL) Share Capital Euro 635,000	Mixed Insurance		FONDIARIA-SAI NEDERLAND B.V.	100.00	100.00
TIKAL R.E. FUND	Real Estate	59.65	MILANO ASSICURAZIONI S.p.A.	35.36	81.87
TRENNO OVEST S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78,000	Real Estate	100.00			100.00
Companies valued at cost:					
ATA BENESSERE S.r.l. in liquidation Milan Share Capital Euro 100,000	Services		ATAHOTELS S.p.A.	100.00	81.80
ATAHOTELS SUISSE S.A. in liquidation Lugano Share Capital CHF 100,000	Services		ATAHOTELS S.p.A.	98.00	80.16
DDOR AUTO DOO Novi Sad (Serbia) Share Capital Euro 9,260.97	Non-Life Insurance		DDOR NOVI SAID A.D.O.	100.00	99.99
DDOR GARANT Belgrado (Serbia) Share Capital Euro 3,309,619	Services		DDOR NOVI SAID A.D.O.	32.46	32.46
GLOBAL CARD SERVICE S.r.l. Segrate (Mi) Share Capital Euro 98,800	Services		LIGURIA VITA S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A.	51.00 44.00	59.69
HOTEL TERME DI SAINT VINCENT S.r.l. Saint Vincent (AO) Share Capital Euro 15,300	Services		ATAHOTELS S.p.A.	100.00	81.80
ITAL H & R S.r.l. Pieve Emanuele (MI) Share Capital Euro 50,000	Services		ITALRESIDENCE S.r.l.	100.00	81.80
TOUR EXECUTIVE S.p.A. Milan Share Capital Euro 500,000	Services		ATAHOTELS S.p.A.	100.00	81.80
ASSOCIATED COMPANIES					
Companies valued under the equity method:					
A 7 S.r.l. Milan Share Capital Euro 200,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.57
BORSETTO S.r.l. Turin Share Capital Euro 2,971,782.3	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	44.93	28.24

	Sector	Direct	Percentage of control	Indirect	Group Holding
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 29,165	Financial		IMMOBILIARE FONDIARIA-SAI S.r.l.	28.57	28.57
CITYLIFE S.r.l. Milan Share Capital Euro 313,059	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	27.20	17.09
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. Turin Share Capital Euro 1,040,000	Services	30.07			30.07
FIN. PRIV S.r.l. Milan Share Capital Euro 20,000	Financial	28.57			28.57
FINADIN S.p.A. Milan Share Capital Euro 100,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A.	40.00	40.00
FONDIARIA-SAI SERVIZI TECNOLOGICI S.p.A. Florence Share Capital Euro 120,000	Services	51.00			51.00
FONDO RHO IMMOBILIARE	Real Estate	30.54	MILANO ASSICURAZIONI S.p.A.	12.38	38.32
GARIBALDI S.C.A. Luxembourg Share Capital Euro 31,000	Financial		MILANO ASSICURAZIONI S.p.A.	32.00	20.11
IGLI S.p.A. Milan Share Capital Euro 24,120,000	Financial		IMMOBILIARE FONDIARIA-SAI S.r.l. IMMOBILIARE MILANO ASS.NI S.r.l.	16.667 16.667	27.14
ISOLA S.C.A. Luxembourg Share Capital Euro 31,000	Financial		MILANO ASSICURAZIONI S.p.A.	29.56	18.58
METROPOLIS S.p.A. Florence Share Capital Euro 1,120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	29.73	18.69
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.57
PROGETTO ALFIERE S.p.A. Rome Share Capital Euro 120,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	19.00	19.00
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (Mi) Share capital Euro 100,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.57
SOCIETÀ FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) Share Capital Euro 9,213,417.5	Other		IMMOBILIARE FONDIARIA-SAI S.r.l.	27.38	27.38
SVILUPPO CENTRO EST S.r.l. Rome Share Capital Euro 10,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	40.00	25.14
TRE TORRI CONTRACTOR S.c.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A.	50.00	43.34

	Sector	Direct	Percentage of control	Indirect	Group Holding
VALORE IMMOBILIARE S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	50.00	31.43
Companies valued at cost:					
MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY D N.V. Amsterdam Share Capital Euro 50,000	Other	30.00			30.00
QUINTOGEST S.p.A. Milan Share Capital Euro 3,000,000	Financial	49.00			49.00
SOCIETÀ FINANZ. PER LE GEST.ASSICURATIVE S.r.l. in liquididation Rome Share Capital Euro 47,664,600	Financial	14.91	MILANO ASSICURAZIONI S.p.A.	7.50	19.62
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.r.l. in liquidation Monza Share Capital Euro 84,601	Other	21.64			21.64
UFFICIO CENTRALE ITALIANO S.c.a.r.l. Milan Share Capital Euro 510,000	Other	14.14	SIAT SOC. ITALIANA ASS. E RIASS. S.p.A. MILANO ASSICURAZIONI S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. SYSTEMA ASSICURAZIONI S.p.A. DIALOGO ASSICURAZIONI S.p.A. INCONTRA ASSICURAZIONI S.p.A.	0.0900 10.9750 0.3090 0.0002 0.0001 0.0024	21.31

PART B – Information on the Consolidated Statement of financial position

Details and further notes to the consolidated financial statement are presented below. Further information is provided pursuant to Regulation No. 7/07 of the Supervisoty Authority and are included as Annex to the present information.

Statement of financial position - Assets

1. INTANGIBLE ASSETS

The following table sets foth the breakdown the following:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Goodwill	1,468,570	1,593,007	(124,437)
Other intangible assets	119,164	303,611	(184,447)
TOTAL	**1,587,734**	**1,896,618**	**(308,884)**

1.1 Goodwill

In accordance with IFRS 3.75, the following tables sets forth the reconciliation between the book value of the goodwill at the beginning of the year and the book value at the end of the year.

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009
Book Value at beginning of year	1,629,051	1,651,702
Permanent loss in value recognized in previous years (-)	(36,044)	(10,981)
Sub-total	**1,593,007**	**1,640,721**
Increases for the period	-	10,577
Decrease due to disposal or reclassificazion	-	(20,845)
Permanent Losses in value recognizdin the period	(71,079)	(25,063)
Exchange differences	(43,358)	(12,383)
Other changes	(10,000)	-
Value at year end	**1,468,570**	**1,593,007**

The permanent loss in value recognized in the period refers to impairments on the following goodwill:

(in Euro thousands)

DDOR Novi Sad ADO	45,890
Atahotels	7,803
Incontra Assicurazioni	7,684
Marina di Loano	5,946
Liguria Assicurazioni	3,079
Portafoglio Profilo Life	677
Total	**71,079**

The negative exchange difference refers to the depreciation of the Serbian Dinar against the Euro.

The “Other changes” include the purchase price adjustment of Liguria Assicurazioni, determined at year-end and amounting to Euro 10 million.

With reference to the purchase price adjustment, it should be noted that the purchase contract of Liguria Assicurazioni S.p.A. by Fondiaria-SAI included price adjustment procedures on the price paid by Fondiaria-SAI to De Longhi Holding SA (formerly Guala Consultadoria e Investimentos Lda) in May 2006 the following:

- verification, after the approval of the 2010 financial statements, of the adequacy of the claims provision of Liguria Assicurazioni as reported in the financial statements as of December 31, 2005;
- verification of the adequacy of the Bond Class premiums provision based on the statement of financial positionstatement of financial position prepared as of May 31, 2006, (closing date of the transaction).

Milano Assicurazioni, following the contribution in kind of the investment in Liguria Assicurazioni by Fondiaria-SAI, succeded into all receivable/payable balances of the latterwith De Longhi Holding.

Fondiaria-SAI, in the last months of the year, verified the possibility of concluding with the De Longhi Group a settlement agreement to define early the pending price adjustment procedures, that were included in the sales contract and originally expected to be defined in 2011.

Therefore, Fondiaria-SAI preliminarily carried out, through its relevant Group technical department, a simulated calculations, concluding with an estimate ranging from Euro 9 million to Euro 11 million for the total net amount to be paid by De Longhi to Fondiaria-SAI on the closing of all the outstanding matters related to the sales contract and that Fondiaria-SAI would have paid to Milano Assicurazioni based on that reported above.

Considering the substantial similarity between the result of the verification of the adequacy of the claims provision compared to that originally contracted, the cost of the independent expert appraisal established by the procedure, the duration of some bond policies issued by Liguria Assicurazioni under De Longhi’s management, which would have postponed the calculation of the amounts until 2016, the parties decided to sign an agreement for the consideration of Euro 10 million as a settlement of all outstanding matters related to the sales contract.

The table below sets forth a summary of the Goodwill as originatedthe following:

(in Euro thousands)	**As of December 31, /2010**	**As of December 31,2009**	**Changes**
Goodwill from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill related to the subsidiary Milano Assicurazioni	167,379	167,379	-
Other goodwill	530	1,824	(1,294)
Consolidation difference	795,898	919,041	(123,143)
TOTAL	**1,468,570**	**1,593,007**	**(124,437)**

The breakdown of goodwill are shown in the table below:

(in Euro thousands)	**As of Deceber 31, 2010**	**As of December 31, 2009**
Goodwill of the Fondiaria-SAI Group from the aggregation of the Fondiaria Group		
Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 2002	276,592	276,592
Fondiaria-SAI: conferment of the company Fondiaria Assicurazioni in 1990	162,684	162,684
Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 1995	65,488	65,488
Milano Ass.ni: purchase Card premium portfolio in 1991	33,053	33,053
Milano Ass.ni: incorporation of Lloyd Internazionale in 1991	17,002	17,002
Milano Ass.ni: acquisition business unit Latina Assicurazioni in 1992	34,522	34,522
Milano Ass.ni: conferment of the Life portfolio of La Previdente Assicurazioni in 1992	16,463	16,463
Consolidation differences:		
On consolidation of Milano Assicurazioni	179,201	179,201
On Milano Assicurazioni for former Previdente Vita	3,275	3,275
On Milano Assicurazioni for Dialogo Assicurazioni	49	49
Total	**788,329**	**788,329**
Goodwill of the Milano Group upto 31/12/2002		
Goodwillfrom the acquisition of the MAA Ass.ni portfolio by Nuova MAA	65,134	65,134
Goodwill related to the acquisition by SIS of the Ticino portfolio in 1995	152	152
Total	**853,615**	**853,615**

(in Euro thousands)

Other goodwill	**As of December 31, 2010**	**As of December 31, 2009**
Goodwill related to the transfer in 2001 of the portfolio of the subsidiary Profilo Life	-	677
Goodwill related to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano (*)	1,052	1,052
Goodwill on Sistemi Sanitari S.c.r.l. for the purchase of Business unit	530	530
Goodwill on Marina di Loano S.p.A. for the acquisition of restaurant company	-	38
Goodwill on Atahotels	-	579
Consolidation differences:		
On Liguria Assicurazioni Group	55,714	68,793
On Incontra Assicurazioni S.p.A.	13,432	21,116
On SASA Danni S.p.A. now incorporated into Milano (*)	8,424	8,424
On Immobiliare Lombarda S.p.A. for Marina di Loano S.p.A.	-	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 DDOR Novi Sad ADO	73,216	162,464
On Atahotels S.p.A.	-	7,224
Total other goodwill	**614,955**	**739,392**
Total Group goodwill	**1,468,570**	**1,593,007**

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

The decrease of the consolidation difference for DDOR Novi Sad ADO is due to the appreciation of the Euro against the Serbian Dinar.

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 statement of financial position.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGUs) at least on an annual basis or more frequently when there is an indication of a loss in value.
In fact, in accordance with IAS 36 “Impairment in asset value”, IAS 38 “Intangible assets” and IFRS 3 “Business combinations”, the goodwill has an indefinite useful life and is no longer systematically amortised, but subject to an impairment test aimed to identify the existence of any loss in value.

The goodwill subject to allocation in the first-time adoption at the transition date to IFRS - IAS (i.e. January 1, 2004) was equal to the total amount of the goodwill “inherited” as at December 31, 2003, as we did not provide to perform the recalculation of the business combinations occurred were made before that date, as permitted by IFRS 1.

The goodwill, independently of its origin, was allocated to the CGU which is expected to benefit synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

CGUs Book value CGUsfor goodwill existing as at January 01, 2004

At the transition date to IFRS/IAS the existing goodwill was almost entirely originated by the business combination between the Sai Group and the Fondiaria Group in 2002. The goodwill, generated before the mentioned above,business combination relatesto the acquisition by Nuova Maa (subsequently incorporated into Milano) of the business Maa Assicurazioni and was added to this.
In this regard, six Cash Generating Units (CGUs) were identified as beneficiaries of the synergies from the above business combination, represented by the Life Insurance and Non-Life Insurance Sectors operating under the brands Fondiaria-SAI and Milano Assicurazioni.
This identification also complies with the Group management reporting system, in which the CGUs represent the minimum level to which the goodwill is monitored for internal management control purposes, in line with the sector definition based on the primary representation required by IFRS 8.

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

Differently from previous years, it should be noted that the goodwill is no longer allocated separately to the CGUs identified with the Sai and the Fondiaria brands, although the allocation originally attributed to the Non-Life Insurance Sector and Life Insurance Sector of the legal entity was respected. In fact the recoverable value of the CGUs was calculated considering the cash flows of Fondiaria-SAI Non-Life CGU and Fondiaria-SAI Life CGU, regardless any brand related distinction.

Therefore, as at December 31, 2010 the goodwill allocated to the CGUs are the following:

(in Euro thousands)

	Fondiaria-SAI		Milano (*)		
CGU	**Fondiaria-SAI Non-Life**	**Fondiaria-SAI Life**	**Milan Non-Life**	**Milan Life**	**TOTAL**
	1	**2**	**3**	**4**	**Σ (1-4)**
Goodwill allocated	412.770	91.994	296.060	52.791	**853.615**

(*) Values at 100%

Other goodwill arose after January 1, 2004

The table below sets forth the breakdown of the goodwill deriving from business combinations occurred after January 1, 2004:

(in Euro thousands)

Goodwill allocated	As of December 31, 2010	As of December 31, 2009
Liguria Assicurazioni Group (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 identified, as CGUs the companies themselves.

Recoverable value of the CGUs

The recoverable value of the CGUs is the higher between the fair value net of selling costs and the value in use. The fair value of the CGUs represents the amount obtainable from its sale between knowledgeable and willing parties at arm's length, less disposal costs.
Due to the sharp drop in the share price of Fondiaria-SAI and Milano, the test based on the fair value, which relates the goodwill to the share price of benchmark entities, does not express the actual value of the CGU, considering that the market capitalisation of the stock market expresses values below the proportional shareholders' equity. To calculate the recoverable value and subsequently to make comparison with the book value of the CGU the value in use was utilised, as it allows to form an opinion regarding impairment based on principles of economic rationality. It should be noted that IAS 36, proposing the methodology stated above in relation to the determination of the recoverable value, does not express any preference between the value in use and the realisable value.

The method utilised to calculate the value in use of the Non-Life insurance classes are based on the application of financial methods, such as the DCF or the DDM, which take into account the expected cash flows from the budget and/or business plans of the CGU subject to valuation, also and their terminal value and/or capital excess/deficit compared to the minimum capital requirements. The appraisal value method is used to calculate the value in use of the Life Insurance Sector.
The approach utilised is generally the Equity side which uses, as discount rate for the attualization, the cost of own capital (Ke).

The main assumptions to perform the impairment test are the following:

CGU	Method	Flows considered	Ke%	Terminal value	Growth factor %
FONDIARIA-SAI					
Non-Life Business	DDM	Budget 2011+ projections	9.5	Yes	2
Life Business	Appraisal Value		7.9	-	-
MILANO ASS.NI					
Non-Life Business	DDM	Budget 2011+ projections	9.4	Yes	2
Life Business	Appraisal Value		7.9	-	-
INCONTRA ASS.NI	DCF	Budget 2011	9.5	Yes	2
LIGURIA ASS.NI GROUP	DDM + ANAV	Budget 2011+ projections	9.4	Yes	2
DDOR NOVI SAD ADO	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 2011-13	10.3*	Yes	2

refers to Wacc

With reference to the cash flows utilised for the valuation, the table above shows that for Fondiaria-SAI and Milano Assicurazioni, these primarily derive the 2011 budget and based on the key performance indicators approved by the respective Board of Directors for the years 2012 and 2013. The projections for the years 2014-2015 are based on estimates approved by the Board of Directors exclusively to support the impairment test.

The recoverable value of the CGUs related to **Fondiaria-SAI, Milano Assicurazioni and Liguria Assicurazioni** was calculated using an analytical approach based on the DDM method for the Non-Life CGU and the Appraisal Value method for the Life CGU. Therefore the recoverable value of the Non-Life insurance and Life insurance was calculated separately, taking into account, in the Non-Life Insurance sector, the necessity to create capital reserves (DDM with excess capital).

In particular:

1. The **Non-Life insurance** sector was valued using the DDM method (Dividend Discount Model), which took as reference the expected dividend cash flow for the period 2011-2015 as taken from the Fondiaria SAI Group Budget for 2011 and further projections for the period 2012-2015. The valuations are based on, , the following cash flow indicators, in addition to the parameters reported in the table:
   - , forecasted trends in premiums written, combined ratio and financial return, for the years 2012-2013;
   - for the years 2014-2015, forecasted assumptions are based on gradual growth in premiums written of 2%, on the gradual alignment to the historical combined ratio between 96% and 96.6% and on a return on investment close to 3%. These projections reflect sustainable income levels with a gradual alignment of both the historical combined cost and the historical return on investments.

2. The **Life** insurance sector was valued using the Appraisal Value method, i.e. the sum of adjusted shareholders' equity, value in force (VIF) and Goodwill attributable to future new business.
   In particular, the VIF is derives from the estimate of its value as at December 31, 2010, net of the cost of capital and taxes.
   Goodwill is based on the calculation of the new Business Value as at December 31, 2010, to which a multiple of 5 was applied, in line with market practice.

Incontra Assicurazioni, (ex Capitalia Assicurazioni) does not have a long-term business plan approved by the Board of Directors, besides the original plan underlying the acquisition, thatwas not considered reliable to identify the financial cash flows produced by the CGU in light of the actual results over the past three years. It should be considered that:

- the partnership agreement signed with Capitalia was based on the achievement of determined objectives through its distribution network.
  Following the incorporation by Unicredit Group the project had a slowdown;
- over the years, the subsidiary modified significantly its product mix.

As the Subsidiary does not have a business plan which takes into account new scenarios, cash flows have been taken from the 2011 budget, prepared using 2010 actual results, excluding any changes arising from improvements and/or optimisation of business performance - optimisations which formed the basis of the variable underlying price paid for the acquisition of Incontra Assicurazioni. The future cash flows were projected assuming a discount rate of 9.5%, in line with that utilised for the Fondiaria-SAI Group.

For **DDOR Novi Sad ADO** the impairment test was based on the forecast in the 2010-2014 business plan approved by the Board of Directors on 1/2/2011. Projections were extended up to 2015 to determine a sustainable income level. The company was valued using the DDM method (Dividend Discount Model) in the excess capital variant, which is based not only on, the indicators shown in the table, but also on a minimum solvency capital ratio of 120% of the constituting elements calculated in accordance with the rules currently in force in Serbia.
In accordance with paragraph 54 of IAS 36, the discount rate used a Ke in line with the foreign currency in which the estimated future financial cash flows are estimated. The comparable transactions multiple method was used as a control method. For this purpose, a sample of transactions from Eastern Europe deemed comparable was selected in the period 2007-2010 and the implicit multiple used was the "Price/Book value".

For **Popolare Vita** the impairment test was based on the forecast cash flows of the business plan associated with the shareholders'agreement. The period considered in the business plan is above five years, consistent with the period of validity of the distribution agreement signed with the banking partner. The terminal value was calculated on the basis of the VIF at December 31, 2010 and on the basis of Goodwill on maturity, consistent with the cash flows of the plan and the agreements with the banking partner.

In particular, the variables considered were the following:

- discounting of future profits from the Business Life and Pensions associated with the shareholders' agreements for the years 2010-2017;
- the synergies deriving resulting from the outsourcing contract between the Parent Company and the subsidiary;
- valuation of the selling price by estimating the expected New Business Value as at December 31, 2017 based on the business plan's factors;
- the adjusted shareholders' equity and VIF at the date.

The test was suported by an alternative valuation control method based on the comparable transactions multiple method. The multiple used was based on the Goodwill/Gross Premiums multiple, related to comparable transactions in Italy in the years 2008-2011. This control method also confirmed the recoverability of the goodwill recorded, identifying an evaluation interval with a higher range of approx. Euro 670 million.

The impairment test of the goodwill in subsidiary **Atahotels** was based on the DCF Asset Side approach, taking into account the particularities of the hotel business.
The businedd plan used, approved by the Board of Directors, relates to the period 2011-2013 and includes the realistic initiatives related to the efficiency drive, in particular in terms of cost savings, together with some business plan targets not achieved in the previous year. In this context, the valuations identify a recoverable amount with a lower range of approx. Euro 3 million.
However, the impairment test was made on the entire amount of goodwill, considering the high volatility of Atahotels Group's results, and also considering that the business plan includes a series of restructuring activities which could lead to uncertainty with regard to the period ofimplementation.

For **Florence Centro Chirurgia Ambulatoriale S.r.l.** the impairment test was based on the estimated cash flows in the 2011 Budget.

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

(in Euro millions)	**Recoverable value**	**Book value**	**Excess**
Fondiaria-SAI Non-Life	841	501	339
Fondiaria-SAI Life	451	270	181
Milano Assicurazioni Non-Life	726	402	324
Milano Assicurazioni Life	270	194	76
Incontra Assicurazioni	19	19	-
Liguria Assicurazioni Group	78	78	-
DDOR Novi Sad ADO	131	131	-
Popolare Vita	619	619	-
Atahotels	3	-	3

For all valuations sensitivity analysis were performed.
In particular, in relation to the Fondiaria-SAI Non-Life, Milano Assicurazioni Non-Life and Liguria Assicurazioni Group CGUs the sensitivity analyses were based on two different scenarios:

- a “BASE” SCENARIO, assuming changes in the combined ratio and target investment returns around +/- 0.25%;
- a “STRESS” SCENARIO: assuming the following changes:
  - change in the target combined ratio to be in line with, in the lower range, the value expected in the final year of projection;
  - change around +/-12.5% in the target Solvency margin (equal to 120% of the constituting elements calculated in accordance with the Solvency I regulation);
  - combined changes in the target combined ratio and in the target Solvency margin of the two preceding points;
  - changes in the target investment return, to be in line with, in the lower range, the value expected in the final year of the projection;
  - combined change of the target investment return described in the previous point and of the discount rate around +/-0.25%.

The minimum and maximum value resulting from the “Base” Scenario analysis and from all the analysis made in the “Stress” Scenarios are summarized below:

- Fondiaria-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:

- change in the synthetic multiples between the range 3x-7x to estimate the Goodwill related to new business;
- change of +/-0.5% of the discount rate utilised in order to estimate the VIF and the NBV;
- solvency margin equal to 120% and 150%.

The value ranges resulting from the sensitivity analyses performed were the following:

- 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 confirmed, in all scenarios, an excess in the recoverable amount over the book value. Additionally, based on the analysis performed, it is not deemed that reasonable changes in the key variables could occur for these CGUs that would wipe out the difference between the recoverable value and the book value.

The recoverable amount of the DDOR Novi Sad ADO CGU resulted within the interval Euro 125-147 million. The lower range derives from the sensitivity analysis assuming a change of +0.25% of the discount rate and of -0.25% of the long-term growth rate (g rate). The upper range derives from the application of the comparable transactions multiples.

The recoverable amount of the Popolare Vita CGU determined using the Sum of the Parts method was subject to sensitivity analysis in relation to the VIF as at December 31, 2010 attributable to the Group, discounted at a rate between 7.35%-8.35%. This determined an interval between Euro 618-623 million.

1.2 Other Intangible Assets

The other intangible assets amount to Euro 119,164 thousand (Euro 303,611 thousand as of December 31, 2009) and are broken down by type as follows:

(in Euro thousands)	**Gross carrying value**	**Amortisation and impairment**	**Net value 2010**	**Net value 2009**
Studies and research expenses	224,456	(196,658)	27,798	31,339
Utilisation rights	18,730	(11,929)	6,801	6,025
Other intangible assets	265,086	(180,521)	84,565	266,247
TOTAL	**508,272**	**(389,108)**	**119,164**	**303,611**

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their useful life. The studies and research expenses relate to the costs incurred for the preparation of IT technology and applications of a long-term nature capitalised in 2010, and in previous years.. They are amortised over a period of three or five years based on their characteristics and useful life.

These expenses are mainly incurred by the Consortium Fondiaria SAI Servizi S.c.a.r.l. Group, which manages all the resources, assets and services already existing and new acquisitions related to the operations of the Group.

The utilisation rights mainly refer to the use of software licenses acquired by the Group. The amortisation period is three years.

The intangible assets mainlyrelate to the values related to the customers portfolios acquired by the following companies:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Liguria Assicurazioni S.p.A.	17,150	24,246	(7,096)
Banca Gesfid S.A.	-	15,415	(15,415)
Popolare Vita S.p.A.	-	16,433	(16,433)
DDOR Novi Sad ADO	15,624	25,490	(9,866)
TOTAL	**32,774**	**81,584**	**(48,810)**

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

These amounts relate to the recording of the Voba (Value On Business Acquired) or, in the case of life companies, of the VIF (Value In Force), on the business combinations.
In particular, for Liguria Assicurazioni and DDOR, the Voba represents the cash flows which will be generated, within a defined period of time, by the insurance portfolio acquired.

The amortization of these assets, is determined based on the expected time period of the returns: in particular, for DDOR and Liguria the average amortization period is respectively 5 and 7 years.

The amortization recorded in the income statement of the above-mentioned assets in 2010 was Euro 39,348 thousand (Euro 36,987 thousand in 2009).

The following table sets forth the reconciliation between the opening and closing book values of the other intangible assets:

(in Euro thousands)	Studies and research expenses		Utilisation rights		Other intangible assets		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Book Value at beginning of year	31,339	34,167	6,025	3,698	266,247	221,412	303,611	259,277
Increases:								
• *purchased and/or generated internally*	12,997	15,365	3,512	5,007	6,769	47,335	23,278	67,707
• *from business combinations*	-	-	-	22	-	52,198	-	52,220
• *from changes in consolidation method*	-	-	-	-	--	-	-	-
Decreases for sales or reclassifications	-	-	(271)	(12)	(125,712)	(6,384)	(125,983)	(6,396)
Impairment recorded in the year	-	-	-	-	(7,286)	(13)	(7,286)	(13)
Restated values recorded in the year	-	-	-	-	-	-	-	-
Amortisation	(16,538)	(18,193)	(2,381)	(2,655)	(49,280)	(45,737)	(68,199)	(66,585)
Exchange differences	-	-	(84)	(35)	(6,500)	(2,564)	(6,584)	(2,599)
Other changes	-	-	-	-	327	-	327	-
Book Value at end of year	**27,798**	**31,339**	**6,801**	**6,025**	**84,565**	**266,247**	**119,164**	**303,611**

The account "Disposal or reclassifications" related to other intangible assets includes Euro -116,341 thousand from the reclassification of the costs related to the extension works for the tourist port of Loano by the subsidiary Marina di Loano S.p.A. and the deconsolidation of the investment in Veneria, previously owned by Saiagricolo and contributed to Agrisai, subsequently sold.
During the year, the subsidiary Atahotels recorded permanent losses in value of Euro 7,286 thousand on leasehold improvements. The loss in value derives from the analysis performed on the profitability of the hotel complexes which, given the actual and forecasts results, do not allow to recover the capitalised costs.

2. PROPERTY & EQUIPMENT

The account amounts to Euro 594,334 thousand (Euro 500,329 thousand at 31/12/2009), an increase of Euro 94,055 thousand.

The breakdown of property, and equipment is the following:

(in Euro thousands)	**Properties**		**Land**		**Other tangible assets**		**Total**	
	As of December 31,							
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Gross carrying value	509,457	411,714	28,192	35, 397	214,324	212,650	751,973	659,761
Depreciation and impairment	(36,958)	(44,012)	-	-	(120,681)	(115,420)	(157,639)	(159,432)
Net Book value	**472,499**	**367,702**	**28,192**	**35,397**	**93,643**	**97,230**	**594,334**	**500,329**

The table below sets forth the changes in the year:

(in Euro thousands)	**Properties**		**Land**		**Other tangible assets**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Book Value at the beginning of the year	367,702	976,823	35,397	81,046	97,230	186,348	500,329	1,244,217
Increases	47,122	77,690	-	-	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)
Reclassifications or transfers from/to other categories	107,357	(570,706)	-	(1,792)	21	(124,576)	107,378	(697,074)
Assets from business combinations	-	142	-	2,241	-	24,830	-	27,213
Impairment recorded in the year	(3,575)	(10,149)	-	-	(4,142)	-	(7,717)	(10,149)
Restated values recorded in the year	-	-	-	-	-	-	-	-
Depreciation	(3,414)	(4,326)	-	-	(10,549)	(10,023)	(13,963)	(14,349)
Exchange differences	(4,087)	(3,491)	-	-	(217)	(217)	(4,304)	(3,708)
Other changes	-	-	-	-	-	-	-	-
Book Value at the end of the year	**472,499**	**367,702**	**28,192**	**35,397**	**93,643**	**97,230**	**594,334**	**500,329**

The disposals refer, partially, to the deconsolidation of the companies Crivelli S.r.l. and Banca Gesfid SA.
The impairments relate to the write-down of assets by Immobiliare Fondiaria-SAI's and Atahotels' subsidiaries, which were considered permanent losses in value.

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

- An increase of Euro 112,881 thousand, related to the reclassification to the account “Other Intangible assets” of the costs related to the extension works for the Loano port incurred by the subsidiary Marina di Loano;
- A decrease of Euro 1,929 thousand, related to some properties owned by the Parent Company;
- A decrease of Euro 3,574 thousand, of properties owned by the subsidiary DDOR Novi Sad ADO reclassified to the account “Investment property”.

The account related to land represents the indefinite useful life component separated from the properties. The split of the land is made on the basis of specific independent appraisers’s valuations at the transition date (January 1, 2004), or, at the acquisition date.

The properties included in the line item property, and equipment are those serving the operating activities (i.e. properties for own use), are recorded at cost and systematically depreciated based on their useful life only in relation to definite useful life components. 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, disposal or damages.

The account also includes the properties owned by the subsidiaries of Immobiliare Fondiaria-SAI (excluding the subsidiary Società Edilizia Immobiliare Sarda S.E.I.S.) which were considered as inventories and therefore valued in accordance with IAS 2.

The Group annually engages independent appraisers to determine the fair value of its land and properties. In particular, for the insurance companies of the Group , this process complies, , to specific provisions of the Supervisory Authority and to the requirements of IAS 40.
With reference to the properties for own use, the book value, at the year-end, is Euro 147 million lower than the appraisers valuations based on market values (Euro 280 million as at December 31, 2009).

The residual “other tangible assets” mainly relates to assets of the Group serving the operating activities, such as furnishings, plant and office equipment, as well as the stock and final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

The data as at December 31, 2009 were reclasified: the item does not include the properties owned by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (Euro 431 million) which were reclassified as Investment Property, in consideration of the change in use of this asset and of the restructuring of ex Immobiliare Lombarda.

3. REINSURANCE ASSETS

The total amount of the account is Euro 823,184 thousand (Euro 870,300 thousand at December 31, 2009) - a decrease of Euro 47,116 thousand. The breakdown of the account is the following:

(in Euro thousands)	**As of December 31,/2010**	**As of December 31,2009**	**Changes**
Non-Life premium provision – reinsured	154,404	142,751	11,653
Non-Life claims provision – reinsured	502,315	547,418	(45,103)
Other Non-Life provision – reinsured	-	-	-
Actuarial provision – reinsureds	163,914	178,430	(14,516)
Provision for claims to be paid – reinsured	2,551	1,700	851
Class D reserves attributed to reinsured	-	-	-
Other provision – reinsured	-	1	(1)
TOTAL	**823,184**	**870,300**	**(47,116)**

Of this amount Euro 543 million refers to reinsurance expenses, while Euro 280 million refers to retrocessionaire provision.

4. INVESTMENTS

The breakdown is the following:

(in Euro thousands)	**As of December 31,2010**	**As of December 31,2009**	**Changes**
Investment property	2,894,209	3,011,505	(117,296)
Investments in subsidiaries, associates and joint ventures	325,369	366,688	(41,319)
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	20,302,882	18,896,658	1,406,224
Financial assets at fair value recorded through the profit orloss	8,740,064	8,655,108	84,956
TOTAL	**36,013,873**	**34,646,442**	**1,367,431**

4.1 Investment Property

The account includes all properties owned by the Group for rental or for capital appreciation.
The investment properties are 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 properties owned from the value of the land, considering that this component, has an indefinite useful life, and must not be depreciated.
The split of the land component from the properties is made based on the basis of appraisers' valuations at the date of transition to the international accounting standards (i.e. January 1, 2004) and, for subsequent acquisitions, on the basis of independent appraisers' valuations at the acquisition.

The property component is depreciated systematically with regard to the residual useful life of the components therein. Among the significant components, those related to the equipment are depreciated separately. The depreciation rate utilised for the "properties" is between 0.80% and 3%, while the depreciation rate related to the "equipment" component is between 3.4% and 16.0%.

Annually, the Group determines the fair value of the investment propertyon the basis of independent expert's valuations, which provide specific valuation services. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take into account the returns on the properties, in accordance with the provisions of the Supervory Authority.
Overall, the book value of property investment properties as at December 31, 2010 was Euro 924 million lower than the independent experts' valuations (Euro 893 million at 31/12/2009).

As already described in the Directors´ Report, the data as at December 31, 2009 was restated following the previously mentioned reclassification of some of the properties owned by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano to this account, (reference is made to the paragraph Property, and Equipment).

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

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**
Gross carrying value	**3,269,947**	**3,322,897**
Depreciation and impairment	(375,738)	(311,392)
Net book value	**2,894,209**	**3,011,505**

The changes in the investment property during the year are shown below:

(in Euro thousands)	**2010**	**2009**
Value at the beginning of the year	3,011,505	2,459,751
Increases:		
For purchases and incremental expenses	39,695	180,226
Properties from business combinations	-	-
Decrease for disposals	(60,565)	(203,775)
Depreciation	(72,688)	(59,843)
Impairment/restatement recorded in the year	(28,645)	(2,751)
Exchange differences	(604)	-
Transfer from/to other categories (IAS 2 or IAS 16)	5,511	637,897
Other changes	-	-
Value at the end of the year	**2,894,209**	**3,011,505**

The account "Transfers to/from other categories" includes:

- Euro 1,929 thousand related to properties, owned by the Parent Company and reclassified from the account "Property, and equipment";
- Euro 3,574 thousand related to properties owned by the subsidiary DDOR Novi Sad ADO reclassified from the account "Property, and equipment";
- Euro 3,460 thousand related to the reclassification from the account "Other intangible assets" of assets owned by the subsidiary Marina di Loano;
- Euro 3,452 thousand related to the reclassification to the account "Non-current assets or disposal group classified as held for sale" of the property owned by the subsidiary Liguria Assicurazioni located in Segrate – Via delle Regioni, 40.

The disposals refer almost exclusively to the sale of the building at Via Cordusio Milan owned by the subsidiary Milano Assicurazioni.

The impairments refer to the properties owned by the Parent Company and some subsidiaries, whose book value is above the market value and therefore considered as indicator of permanent losses in value.
During the year, the rental income from investment property amounted to over Euro 92 million (Euro 100 million in 2009).

There are no significant limits on the sale of the investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of 6 properties owned the Tikal Fund which are mortgaged as collateral for the loans received.

4.2 Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20, the subsidiaries are fully consolidated, including those which undertake dissimilar activities. Therefore this account includes the book value of investments which, are not significant in terms of size and nature of the activities undertakento represent a true and fair view of the consolidated financial statements.
For further details, refer to the annex to the consolidated financial statements.

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Subsidiary companies	2,515	2,570	(55)
Associated companies	322,854	364,118	(41,264)
Total	**325,369**	**366,688**	**(41,319)**

The decrease refers mainly to the impairment of the investment Finadin S.p.A., due to its equity securities portfolio, whose market value was below the book value for more than 24 months.

The most significant investments in associates, are the following:

- CityLife S.r.l. for Euro 78.1 million;
- Rho Real Estate 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;
- Finadin S.p.A. for Euro 10.0 million;

- Valore Immobiliare S.r.l. for Euro 8.1 million.

The loss recognized in the income statement due to the valuation of the investment amounts to Euro 43 million and includes the above mentioned valuation of Finadin, as a consequence of the implicit impairment of the equity securities owned.

4.3 Investments held to maturity

The account amounts to Euro 592,138 thousand (Euro 808,473 thousand as at December 31, 2009) and the breakdown is the following:

(in Euro thousands)	31/12/2010	31/12/2009	Changes
Debt securities	592,138	808,473	(216,335)
Total	**592,138**	**808,473**	**(216,335)**

The account includes financial instruments as per par. 9 of IAS 39. They relate only to debt securities with fixed maturities and fixed and determinable payments which the group has the intention and ability to hold until maturity.
The category only includes financial instruments from the Life insurance sector held for policies with specific provisions to hold assets as defined by the current sector regulations. The change is mainly due to the redemptions related to the subsidiary Popolare Vita. Redemptions on this contracts are a non-recurring event which are beyond the control of the Group and which therefore do not lessen the intention and the ability to hold these assets until maturity.
The category includes listed securities for Euro 592,138 thousand, whose current value amounts to Euro 645,799 thousand. The decrease is related to the redemption and maturity of Life insurance policies underlying these financial instruments.

4.4 Loans and receivables

The account amounts to Euro 3,159,211 thousand (Euro 2,908,010 thousand as at December 31, 2009) and the breakdown is the following:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Due from Bank and interbank	764,172	976,933	(212,761)
Debt securities	1,825,970	1,020,997	804,973
Time deposits and contango	-	136,193	(136,193)
Loans on life insurance policies	53,597	61,327	(7,730)
Deposits held by reinsurers	27,417	28,570	(1,153)
Receivables from sub-agents for indemnities paid to agents terminated	240,821	232,305	8,516
Other loans and receivables	247,234	451,685	(204,451)
Total	**3,159,211**	**2,908,010**	**251,201**

Due from banks include the deposits of the subsidiary BancaSai with other credit institutions for Euro 78,590 thousand (Euro 470,085 thousand as at December 31, 2009), and loans to the clients of the bank for Euro 685,583 thousand (Euro 506,848 thousand as at December 31, 2009). As att December 31, 2009 the data included the contribution of Banca Gesfid (sold in September 2010) respectively for Euro 210,741 thousand and Euro 50,366 thousand.

The account debt securities mainly includes securities issued by corporate entities: mainly assisted by subordinated clauses and transferred to this category in 2009. The carrying value of the transferred securities as at December 31,2010 was Euro 806,460 thousand and the fair value at the same date, calculated on the basis of the above-mentioned mark-to-model method, substantially confirm the carrying value at the date of the present financial statement. There was no permanent loss in value on any security included in this category and the effect of the amortised cost resulted in the recognition in the income statement of gain for Euro 10,990 thousand. The AFS reserve on these securities as at January 01, 2009 was negative amounted to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39. The residual negative AFS reserve amounts to Euro 61,133 thousand.
For further details on the classification, refer to the section Accounting Principles.
The account includes, residually, in addition to the reclassifications previously described, the book values of some securities (in particular the securities of the special issues of Ania) for which it is considered appropriate to use the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets for which it is considered that the relative fair value cannot be calculated in a reliable manner.

The increase is due to the subscription, at the end of 2010, of some “private placements” of Italian sovereign securities which aimed to guarantee the stability in Group returns and to eliminate the volatility in the valuation of such instruments where underwritten in a traditional market context. The classification in this category therefore is due to the absence of a reference market.

The account "Other loans and receivables” mainly includes Euro 207.3 million (Euro 209.6 million at 31/12/09) related to the receivables of the subsidiary Finitalia from its customers.

On September 27, 2010, corporate debt securities for a total nominal value of Euro 180.4 million, recorded in the account “Other loans and receivables", and related to a Convertible Bond, the so-called Mandatory Sainternational, were repaid through 44,000,000 Intesa SanPaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the market prices of Intesa SanPaolo ordinary shares at the definition of the offer price.

4.5 Financial assets available for sale

The Financial assets available for sale include debt and equity securities, as well as investment unit funds, not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.
The breakdown of the financial assets available for sale is the following:

(in Euro thousands)	As of december 31, 2010	As of December 31, 2009	Changes
Equity securities	1,528,791	1,695,610	(166,819)
Fund units	819,961	937,833	(117,872)
Debt securities	17,952,179	16,261,243	1,690,936
Other financial investments	1,951	1,972	(21)
TOTAL	**20,302,882**	**18,896,658**	**1,406,224**

The increase in the account is mainly due to new investments of the subsidiary Popolare Vita following the increase of fund raising.

Equity securities among Financial Assets Available For Sale include listed securities for Euro 1,322.7 million, while the listed debt securities amount to Euro 17,906.6 million.

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

(in Euro thousands)	% holding (1)	Book value as of December 31, 2010	Book value as of December 31, 2009
Assicurazioni Generali S.p.A.	1.13	252,141	292,390
Unicredit 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.p.A.	4.48	129,701	98,792
Total		**804,104**	**883,440**
Other investments		518,601	675,219
Total		**1,322,705**	**1,558,659**

(1) Percentage calculated on the total voting share capital

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

With reference to the composition of the AFS reserve (for the shareholders’ equity attributable to the Group and gross of the tax effects, and in amounts paid back by Life insurance policyholders in accordance with the shadow accounting technique) it should be noted that the gross amount, negative for Euro 337 million, includes a negative component of Euro 378 million related to debt securities and investment funds and a positive component of Euro 41 million related to equity securities (Euro 66 million related to the Bank of Italy).

With reference to the Group **impairment policy** related to the financial instruments available for sale refer to the accounting principles section.

For the purposes of the recognition of the loss of value, the Group has defined the conditions of a prolonged and significant reduction in the fair value, defined alternatively as follows:

1. A reduction in the market value above 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.

Since the current year, also considering the persistent stagnation in stock exchange prices and consistent with a more prudent approach, the Group considered it appropriate to reduce the impairment threshold, related to the decrease in stock prices, from 80% to 60% of their market value compared to the book value. This reduction did not result in significant effects on the income statement, mainly due to the first impairment condition. The retrospective application of this threshold would not have resulted in significant effects in the financial statements of the previous year.

For financial instruments available for sale, which do not satisfy the above-mentioned criteria, in the presence of significant losses on equity securities, further analytical evaluations were made in order to assess indications of impairment.
In case such analysis indicate any difficulty to recover the book value, the entire negative reserve is recognized in the income statement, even if the automatic thresholds described above are not exceede. For this purposeds, the Group examined all the positions in portfolio whose the losses were above Euro 1 million or the negative AFS reserve was between 20% and 60% of the original book value.
Consequently for the investments which report a significant decrease in fair value (generally between 20% and 60% and therefore not included in the automatic test), the analysis of the existence of an impairment was made on the basis of a mixed valuation approach, customized on the basis of by the quality and the size of the investments.

Therefore:

1. For the significant investments of the Group such as:
   - Assicurazioni Generali;
   - Banca Intermobiliare;
   - Monte dei Paschi di Siena;
   - Unicredit;

   the stock market prices as at December 31, 2010 are lower than the original cost of the investments.
   This situation was extended over the previous 24 months with the consequent recognition in the income statement (so-called impairment) of the entire negative AFS reserve. The effect on the income statement for the year, related to the above metioned securities, was approx. Euro 335 million.

2. For the investments not included in point 1) above, but which are significant in terms of carrying value and in terms of losses, and for the investment funds, a test was performed to identify the existence of one of the qualitative requisites as per paragraph 59 of IAS 39 (and in this case the reduction in value is immediately recognised in the income statement) and, in the absence, where possible, analytical valuations were performed.

3. For all the other investments, due to their fragmentation and the lower amount of the related losses (as already stated or lower than the threshold of Euro 1 million in absolute terms or as the negative AFS reserve is within 20% of the cost), the impairment test was performed only in presence of one of the qualitative factors as per the above-mentioned paragraph 59.

4. For debt financial instruments, the evidence of impairment is recognized if only one of the qualitative factors listed in the above-mentioned paragraph 59 exists. For the debt securities which report a significant decrease in fair value at the reporting date, any analytical valuation is simplified the main criteria mainly concerns the probability of issuer to default.

The total reduction in value for impairment related to the financial assets available for sale amounted to Euro 389.3 million (Euro 157 million in 2009) and are summarised, by type, in the following table:

(in Euro millions)	**2010**	**2009**
EQUITIES	377.4 *	109.2
BONDS	-	6.2
FUND UNITS	11.9	41.6
TOTAL	**389.3**	**157.0**

(*) Of this Euro 335 million referred to the shares of Unicredit, Generali, MPS and Banca Intermobiliare.

4.6 Financial assets at Fair Value through profit or loss

The following table sets forth the breakdown:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Equity securities	32,502	97,857	(65,355)
Fund units	459,900	410,088	49,812
Debt securities	7,758,432	7,470,196	288,236
Other financial investments	489,230	676,967	(187,737)
TOTAL	**8,740,064**	**8,655,108**	**84,956**

The account includes financial assets designated at fair value through profit or loss for Euro 8,659,412 thousand (Euro 8,463,106 thousand as at December 31, 2009) and the investments where the risk is on the policyholders and deriving from the management of pension funds for Euro 8,553 million (Euro 8,324 million as at December 31, 2009).

It should be recalled that the fair value of financial instruments traded on regulated markets is determined with the reference to the stock exchange prices recorded at the end of the last trading day of the year; it should also be recalled that, in the case where the market price is not available, the reference price is the price available from the intermediaries.

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

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

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

In the determination of the fair value, the Group bases its market valuations directly on 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 quotations on an active market. A market is considered as active when the quotations reflect normal market operations, readily and normally available through the Stock Exchange, listing services and brokers and express the effective and normal prices in the market.

Active markets are normally considered:

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

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

- Comparable approach: in this case the fair value of the instrument is obtained from the prices observed on recent transactions on similar instruments in active markets;
- Model Valuation: in the absence of observable transaction prices, related to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model based on market data;
    - the debt securities are valued based on the expected cash flow method, adjusted to take into account the issuer risk and of the liquidity risk;
    - the derivative contracts are valued through several models, based on the input factors (risk rate, volatility, price risk, exchange risk, etc.) which impacts the relative valuation;

- the non listed equity securities are valued with reference to transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

The table below summarizes a breakdown by hierarchical level of the financial instruments valued 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
Debt securities	17,906	45	-	17,951
Fund units	-	820	-	820
Other financial assets available-for-sale	-	2	-	2
Financial assets at fair value through profit or loss	54	8,686	-	8,740
Equity securities	1	-	-	1
Debt securities	53	108	-	161
Fund units	-	23	-	23
Derivatives	-	2	-	2
Financial assets where risk is on policyholders and pension fund management	-	8,553	-	8,553
Other financial instruments at fair value through profit or loss	-	-	-	-
Total 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
Total liabilities at fair value	**-**	**1,647**	**-**	**1,647**

The financial assetsavailable for sale do not include non-listed equity securities amounting to Euro 130 million.

The level 3 securities, related to the AFS, refers to the investment in Bank of Italy previously recorded at cost; this value, in relation to its irregular nature, derives from a valuation of the holding, based on an estimate of the discounted future cash flows deriving from the investment, considering the dividend policy of the Institution. This valuation takes into account market practice and was used also in view of a future fair value valuation of equity instruments, in accordance with international accounting standard IFRS 9 issued in November 2009 and currently under review by the European Union.

FINANCIAL DERIVATIVES

The Group makes a limited use of derivative financial instruments. In fact the characteristics and the nature of the insurance activity requires that the use of derivative financial instruments are regulated in accordance with Supervision Authority Provision No. 297/1996. On January 31, 2011, ISVAP issued Regulation No. 36 concerning guidelines about investments, including derivative instruments and structured securities and repealed, among other provisions, also 297/1996.

In particular, Regulation No. 36 recalls that operations in derivative financial instruments aimed to manage efficiency must be limited within a tolerable level of the available solvency margin. Group operations in derivative financial instruments have the principal purpose to hedge against the price risk on equity securities (equity risk) through the use of options designated as fair value hedge instruments and to hedge the risks deriving from changes in interest rates on bank loans through the use of interest rate swap contracts (Interest Rate Swap, IRS) designated as cash flow hedge instruments.

Fair value hedging instruments

As at December 31, 2010, the Group, through the Parent Company Fondiaria-SAI S.p.A., holds combined put–call option contracts with the same contractual characteristics (underlying, notional, maturity, strike) with a notional 9,263,266 options (average strike price of Euro 5.9978) to hedge the price risk on 9,263,266 Pirelli & C. ordinary shares of the Non-Life Insurance Division classified as equity securities available for sale representing 43.44% of total Group exposure (43.72% of Fondiaria-SAI).

(in Euro thousands)

Derivative Purchase put-sale call equity hedge	**Number of Options**	**Number of Options**	**Company**	**Assets for hedging contracts**		**Liabilities for hedging contracts**		**Adjustment in the carrying value of the AFS equities hedged**	
	As of Decembe 31, 2010	**As of December 31, 2009**		**As of December 31, 2010**	**As of December 31, 2009**	**As of december 31, 2010**	**As of December 31, 2009**	**As of December 31, 2010**	**As of Decembe r 31, 2009**
Pirelli & C ord. (Non-Life)	9,263,266	1,581,818	Fondiaria-SAI	-	4,895	787	-	787	(4,895)
Pirelli & C ord. (Life)		6,233,748	Fondiaria-SAI	-	-	-	9,243	-	9,243
Mediobanca (Non-Life)		8,575,294	Fondiaria-SAI	-	195	-	-	-	(195)
Mediobanca (Non-Life)		602,700	Milano Assicurazioni	-	484	-	-	-	(484)
Total				**-**	**5,574**	**787**	**9,243**	**787**	**3,669**

The fair value of the options as at December 31, 2010 corresponds to a liability of Euro 787 thousand (total asset of Euro 4,895 thousand as at December 31, 2009). From the inception date of the hedge, the positive and negative changes in the period deriving from the fair value evaluation of the options are recognized in the Income Statement in the account: “Income and charges from financial assets designated at fair value through profit or loss”. Similarly, the carrying value of the hedged assets are adjusted for changes in the fair value in the period of the Pirelli & C. ordinary shares hedged with changes recorded in the Income Statement in the account: “Income and charges from financial instruments recorded at fair value through profit or loss”. In 2010 the options value decreased by Euro 5,682 thousand due to the fair value related to the options held as at December 31, 2010 perfectly offset by the positive changes in the period in the fair value of the shares hedged. The fair value hedges through options were evalued to be efficient and, as at December 31, 2010, there were no items not effectively hedged and which should be recognized to the income statement.

During 2010, following the sale of the Mediobanca shares and Pirelli & C. ordinary shares of the Life Insurance Division and the simultaneous advanced settlement of the put/call options aimed to partially hedge the investments, the Group interrupted the respective hedges existing as at December 31, 2009. Following the settlement of the derivative instruments, the Group eliminated the accounting fair market value existing as at December 31, 2009, which amounted to an asset of Euro 679 thousand (of which related to Fondiaria-SAI Euro 195 thousand and Milano Assicurazioni S.p.A. Euro 484 thousand) against the options to hedge Mediobanca shares and a liability of Euro 9,243 thousand against the options to hedge Pirelli & C. ordinary shares of the Life Insurance Division.

At December 31, 2010, the Group held through the fully-owned subsidiary BancaSai S.p.A. IRS interest risk hedge contracts deriving from fixed interest rate commitments to clients. In particular, two portfolio hedges were created, the first with underlying loans to clients constituting the assets disposes and not eliminated at fixed rates against the Admiral securitisation and the second related to bank employees loans. The values of the derivatives used for the hedge of the underlying portfolios were respectively Euro 25 million of notional value with a negative fair value at December 31, 2010 of Euro 820 thousand and Euro 3.6 million of notional value with a negative fair value at December 31, 2010 of Euro 114 thousand.

The table below sets forth the main contractual conditions of these IRS

(in Euro thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value As of December 31, 2010	Fair value As of December 31, 2009
BancaSai	25,000	02/02/2014	3.050	Euribor 6 m Act/360	(820)	(685)
BancaSai	3,680	01/02/1930	3.725	Euribor 6 m Act/360	(114)	(59)
Total	**28,680**				**(934)**	**(744)**

Cash Flow hedging instruments

Against cash flow hedges, on December 31, 2010, the Group held Interest Rate Swap (IRS) agreements to manage the risks deriving from changes in interest rates on the debt exposure with banks, converting a part of these loans from variable interest rate to fixed interest rate.

The notional value of these instruments amounted to Euro 875 million (Euro 875 million as at December 31, 2009).

The fair value of the IRS designated Cash Flow Hedge as at December 31, 2010 amounts to a liability of Euro 34 million (liability of Euro 11 million as at December 31, 2009). The shareholders’ equity reserve which includes a negative fair value of the hedge instruments as at December 31, 2010, net of the portion attributable to non controlling interests and the tax effect, was negative and amounts to Euro 24 million (negative reserve of Euro 7 million as at December 31, 2009).

The table below sets forth the main contractual conditions of these IRS:

(in Euro thousands)					Fair value as of Dec. 31,	
Company	**Notional**	**Expiry**	**Fixed rate %**	**Variable rate**	**2010**	**2009**
Fondiaria-SAI	200,000	23/07/2013	3.970	Euribor 6 m Act/360	(11,025)	(7,929)
Fondiaria-SAI	100,000	23/07/2013	3.930	Euribor 6 m Act/360	(5,497)	(3,832)
Fondiaria-SAI	100,000	23/07/2013	3.990	Euribor 6 m Act/360	(5,562)	(4,031)
Fondiaria-SAI	150,000	14/07/2016	3.180	Euribor 6 m Act/360	(4,308)	1,691
Fondiaria-SAI	100,000	30/12/2015	3.080	Euribor 6 m Act/360	(2,612)	2,291
Fondiaria-SAI	100,000	14/07/2018	3.309	Euribor 6 m Act/360	(2,006)	2,260
Milano Assicurazioni	50,000	14/07/2016	3.180	Euribor 6 m Act/360	(1,506)	(620)
Tikal	25,000	30/12/2016	3.185	Euribor 6 m Act/360	(453)	(452)
Tikal	30,000	30/12/2016	3.140	Euribor 6 m Act/360	(470)	-
Marina di Loano	20,000	31/12/2014	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 hold derivative contracts on currencies to hedge transactions and future cash flows, as the currency risk exposure overall is not significant and is covered through the mechanism of natural hedges between assets and liabilities in foreign currencies.

In 2010, the Group agreed Credit Default Swap contracts to cover the risks of insolvency of counterparty issuers of financial instruments acquired by the Group.
The cost of these hedges, related to the current year, amounted to Euro 899 thousand for Fondiaria-SAI and Euro 52 thousand for Milano Assicurazioni and were recognized in the Income Statement of the year under asset and financial charges. Following the advanced settlement of the Credit Default Swap contracts Fondiaria-SAI recorded income to be realised of Euro 64 thousand and capital charges of Euro 21 thousand. It should be recalled , also considering the limited cost of the hedging, that the issuers of the financial instruments, subscribed by the Group, are primary financial operators with international standing.

As of December 31, 2011, the following Credit Default Swapwas still in place:

:

(in Euro thousands)						
Company	**Notional**	**Expiry**	**Counterparty**	**Issuer hedged**	**Cost**	**Market value as at December 31, 2010**
Fondiaria-SAI S.p.A.	15,000	20/06/2011	BNP Paribas	Banco Popolare sub..	100 bps per year	261
Fondiaria-SAI S.p.A.	25,000	20/02/2013	Morgan Stanley	Republic of Serbia	295.2 bps per year	(360)
Milano Assicurazioni S.p.A.	4,411	20/03/2014	BNP Paribas	Merrill Lynch	123 bps per year	55
Milano Assicurazioni S.p.A.	9,350	20/03/2013	BNP Paribas	Morgan Stanley	100 bps per year	23
Total	**53,761**					**(21)**

As at December 31, 2010, the Group holds Range Accrual Swap contracts indexed to the Constant Maturity Swap (CMS) rate at 30-10 years, and not designated as cash flow hedges, fair value hedges or net investment hedges. The operation was performed to benefit of an increase in the long-term part of the interest rate curve. The table below sets forth tha main characteristics:

(in Euro thousands)

Company	Notional	Expiry	Counterparty	Interest rate received for the counterparty	Interest rate paid for the counterparty (*)	Market data at As of December 31, 2010.
Fondiaria-SAI S.p.A.	2,500	07/05/2020	Banca IMI	3% per year	6.50% annual	170
Fondiaria-SAI S.p.A.	5,000	01/04/2020	BNP Paribas	3% per year	5.25% annual	(301)
Fondiaria-SAI S.p.A.	3,750	28/10/2020	Banca IMI	3% per year	6.525% annual	273
Milano Assicurazioni S.p.A.	2,500	07/05/2020	Banca IMI	3% per year	6.50% annual	170
Milano Assicurazioni S.p.A.	5,000	01/04/2020	BNP Paribas	3% per year	5.25% annual	(272)
Milano Assicurazioni S.p.A.	3,750	28/10/2020	Banca IMI	3% per year	6.525% annual	273
Total	**22,500**					**313**

(*) considering the days in which the spread between the 30 year CMS rate and the 10 year CMS rate is positive.

As of December 31, 2010, among the operations not-hedged the following Interest Rate Swaps were still in place:

(in Euro thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value as of December 31, 2010	2009
Immobiliare Milano	14,286	31/12/2012	3.770	Euribor 6 m 30/360	(417)	(721)
Immobiliare Milano	14,286	31/12/2012	3.695	Euribor 6 m 30/360	(403)	(693)
Total	**28,572**				**(820)**	**(1.414)**

During 2010, Fondiaria-SAI recognized a gain in the income statement of Euro 689 thousand and a loss in the income statement of Euro 345 thousand against the advanced settlement and maturity of Forward Variance Swap contracts. In relation to Milano Assicurazioni the impact to the income statement deriving from the advanced settlement and maturity of the Forward Variance Swap contracts was a positive value of Euro 344 thousand and negative value of Euro 172 thousand.

During 2010, Fondiaria-SAI recorded a gain in the income statement of Euro 81 thousand against the maturity of Convexity Trade contracts signed during the year. Milano Assicurazioni recorded a gain of Euro 81 thousand in the income statement deriving from the maturity of the Convexity Trade.

During the year, the Group signed call options on the Eurostoxx50 index. The options were closed in advance of maturity with a net loss recognized in the Income Statement of Euro 737 thousand for Fondiaria-SAI and Euro 737 thousand for Milano Assicurazioni.

5. OTHER RECEIVABLES

The breakdown of the account is the following:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
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	464,991	472,318	(7,327)
TOTAL	**2,314,375**	**2,422,885**	**(108,510)**

The Group considers that the carrying value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.
The net balance of the taxes on sales is generally non-interest bearing and regulated with the relevant Tax Authorities on a monthly basis.

The table below sets forth the breakdown of the receivables from direct insurance operations:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Receivables from policyholders for premiums in year	815,440	831,950	(16,510)
Receivables from policyholders for premiums in previous years	37,596	23,517	14,079
Receivables from insurance intermediaries	692,812	733,741	(40,929)
Receivables from insurance companies	91,489	134,497	(43,008)
Amounts to be recovered from policyholders & third parties	110,274	93,529	16,745
TOTAL	**1,747,611**	**1,817,234**	**(69,623)**

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

The receivables from reinsurance operations include Euro 99,320 thousand (Euro 119,687 thousand as of December 31, 2009) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 2,453 thousand (Euro 13,646 thousand as of December 31, 2009) from reinsurance intermdiaries. During the year no significant write downs were made on reinsurance assets.

The other receivables include trade receivables for Euro 82,523 thousand, mainly including receivables from clients, as well as receivables from Tax Authorities for Euro 228,086 thousand and amounts requested for repayment, VAT receivables and payments on account for tax insurances (Legislative Decree 282/04).

6. OTHER ASSETS

The total amount of the account is Euro 996,064 thousand (Euro 4,920,061 thousand as of December 31, 2009) and the account decreased by Euro 3,923,997 thousand compared to the previous year.

The following table sets forth the breakdown of the account:

(in Euro thousands)	**As of December 31, /2010**	**As of December 31, 2009**	**Changes**
Non-current assets or disposal group classified held for sale	3,452	4,102,633	(4,099,181)
Insurance Deferred acquisition costs	87,603	142,111	(54,508)
Tax receivable assets	387,573	304,633	82,940
Deferred tax assets	361,195	174,230	186,965
Other assets	156,241	196,454	(40,213)
TOTAL	**996,064**	**4,920,061**	**(3,923,997)**

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

As at December 31, 2010, the non current assets or disposal group classified as held for sale amounted to Euro 3,452 thousand (Euro 4,102,633 thousand at 31/12/2009).
The account relates to the properties owned by the subsidiary Liguria Assicurazioni located in Segrate – Via delle Regioni, 40.
As at December 31, 2009 the account mainly related to the assets of Bipiemme Vita S.p.A., disposed in the current year.

6.2 Insurance deferred acquisition costs

The insurance deferred acquisition costs, amounting to Euro 87,603 thousand (Euro 142,111 thousand as at December 31, 2009), mainly refer to the acquisition commissions to be amortised on the long-term contracts in the Life and Non-Life Insurance sectors of the core-business entitries. These amounts are deferred and amortised over seven years for the Non-Life insurance and six years for the Life insurance classes in accordance with analysis on the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

The net decrease compared to December 31, 2009 amounts to Euro 54,508 thousand. The Parent Company and Milano Assicurazioni no longer record upfront commission in the Non-Life Insurance Division since, following the abolition of long-term contracts in accordance with the Bersani decrees, the remuneration policy of agency networks has changed substantially. The increase in the year refers exclusively to the contribution of DDOR. The increase in the Life Insurance Sector relates almost exclusively to the contribution of the subsidiary Popolare Vita and relates to the upfront commissions paid to the agency network on unit linked contracts, with significant insurance risks.

The amortisation period in this case was estimated as three years. In fact, in this period the charge would be recovered both through the correlated management commissions and through any redemption penalty charges. The changes during the year were the following:

(in Euro thousands)	2010 Non-Life Division	Life Division	Total	2009
Balance at the beginning of the year	111,436	30,675	142,111	226,969
Increases in the year	57	20,907	20,964	15,088
Amortisation in year (-)	(55,223)	(9,689)	(64,912)	(96,016)
Impairment in value recorded in year (-)	(3,377)	(6,488)	(9,865)	(3,424)
Other changes	(645)	(50)	(695)	(506)
Balance at the end of the year	**52,248**	**35,355**	**87,603**	**142,111**

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

6.3 Deferred tax assets

Deferred tax assets amounts to Euro 361,195 thousand (Euro 174,230 thousand as of December 31, 2009) and is calculated on the total amount of the temporary differences between the book value of 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 recoverability in connection with the capacity to generate taxable income in the future.
The balance at the end of the year tis presented net of the compensation made, by each company of the Group, with the corresponding deferred tax liabilities, as per IAS 12.

6.4 Tax receivable assets

Tax receivable assets, amounting to Euro 387,573 thousand (Euro 304,633 thousand as at December 31, 2009), refer to the financial receivables for payments on account, withholding taxes and income tax credits.
The account also includes the amounts paid as advance payment pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented, in accordance with Isvap Regulation No. 7/2007, as not in the scope of IAS 12.

The balance at the end of the year is net of current tax liabilities in accordance with a legal right to offset these amounts with the amounts recorded by the individual companies of the Group and by the Parent Company on behalf of all the companies which are included in a the fiscal consolidation, settling the IRES income taxes jointly. The account does not include the amount related to tax receivables classified as "Other receivables" for miscellaneous tax receivebles requested as a tax reimbursement.

6.5 Other assets

The table below sets forth the breakdown of other assets, which amount to Euro 156,241 thousand (Euro 196,454 thousand as at December 31, 2009):

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Transitory reinsurance accounts	3,477	2,451	1,026
Deferred commission expenses for life investment management services	7,664	20,482	(12,818)
Actuarial reserve tax on account as per Leg. Decree No. 209/03	60,373	57,614	2,759
Indemnities paid not applied	15,889	20,297	(4,408)
Other assets	68,838	95,610	(26,772)
TOTAL	**156,241**	**196,454**	**(40,213)**

7. CASH AND CASH EQUIVALENTS

This account amounts to Euro 625,940 thousand (Euro 576,033 thousand as at December 31, 2009).

This account includes the liquidity held by the Group, deposits and bank account with maturity less than 15 days. They include highly liquid assets (cash and deposits on demand) and cash equivalents or rather short term financial investments, readily convertible into cash amounts and which are not subject to changes in value.

The book value of these assets closely approximates their fair value. The deposits and bank accounts are rewarded at fixed or variable interest rates which bears interests recognized on a quarterly basis or in relation to the lower duration of the restrictions on the deposits.

Statement of financial position – Shareholders' Equity & Liabilities

1. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity, amounting to Euro 2,550,105 thousand, includes the result for the year and the non-controlling interests and decreased by Euro 1,160,546 thousand compared to amount as of December 31,2009.

The table below sets forth the changes in the year:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Shareholders' Equity attributable to the Group	**1,882,127**	**2,716,187**	**(834,060)**
Share Capital	167,044	167,044	-
Other equity instruments	-	-	-
Capital reserves	209,947	209,947	-
Retained earnings and other reserves	2,620,792	3,010,474	(389,682)
Treasury shares	(321,933)	(321,933)	-
Reserve for currency translation difference	(56,598)	(3,857)	(52,741)
Unrealized gain or losses on financial assets available-for-sale	(34,759)	(53,957)	19,198
Other unrealized gains and losses through equity	15,216	51,062	(35,846)
Net loss for the year	(717,582)	(342,593)	(374,989)
Shareholders' Equity attributable to non-controlling Interest	**667,978**	**994,464**	**(326,486)**
Non-controlling interests capital and reserves	902,126	1,071,435	(169,309)
Unrealized gains and losses recorded through equity	(22,869)	(28,051)	5,182
Net loss for the year	(211,279)	(48,920)	(162,359)
TOTAL	**2,550,105**	**3,710,651**	**(1,160,546)**

Share capital

The subscribed and fully paid-in share capital amounts to Euro 167,043,712, comprising n. 124,482,490 ordinary shares and n. 42,561,222 savings shares, both with a nominal unitary value of Euro 1.

Each ordinary share of Fondiaria-SAI S.p.A. has the right to vote in the ordinary and extraordinary shareholders' meetings of Fondiaria-SAI S.p.A..

At the time of the distribution of the earnings or on in the event of winding-up the company, the ordinary shares of Fondiaria-SAI S.p.A. do not entail any privileges.

The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company articles of association and other rights pursuant to law.

In the case of exclusion from trading of the ordinary or saving shares issued by the Company, the saving shares maintain the rights as per the law and the company articles of association.

The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares. Where the profits for the year do not permit to distribute a dividend of 6.5% to the saving shares, the difference will be added in the privileged dividend due in the following two years.

The earnings distributed as dividend in accordance with the resolution of the Shareholders' Meeting are divided among all the shares recognizing to the saving shares a 5.2% of the nominal value of the share dividend higher than that recognized to the ordinary shares of.
When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares will have the same rights as the other shares.
Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

The table below sets forth the disclosures required by IAS 1.79:

	Ordinary as of December 31, 2010	**Savings as of December 31, 2010**	**Ordinary as of December 31, 2009**	**Savings as of December 31, 2009**
Number of shares issued	124,482,490	42,561,222	124,482,490	42,561,222

Changes in shares outstanding	**Ordinary**	**Savings**	**Total**
Shares existing as at January 1, 2010	124,482,490	42,561,222	167,043,712
Treasury shares (-)	14,382,557	-	14,382,557
Shares outstanding: balance as at January 1, 2010	110,099,933	42,561,222	152,661,155
Increases:			
Sale of treasury shares	-	-	-
Exercise of warrants	-	-	-
Decreases:			
Acquisition of treasury shares	-	-	-
Shares outstanding: balance as at January 31, 2010	110,099,933	42,561,222	152,661,155

Nature and purpose of the other reserves

Retained earnings and other reserves include the other shareholders' equity reserves booked in the separate financial statements of the Parent Company, modified by the allocation of the results for 2010 (refer to the explanatory notes to the separate financial statements of the Parent Company related to the changes therein) and to the consolidation reserves.

1.1.5 Treasury shares

The account amounts to Euro 321.9 million (Euro 321.9 million as at December 31, 2009) and includes the book value of the equity instruments of the Parent Company Fondiaria-SAI for Euro 64.4 million while the residual amount refers to the treasury shares held by the subsidiaries Milano Assicurazioni S.p.A. (Euro 229.3 million) and Sai Holding S.p.A. (Euro 28.3 million).
The balance is negative in accordance with the provisions of IAS 32.

1.1.6 Reserve for currency translation differences

The balance is negative for Euro 56,598 thousand (negative for Euro 3,857 thousand as at December 31, 2009) and includes the currency translation differences due to the conversion of the foreign subsidiaries financial statements, prepared in local currency, into Euro.

1.1.7 Unrealized gain or loss on financial assets available for sale

The account isnegative for Euro 34,759 thousand and includes the gains and losses deriving from the valuation of the financial assets available-for-sale. This balance is presented net of the related deferred tax liability and of the part attributable to the policyholders and allocated to the insurance liabilities. In particular the account includes a negative amount of Euro 337 million related to the financial assets available for sale in portfolio and a positive amount of Euro 243 million related to the application of the shadow accounting technique. It should be additionally added Euro 59 million (positive) related to the tax effects of the described above two matters .

1.1.8 Other unrealized gains and losses through in equity

The account, amounting to Euro 15.2 million, includes a negative amount of Euro -24.1 million related to profits or losses on cash flow hedging instruments, in addition to Euro 53.6 million of reserves which refer to the reversal of gains realised on the partial sale of investments.
In fact, as illustrated in the accounting principles, the transactions related to the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact on the result of the consolidated financial statements as they are considered as mere modifications in the ownership structure of the Group. The results in the separated management of the Life Insurance Sector are considered as exceptions.
The residual amount refers mainly to actuarial losses due to the application of IAS 19.

1.2 Shareholders’ equity attributable to non-controlling interest

Shareholders’ equity attributable to non-controlling interests, including the result for the year, decreased by Euro 326.5 million, attributable to the Shareholders’ equity attributable to non-controlling interestsof the Milano Group, and of the subsidiary Popolare Vita S.p.A..
Refer to the specific statement for the changes in the consolidated shareholders’ equity.

Reconciliation between the financial statements of the Parent Company and the Consolidated Financial Statements

The table below sets forth the reconciliation between the shareholders' equity and result for the year of the Parent Company and those of the Group as per Consob Communication No. 6064293 of July 28, 2006.

(in Euro thousands)	Profit/(loss) for the year 2010	2009
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**(636,408)**	**40,216**
IAS 38 "Intangible assets"		
Goodwill	47,962	47,962
Other intangible assets	1,350	5,149
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(22,594)	(37,223)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	3,605	1,403
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	(3,069)	(2,255)
IAS 39 "Financial Instruments"		
Financial assets	58,338	(214,951)
Financial liabilities	5,732	3,997
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium provision	51,688	6,551
Actuarial reserves	24,036	(15,143)
Service component linked policies (IAS 18)	-	-
IFRS 2 "Share-based payment"		
Stock options	-	(1,734)
Tax effect on the reconciliation accounts	(56,864)	70,114
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**(526,224)**	**(95,914)**
Consolidation adjustments:		
Results of consolidated companies:		
Line-by-line	(231,588)	14,300
As per the equity method	(34,543)	(1,526)
Application of group accounting principles, translation adjustment and other	(39,679)	(49,257)
Amortisation VOBA/Goodwill impairment	(86,472)	(54,085)
Elimination effects of inter-group operations:		
Inter-group dividends	(25,686)	(142,586)
Other intra-group operations	(3,076)	(99,008)
Tax effects of the consolidation adjustments	18,407	36,563
Consolidated Result as per IAS/IFRS	**(928,861)**	**(391,513)**
NON-CONTROLLING INTERESTS	**211,279**	**48,920**
Loss for the year attributable to equity shareholders of the parent as per IAS/IFRS	**(717,582)**	**(342,593)**

(in Euro thousands)	Net Equity incl. Result as of December 31,	
	2010	**2009**
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**2,458,889**	**2,486,065**
IAS 38 "Intangible assets"		
Goodwill	287,773	239,811
Other intangible assets	27,883	22,733
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(151,884)	(113,733)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	(19,371)	(17,945)
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	10,266	12,522
IAS 39 "Financial Instruments"		
Financial assets		
Available-for-sale	(202,853)	24,906
Fair value through profit and loss and other financial assets	109,336	297,443
Financial liabilities	(44,674)	(7,541)
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium provision	64,387	66,022
Actuarial reserves	222,956	27,040
Service component linked policies (IAS 18)	(206)	(206)
IFRS 2 "Share-based payment"		
Stock options	-	1,734
Tax effect on IAS/IFRS adjustments	(58,617)	(183,816)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**2,703,885**	**2,855,035**
Consolidation adjustments:		
Difference between carrying value and shareholders'equity of the consolidated companies:		
Line-by-line	1,223,500	1,503,443
As the equity method	(612)	5,791
Elimination effects of inter-group operations:		
Inter-group dividends	25,686	54,765
Other intra-group operations	(190,410)	(98,885)
Application of group accounting principles	92,292	141,549
Effect currency translation of financial statements	(52,741)	(7,900)
Tax effects of the consolidation adjustments	(701)	(29,701)
Elimination of treasury shares	(321,933)	(321,933)
Consolidated Shareholders' Equity as per IAS/IFRS accounting standards	**3,478,966**	**4,102,164**
NON-CONTROLLING INTERESTS	**(879,257)**	**(1,043,384)**
Shareholders' Equity atgtributable to the Group per IAS/IFRS accounting standards	**2,599,709**	**3,058,780**

2. PROVISIONS FOR RISK AND CHARGES

The following table sets forth the breakdown of the provisions for risk and charges, that amount to Euro 340,637 thousand (Euro 298,631 thousand as at December 31, 2009):

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
Provisions for tax purposes	27	54	(27)
Other provisions	340,610	298,577	42,033
TOTAL	**340,637**	**298,631**	**42,006**

Other provisions include amounts for which uncertainty exists regarding the payment date or the amount of future expenses required to meet the obligation. The table below sets forth the changes in the year are shown below:

(in Euro thousands)	Urbanisation charges	Non-fiscal claims other than tax	Personnel charges	Non-recoverable - agents	Other charges	Total
Balance at the beginning of the year	**4,334**	**126,429**	**30,253**	**27,122**	**110,439**	**298,557**
Increases in the year	-	11,643	8,313	3,998	50,358	74,312
Utilisation in the year	-	(4,050)	(422)	-	(31,412)	(35,884)
Changes for financial charges matured or for changes in rates	-	3,605	-	-	-	3,605
Balance at the end of the year	**4,334**	**137,627**	**38,144**	**31,120**	**129,385**	**340,610**

With reference to the other provisions, further information is provided below.

Claims other than taxes The provision includes the best possible estimates made by the Group to meet disputes with agents, policyholders, personnel and third parties.
Total provisions are adequate with respect to the estimated charges consequent of the total legal disputes to which the Group is party. The estimate of the provisions was made with reference to past internal experience and technical evaluations performed by the legal advisors of the Group.
The provision for paymentsrelated to the claims in place has not been discounted in consideration of the timing for the potential payments. The net effect recognized in the income statement of the period for the discounting made was negative for Euro 3.6 million and is a consequence of the recalculation of the estimated timing for any potential payments.

The provision also includes the amounts accrued in relation to the so-called “Public Purchase Offer” litigation. Considering the importance of the litigation, although this case currently appears favourable to the Group in light of the sentence of the Milan Appeals Court, it is considered appropriate, pursuant to IAS 37.92, not to provide details on the amount accrued.

Personnel charges

The provision includes probable liabilities which may arise from past employment services. In particular, the provision includes charges for vacation days not taken and leaving incentive charges already formally agreed between the employee and the management.
In this case, considering the limited time period for the financial payments it was not considered necessary to discount the amount.

Non-recoverable amounts from agents

The provision includes the best estimate made for valuing the current charge accrued in connection with possible liabilities related to the compensation of leaving agents that should be paid by, to the new agent entering into the agency mandates which expired as per the agents' national contract.
The estimate of the charge was made following the discounting process of the indemnities matured by the agents of the Group at the reporting date. On this amount, the past experience of the Group determined the possible loss which was in turn discounted using, as financial assumptions, the risk free interest rate curve.

Urbanisation charges

These charges represent a certain but estimated liability related to the urbanisation work to be completed, as well as the charges to be paid. These charges refer to the subsidiary Immobiliare Lombarda S.p.A., which operates in the real estate sector. There were no changes in the period.

Other charges

Other charges refer to provisions related to miscellaneous not relevant unitary amounts including the maintenance costs provided contractually for the companies operating in the real estate sector or those estimated costs already planned by the companies of the Group that own properties, for restoration and modifications of the properties.
Additionally, the leaving indemnities for different categories of employees are included.

Similar considerations, in accordance with IAS 37.92, apply for the provisions accrued in relation to tax audits for the fiscal year of 2005 and related to some financial operations contested by the Tax Office. The company is currently in discussion with the Tax Office to settle the dispute.

The provisions for risks and charges in the financial statements are sufficient **in any case, to meet expenses resulting from any worst-case outcome** in the litigation in progress.

With reference to the provisions of IAS 37, the Group is not aware of any potential assets or liabilities of a significant size for which it is necessary to provide specific information, with the exception of the following.

Castello Area

A criminal proceeding is 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 area - owned by NIT S.r.l., a Company belonging to the Fondiaria-SAI Group.
The criminal charge on which the proceeding is based is corruption.
, An order of seizure by the Public Prosecutor's Office of Florence was executed on the entire Castello area on November 26, 2008.
On the completion of the preliminary investigation, the Public Prosecutor's Office of Florence requested the Judge of the Preliminary Hearing to stand trial for those investigated, also requesting to stand trial for Fondiaria-SAI S.p.A., for the administrative offence pursuant to Articles 5 and 25 of Legislative Decree 231/2001 in relation to offences pursuant to Articles 319 and 321 of the Criminal Code.

Currently, the case is still in the preliminary phase. If convicted, the Parent Company could be ordered to pay a fine.

It is recalled that, on the request of the Florence Public Prosecutor's Office, on November 26, 2008 a seizure order was executed for the entire Castello Area, on which Judicial Police seals were affixed. This order was also notified to NIT, although neither the Company nor its directors are under investigation. Currently, and to the best knowledge of the Company, there is no risk to the Company and its directors and, from the documentation in our possession there are no doubts on the legitimacy of the Convention of 2005 or the suitability for construction of the area.
The value of the inventory related to the so-called Castello Area as at December 31, 2010, amounting to Euro 198.9 million, as per the appraisal stated by the independent expert Scenari Immobiliari of Euro 274.5 million.

3. INSURANCE CONTRACT LIABILITIES

The account amounts to Euro 34,827,972 thousand and increased by Euro 3,109,922 thousand compared to the amount as of December 31 2009.

The breakdown of the technical reserves is the following:

(in Euro thousands)	As of December 31, 2010	As of December 31, 2009	Changes
NON-LIFE INSURANCE SECTOR			
Unearned premium reserve	2,777,937	2,730,646	47,291
Claims reserve	9,097,595	8,924,047	173,548
Others	12,317	13,542	(1,225)
Total Non-Life Insurance Sector	**11,887,849**	**11,668,235**	**219,614**
LIFE INSURANCE SECTOR			
Actuarial reserves	16,073,412	13,518,260	2,555,152
Reserve for claims to be paid	277,797	155,054	122,743
Technical reserves where investment risk on policyholders and from pension fund management	6,950,978	6,265,181	685,797
Others	(362,064)	111,320	(473,384)
Total Life Insurance Sector	**22,940,123**	**20,049,815**	**2,890,308**
TOTAL INSURANCE CONTRACTS LIABILITIES	**34,827,972**	**31,718,050**	**3,109,922**

With reference to the Non-Life insurance sector, the premium provision includes the provision for the fraction of premium of Euro 2,743,968 thousand and the provision for current risks in course of Euro 33,969 thousand.
Other technical provision of the Non-Life insurance sector refer entirely to the ageing reserve pursuant to article 37 of Legislative Decree 209/05.
Claims provision includes the provision for the IBNR claims not yet reported (IFRS 4 IG22C) equal to Euro 906,259 thousand.

With reference to the Life insurance sector, the actuarial provision includes the additional provision on the financial risk equal to Euro 58,364 thousand (Euro 48,078 thousand as at December 31, 2009), as per ISVAP Regulation No. 21 of March 28, 2008, and already implemented by Article 25, paragraph 12 of Legislative Decree 174/95.
The "other technical provision" in the Life Insurance sector include the deferred liabilities to policyholders against the contracts with a discretional participation of the profits (IFRS 4.1G22f) for Euro -454,658 thousand (Euro 7,739 thousand at 31/12/2009). The residual amount mainly relates to reserves for future expenses.
In particular, the Group considered the re-valuable contracts in the Life insurance sector as contracts containing a discretional participation element and related to the return of the separated management. In this case, the policyholder can in fact discretionally intervene and determine the rate of payment and the return. The shadow accounting treatment was applied to these contracts.

In relation to the financial liabilities related to contracts with discretional participation features, as defined by IFRS 4.2b), these liabilities are classified as insurance contracts liabilities and their book value amounted to Euro 9,180,195 thousand (Euro 6,360,701 thousand as at December 31, 2009).
In relation to these contracts, due to the absence of new regulations and best practice on the valuation methodology to determine the fair value of the insurance liabilities, there are objective difficulties to provide precise quantifications since specific decisions needs to be taken on this matter at a regulatory level.

The table below sets foth the changes in the year:

(in Euro thousands)	As of December 31, 2010		
	Non-Life Division	**Life Division**	**Total**
Balance at the beginning of the 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)
(Gains) or losses recorded through profit or loss	636,544	121,188	757,732
Reserves acquired or transferred to other insurers	(4,407)	(20)	(4,427)
Exchange differences/Other changes	(7,373)	(984)	(8,357)
Reserve at the end of the year	**11,887,849**	**22,940,123**	**34,827,972**

4. FINANCIAL LIABILITIES

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Financial liabilities at fair value through profit or loss	1,646,935	2,085,415	(438,480)
Other financial liabilities	2,203,171	2,665,045	(461,874)
Total	**3,850,106**	**4,750,460**	**(900,354)**

Financial liabilities at fair value through Profit or loss

Financial liabilities at fair value recorded through profit or loss are:

Financial liabilities held for trading

Financial liabilities held for tradingamounts to Euro 2,842 thousand (Euro 15,779 thousand as at December 31, 2009).

Financial liabilities designated at Fair Value through profit or loss

Financial liabilities designated at Fair Value recorded through profit or loss amounts to Euro 1,644,093 thousand (Euro 2,069,636 thousand as at December 31, 2009).
In accordance with IAS 39, the item includes the investment contracts not in scope for IFRS 4 as they do not present a significant insurance risk and, therefore, accounted for in accordance with the Deposit Accounting method.
The total amount is equal to Euro 1,608,513 thousand (Euro 2,058,035 thousand as at December 31, 2009).
There are no financial liabilities in the “Fair value through profit or loss” for which the changes in fair value change are not due to changes in market prices.

4.2 Other financial liabilities

Other financial liabilities amounts to Euro 2,203,171 thousand (Euro 2,665,045 thousand as at December 31, 2009) andincludes the financial liabilities defined and governed by IAS 39 not included in the category “Financial liabilities at fair value through profit or loss”.
Other financial liabilities include deposits as guarantee in relation to risks ceded in reinsurance for Euro 248,006 thousand (Euro 266,089 thousand as at December 31, 2009) and sub-ordinate financial loans for Euro 1,041,446 thousand (Euro 1,040,425 thousand as at December 31, 2009). whose Euro 151,807 thousand, refer to the Milano Assicurazioni Group.

With reference to other financial liabilities due to bank and other lenders, amounting to Euro 913,719 thousand (Euro 1,358,531 thousand in as at December 31, 2009), the most significant amounts are reported below:

- Euro 131.8 million refers to the loan entered into by the close-end Tikal Real Estate Fund with Intesa SanPaolo, as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on equity and therefore the capital invested by the participants. The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and increase profitability. The loan cost is Euribor plus a variable credit spread from 70 to 110 b.p. The Fund, since 2008, used interest rate derivative, of which only two are still in place at year-end, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 69.7 million refers entirely to the financial liability of the subsidiary Immobiliare Milano Assicurazioni. This mainly refers for Euro 36 million to a bank loan entered into by the subsidiary with maturity on May 31, 2011 and an interest rate of Euribor 6-m plus 90 basis points, and for Euro 25 million to two bank loans enetered into with Efibanca with variable maturities up to 2012 and an interest rate at Euribor6 month iplus 83 basis points.

- Euro 82.1 million refers entirely to the financial liability of the subsidiary Immobiliare Fondiaria-SAI. This refers mainly to the bank loan entered into by Marina di Loano with Intesa SanPaolo with maturity on March 17, 2014 and an interest rate of Euribor at 3 months plus 300 basis points. The company used a interest rate derivative, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted. Additionally, the subsidiary Meridiano Secondo has entered into a property loan with maturity on September 25, 2012 and an interest rate at Euribor at 3 months plus 90 basis points;

Additionally, other financial liabilities also includes customer deposits of the subsidiary BancaSai for Euro 303,753 thousand.

5. PAYABLES

The table below sets forth the breakdown of payables amounting to Euro 836,934 thousand:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Payables from direct insurance operations	91,887	135,466	(43,579)
Payables from reinsurance operations	106,862	99,010	7,852
Other payables	638,185	615,645	22,540
Total	**836,934**	**850,121**	**(13,187)**

With reference to the payables deriving from the direct insurance operations, they consist of:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Payables to insurance intermediaries	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)**

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 78,713 thousand (Euro 79,673 thousand 2009) and Euro 28,149 thousand to reinsurance intermediaries (Euro 19,337 thousand in 2009).

The table below sets forth the breakdown of the other payables:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Trade payables	344,436	311,593	32,843
Employee leaving indemnity and other employees benefits	77,588	87,884	(10,296)
Policyholders' tax due	94,714	94,202	512
Other payables	73,290	58,948	14,342
Social security	22,293	23,636	(1,343)
Other payables	25,864	39,382	(13,518)
Total	**638,185**	**615,645**	**22,540**

Other tax payables include Euro 60,373 thousand related to the advance payment of the life insurance actuarial provision pursuant to article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (converted by Law 262/2002).

Employee leaving indemnity and other employee benefits

Due to the 2007 Finance Act (Law No. 296/2006) the Complementary Pension Reform was brought forward to January 1, 2007.
Based on this reform, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity accrued from January 1, 2007 to complementary pension funds or maintain the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the employee leaving indemnity accrued remained in the company.

For the purposes of actuarial valuation of the related liability as per IAS 19, and as per the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were distinguished as follows:

- For the employees that choose to maintain their leaving indemnity at the company: the actuarial criteria provided by IAS 19 for defined benefit plans were used;
- For the employees that choose to allocate their leaving indemnity to complementary pension schemes: the portion of employee leaving indemnity accrued from January 1, 2007, as a defined contribution plan, do not fall within the scope of IAS 19.

The table below sets forth the changes in the year:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Balance at the beginning of the year	**87,884**	**83,299**	**4,585**
Provisions to income statement for Interest Cost	1,322	2,396	(1,074)
Provisions to income statement for Service Cost	67	211	(144)
Actuarial Gains/Losses	2,330	2,491	(161)
Utilisations	(13,038)	(9,925)	(3,113)
Changes in the consolidation scope	(977)	9,412	(10,383)
Balance at the end of the year	**77,588**	**87,884**	**(10,296)**

The slight increase, during 2010, in the market rates caused a greater discount in future cash flows and consequently a reduction of 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**			
	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	4.77	3.13	1.50	3.01
EUROPA	5.54	3.13	1.50	3.01
FINITALIA	5.54	3.13	1.50	3.01
FONDIARIA-SAI	5.83	3.86	1.50	5.63
GRUPPO FONDIARIA-SAI SERVIZI	4.77	3.86	1.50	5.63
IMMOBILIARE LOMBARDA	5.54	3.86	1.50	5.63
ITALRESIDENCE	5.03	3.86	1.50	5.63
LIGURIA DANNI	5.76	3.86	1.50	5.63
LIGURIA VITA	5.04	3.86	1.50	5.63
MARINA DI LOANO	5.54	3.86	1.50	5.63
MILANO ASSICURAZIONI (*)	5.78	3.13	1.50	3.01
PRONTO ASSISTANCE	4.77	3.86	1.50	5.63
SIAT	5.76	3.86	1.50	5.63
HEALTH CARE SYSTEMS	5.54	3.86	1.50	5.63
SYSTEMA	4.77	3.13	1.50	3.01

(*) includes SASA Assicurazioni

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

Average data in the year represents indicative parameters, as they are calculated applying reasonable levels of aggregation and approximation. For this reason, the methodological choices made for the analytical definition of the principal actuarial assumptions are described below:

- Discount rate: utilisation of the interest rate curve at the valuation date, instead of a fixed rate, representative market yields on first rate corporate bonds (Bloomberg).
- Expected rate of salary increase: update of the historical series (2008-2009 period) of the salaries and their calibration on the basis of the National Contract category and the expected inflation. The salary increase assumptions were differentiated by contract category and by employee service period.
- Turn Over: update of the historical series (2008-2009 period) related to the personnel leaving the Company and their normalisation on the basis of “extraordinary” factors occurred in the period. The turnover assumptions were differentiated by contract, age and gender.
- Inflation rate: the inflation scenario indicated in the current Economic and Financial Programme Document at the valuation date was used .

Health insurance post service

The Group has in place some health insurance programmes for some retired directors and their families. This benefit may be reversed to surviving spouses and supporting children. The accounting method and the actuarial assumptions are similar to those utilised for a defined benefit plan.
The tables below set forth the analytical information related to the changes of the liabilities related to the executive health insurance post-service, as well as the principal demographic and financial assumptions adopted for the calculation of the provision in accordance with the "Projected Unit Credit Method".

Company (in Euro thousands)	**Provision as at December 31, 2010**	**Service Cost 2010**	**Provision as at December 31, 2009**	**Service Cost 2009**
FONDIARIA-SAI	14,453	205	15,807	142
MILANO ASSICURAZIONI(*)	7,312	63	7,868	72
SIAT	252	9	256	9
Total Group	**22,017**	**277**	**23,931**	**223**

(*) includes SASA Assicurazioni

(values in %)	**Executive Assistance**			
	1	**2**	**3**	**4**
FONDIARIA-SAI	3.82	-	1.50	6.97
MILANO ASSICURAZIONI	3.82	-	1.50	5.02
SIAT	3.82	-	1.50	6.97

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

6. OTHER LIABILITIES

The table below sets forth the breakdown of the other liabilities:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Liabilities directly associated with non –current assets or disposal group classified as held for sale	-	3,873,998	(3,873,998)
Deferred tax liabilities	132,060	137,761	(5,701)
Tax liabilities	54,306	16,977	37,329
Other liabilities	363,384	476,019	(112,635)
TOTAL	**549,750**	**4,504,755**	**(3,955,005)**

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

As at December 31, 2009 the account mainly refers to the liabilities of Bipiemme Vita S.p.A., sold in the current year.

6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 132,060 thousand (Euro 137,761 thousand as at December 31, 2009), include all the temporary tax differences, related to statement of financial position and income statement items, which will be reversde in future years.
Where permitted, the balance is presented net of the corresponding deferred tax asset in accordance with IAS 12.
The impact of the deferred tax liabilities recognized in the income statement in the year was negative for Euro 105,061 thousand (Euro 60,373 as pof December 31, 2009).

6.3 Tax liabilities

Tax liabilities amounts to Euro 54,306 thousand (Euro 16,977 thousand as at December 31, 2009) and refer to the income tax for the year accrued by the Group at year-end and calculated applying the respective taxable income determined through prudent estimates of the theoretical tax rates in force at year-end.
As already reported the amount recorded at the end of the year is net of the corresponding tax receivables, made by each individual companies and by subsidiaries within the Group which participates to the tax consolidation of the Parent Company.

6.4 Other liabilities

Other liabilities amount to Euro 363,384 thousand (Euro 476,019 thousand as at December 31, /2009) and are comprised of:

(in Euro thousands)	**As of December 31, 2010**	**As of December 31, 2009**	**Changes**
Commissions on premium to be collected	113,839	126,061	(12,222)
Deferred commission charges for life policyholders investment management services	10,326	25,873	(15,547)
Cheques issued because of claims and amounts paid to life policyholders after year end	32,917	32,033	884
Transitory reinsurance accounts	3,652	2,058	1,594
Other liabilities	202,650	289,994	(87,344)
TOTAL	**363,384**	**476,019**	**(112,635)**

Risks and commitments not recorded in the Statement of financial position

In accordance with the international accounting standards IAS/IFRS the Financial Statements must not solely contain accounting data, but also information on risks and uncertainties of the company, in addition to resources and commitments not recorded in the Statement of financial position.
As per these accounting standards the memorandum accounts presented "under the line" of the Statement of financial position are classified distinguishing between risks and commitments assumed by the company and assets of third parties held.

Secured guarantees by the Group in favour of third parties

These guarantees amount to Euro 224,692 thousand compared to Euro 308,699 thousand in the previous year and include: Euro 111,200 thousand for mortgages on properties owned in favour of lender banks; Euro 50,825 thousand for secured guarantees related to bank deposits on which there is a pledge, in relation to claim disputes; Euro 4,160 thousand relating to assets on deposit to secure inward reinsurance transactions.

Other guarantees provided by the Group in favour of third parties

Other guarantees amount to Euro 47,462 thousand compared to Euro 52,901 thousand in the previous year and mainly include the guarantees provided to credit institutions for loans lended to associated companies.

Guarantees provided by third parties on behalf of the Group

At the year-end these guarantees amount to Euro 114,742 thousand (Euro 128,652 thousand as of December 31, 2009) and mainly include the guarantees provided in favour of the Direct Indemnity Consortium and in favour of CONSAP to guarantee the commitments deriving from the CARD convention.

Guarantees received

At year-end, these guarantees amount to Euro 167,672 thousand (Euro 209,393 thousand as of December 31, 2009) and mainly include bank guarantees provided on behalf of third parties to guarantee policies issued in the Collateral Class for Euro 100,000 thousand.
Secured guarantees included Euro 50 million related to the lien on the securitisation policy created to cover any damage which Fondiaria-SAI would have incurred following the acquisition in 2006 of Liguria Assicurazioni from De Longhi Holding SA (formerly Guala Consultadoria e Investimentos LDA) that has been eliminated during the year. The parties resolved to sign a settlement agreement for Euro 10 million covering all outstanding issues related to the acquisition.

Commitments

Commitments amounts to Euro 232,450 thousand and **have different nature ranging** from securities market to real estate market.

Commitments related to real estate transactions include Euro 51,400 thousand still to be paid for the completion of the properties located at Milan-Isola and Rome, Via Fiorentini. These transactions, entered into in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned land and the commitment to purchase of **the properties to be built on that land**.
Additionally, Milano Assicurazioni entered into financial commitments under the form of profit participating bonds with the company Garibaldi S.C.A. for Euro 26,700 thousand and with the company Isola S.C.A. for Euro 8,700 thousand.

Securities to be delivered amount to Euro 45,980 thousand, while securities to be received amount to Euro 15,187 thousand: they are recorded against purchase and sales operations performed in 2010, but settled at the beginning of 2011.

Financial commitments, included the convertible bond loan (Mandatory) on Intesa SanPaolo shares of Euro 180,400 thousand that during 2010 expired and was settled through the delivery of the shares, resulting in the complete settlement of the debt towards the bondholders.

PART C – Information on the Consolidated Income Statement

1.1 NET PREMIUMS

Consolidated net premiums amount to Euro 12,585,297 thousand (Euro 11,888,742 thousand in 2009).
The Group’s gross premiums written amounted to Euro 12,953,305 thousand (an increase of 5.25% on the previous year), and are broken down as follows:

(in Euro thousands)	2010	2009	Changes
Gross Life insurancepremiums written	5,749,276	5,137,011	612,265
Gross Non-Life insurance premiums written	7,204,029	7,169,616	34,413
Change gross premium reserve	41,802	38,584	3,218
Total Non-Life Sector	7,162,227	7,131,032	31,195
Gross premiums written	**12,911,503**	**12,268,043**	**643,640**

“Gross premiums written” do not include the cancellation of securities issued in previous years, which were recorded as “Other expenses”. The above amounts are presented net of inter-group reinsurance..

The premiums ceded, amounting to Euro 337,932 thousand, represented 2.6% of the total premiums written (3.2% in 2009).

(in Euro thousands)	2010	2009	Changes
Life Insurance Sector	18,784	28,207	(9,423)
Non-Life Insurance Sector	319,148	367,641	(48,493)
Change in reinsurers reserves	(11,726)	(16,547)	4,821
Total Non-Life Insurance Sector	307,422	351,094	(43,672)
Premiums ceded to re-insurers	**326,206**	**379,301**	**(53,095)**

Group reinsurance policy negatively impacted the consolidated financial statements for Euro 55,710 thousand (Euro 57,802 thousand in the Non-Life Division).
In accordance with IFRS 4.37 b ii, the Group does not defer and amortise gains or losses deriving from reinsurance.

For further details on the Non-Life Insurance and Life Insurance Sectors of Net premiums refer to the Annex reported at the end of the financial statements.

1.2 FEE AND COMMISSION INCOME

IN 2010 fee and commission income amounted to Euro 57,317 thousand, a decrease of Euro 13,369 thousand compared to the previous year.

(in Euro thousands)	2010	2009	Changes
Commission income	57,317	70,686	(13,369)

This account includes both the explicit and implicit loading related to the investment contracts issued by the Group insurance companies and are not out of scope of IFRS 4, and the commissions for the management of internal funds. Of this, approx. Euro 16 million refers to the subsidiary Popolare Vita. They also include approx. Euro 41 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

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

This account amounts to Euro 395,283 thousand, with a decrease of Euro 510,842 thousand compared to 2009.

(in Euro thousands)	Interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 2010	Total 2009	Changes
Result of investments from:									
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	66,005	(32,760)	136,749	(87,449)	402,854	853,994	(451,140)
Financial liabilities held for trading	-	-	-	-	595	(787)	(192)	8,099	(8,291)
Total	**225,667**	**102,546**	**72,864**	**(33,968)**	**148,044**	**(119,870)**	**395,283**	**906,125**	**(510,842)**

The reasons for the significant decrease are mainly attributable to the negative changes in fair value where the investment risk is on the policyholders.
These negative variations are reflected in similar obligations of the Group towards its policyholders.

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro 401,691 thousand related to Class D investments, offset by similar negative changes in the commitments to policyholders.

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

(in Euro thousands)	**Net interest**	**Other net income/loss**	**Gains realised**	**Losses realised**	**Valuation gains and recovery in values**	**Valuation losses and adjust. in values**	**Total 2010**	**Total 2009**	**Changes**
Result from:									
Investment property	-	24,456	59,856	(1)	-	(101,333)	(17,022)	36,566	(53,588)
Investments in subsidiaries, associates and joint ventures	-	(42,351)	53,862	-	-	(10,995)	516	(69,328)	69,844
Investments held to maturity	40,405	83	28,096	-	-	-	68,584	48,098	20,486
Loans and receivables	110,635	305	1,969	(7,103)	215	(9)	106,012	99,602	6,410
Available-for-sale financial assets	550,643	66,218	297,265	(158,991)	261	(389,314)	366,082	498,496	(132,414)
Other receivables	12,682	(2,253)	3,753	-	-	-	14,182	38,237	(24,055)
Cash and cash equivalents	7,980	(557)	-	-	-	-	7,423	15,190	(7,767)
Other financial liabilities and other payables	(80,414)	1,239	-	-	-	-	(79,175)	(103,617)	24,442
Total	**641,931**	**47,140**	**444,801**	**(166,095)**	**476**	**(501,651)**	**466,602**	**563,244**	**(96,642)**

In relation to the investments in subsidiaries, associates and joint ventures, the item “Other net income/loss” includes the negative effect of the valuation under the equity method of the associated company Finadin, which due to the consistent application of group accounting policies that resulted in the impairment of its equity securities.

Gains and losses realised are related to the sale of the different financial instruments.
The valuation losses and adjustments in value on investment property includes the depreciation for the year, as well as the permanent losses in value recorded following the comparison of the book value with independent experts’ valuations. These impairments amounted to Euro 28.6 million and mainly refer to the properties used by the hotel sector.
The valuation loss and adjustments in value on financial instruments available for sale, amounting to Euro 389 million, includes the impairments made in accordance with the valuation policy already illustrated n the explanatory notes to the statement of the financial position.
Interest expense includes the Group debt charges on financial liabilities.
During the year financial assets impaired in previous years did not bearinterest income (IAS 32.94h).
In relation to attachment 11, refer to the annex at the end of the explanatory notes.

1.6 OTHER INCOME

Other income amount to Euro 556,503 thousand (Euro 682,277 thousand in 2009) and are summarised in the table below:

(in Euro thousands)	2010	2009	Changes
Gains realized on 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	35,783	20,879	14,904
Gains realised on fixed assets	385	28,961	(28,576)
Other revenues	383,350	351,529	31,821
Total	**556,503**	**682,277**	**(125,774)**

The sub-item "Other Revenues" includes the following income:

- Euro 119 million from the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano. The properties owned by some subsidiaries of Immobiliare Fondiaria-SAI, are treated and classified under investment properties: the relative changes in value amounts to Euro 60 million;
- Euro 113 million related to operating revenues of the subsidiary Atahotels;
- Euro 75 million related to ordinary revenues from the subsidiary Auto Presto&Bene;
- Euro 45 million revenues from the Retirement Homes subsidiaries of the Group;
- Euro 10 million revenues in the agricultural sector;
- Euro 8 million related to the activities concerning the health services of the subsidiary Sistemi Sanitari S.c.r.l.

2.1 NET INSURANCE BENEFIT AND CLAIMS

Claims paid, sums of the Life insurance Classes and related expenses, gross of the quota ceded to reinsurers, amount to Euro 9,067,247 thousand, an increase of 9% compared to the previous year.

2.1.2 Insurance claims, amounts paid and changes in insurance contracts liabilities

(in Euro thousands)	**2010**	**2009**	**Changes**
Non-Life Insurance Secotr			
Amount paid	5,931,946	5,697,312	234,634
Change in recoveries	(143,211)	(127,487)	(15,724)
Change in other technical provision	584	799	(215)
Change in claims provision	166,632	359,162	(192,530)
Total Non-Life	**5,955,951**	**5,929,786**	**26,165**
Life Insurance sector			
Amount paid	3,135,301	2,620,620	514,681
Change in actuarial provision and other technical provision	2,513,322	1,319,332	1,193,990
Change in technical provision where investment risk on policyholders and from pension fund management	677,000	2,330,677	(1,653,677)
Change in amounts to be paid	60,338	(44,670)	105,008
Total Life Insurance	**6,385,961**	**6,225,959**	**160,002**
Total Non-Life Insurance + Life Insurance	**12,341,912**	**12,155,745**	**186,167**
Amount paid	**8,924,036**	**8,190,445**	**733,591**
Change in provision	**3,417,896**	**3,965,300**	**(547,424)**

2.1.3 Insurance claims costs, quota ceded to reinsurers

(in Euro thousands)	**2010**	**2009**	**Changes**
Non-Life Insurance Sector			
Amount 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 Insurance	**169,489**	**258,899**	**(89,410)**
Life Division			
Amount paid	32,095	36,244	(4,149)
Change in actuarial provision and other technical provision	(13,870)	(10,866)	(3,004)
Change in amounts to be paid	1,257	(557)	1,814
Total Life Insurance	**19,482**	**24,821**	**(5,339)**
Total Non-Life Insurance + LifeInsurance	**188,971**	**283,720**	**(94,749)**
Amount paid	**205,232**	**268,051**	**(62,819)**
Change in provision	**(16,261)**	**15,669**	**(31,930)**

Net change in the insurance contracts liabilities amounted to Euro 170,864 thousand, a decrease of Euro 162,005 thousand compared to 2009.

Life insurance contracts liabilities, including the provision for amounts to be paid, amounted to Euro 3,263,273 thousand (Euro 3,616,762 thousand in 2009).

For further details on net insurance benefit and claims related to the Non-Life Insurance and Life Insurance sectors, refer to Attachment 10 in the annex at the end of the explanatory notes.

2.2 FEE AND COMMISSION EXPENSES

In 2010 fee and commission expenses amounted to Euro 28,421 thousand, a decrease of Euro 9,840 thousand compared to 2009.

(in Euro thousands)	**2010**	**2009**	**Changes**
Commission expenses	28,421	38,261	(9,840)

Fee and commission expenses include the acquisition costs related to investment contracts which do not fall within the scope of IFRS 4.

2.5 OPERATING EXPENSES

(in Euro thousands)	**2010**	**2009**	**Changes**
Non-Life Insurance Sector			
Acquisition commissions and changes in insurance deferred acquisition costs	1,112,617	1,111,175	1,442
Other acquisition costs	213,942	207,359	6,583
Collection commissions	39,108	39,179	(71)
Reinsurers commissions and profit participation	(80,131)	(92,715)	12,584
Total Non-Life Insurance	**1,285,536**	**1,264,998**	**20,538**
Life Insurance Sector			
Acquisition commissions and changes in insurance deferred acquisition costs	111,126	140,852	(29,726)
Other acquisition costs	22,846	46,026	(23,180)
Collection commissions	8,873	10,132	(1,259)
Reinsurers commissions and profit participation	(1,394)	(3,881)	2,487
Total Life Insurance	**141,451**	**193,129**	**(51,678)**
Asset management fees	14,377	12,458	1,919
Other administration expenses	478,818	440,046	38,772
Total	**1,920,182**	**1,910,631**	**(9,551)**

As reported in the table below,total acquisition costsfor the year amounted to Euro 1,460,531:

(in Euro thousands)	2010	2009
Acquisition costs for the year	1,395,880	1,429,171
Amortisation of insurance deferred acquisition costs	64,651	76,241
Total acquisition costs	**1,460,531**	**1,505,412**

In relation to attachment 12, refere to the annexes reported at the end of the explanatory notes.

2.6 OTHER EXPENSES

Other expenses amount to Euro 967,183 thousand (Euro 815,292 thousand in 2009) and are summarised in the table below:

(in Euro thousands)	2010	2009	Changes
Other technical charges	281,458	268,085	13,373
Provisions	122,373	65,619	56,754
Write-downs on receivables	30,418	11,848	18,570
Non recurring expenses	31,626	29,521	2,105
Depreciation of property & equipment	13,964	14,349	(385)
Amortisation of intangible assets	68,199	66,585	1,614
Exchange differences	6,693	596	6,097
Other costs	412,452	358,689	53,763
Total	**967,183**	**815,292**	**151,891**

The sub-item “Other expenses” includes Euro 71 million related to the loss in value recorded following the impairment tests made on the goodwill, in relation to which refer to the account “Goodwill”.

The residual amounts of the sub-item “Other costs” relates to the following charges:

- Euro 122 million related to operating expenses of the subsidiaries Immobiliare Lombarda, Fondiaria-SAI and Immobiliare Milano;
- Euro 74 million related to operating expenses of the subsidiary Atahotels;
- Euro 75 million related to labour costs and vehicle spare parts of the subsidiary Auto Presto & Bene;
- Euro 35 million related to the costs incurred by the Retirement Home subsidiaries of the Group for operating and personnel costs;
- Euro 6 million related to operating expenses of the subsidiary Saiagricola.

3. INCOME TAXES

(in Euro thousands)	**2010**	**2009**	**Changes**
Costs (revenues) for current taxes	16,309	87,483	(71,174)
Adjustments recorded in the year for current taxes of prior periods	2,208	17,544	(15,336)
Deferred tax liabilities arising in the year	146,284	21,035	125,249
Deferred tax liabilities utilised in the year	(41,223)	(215,268)	174,045
Deferred tax assets arising in the year	(279,600)	(107,613)	(171,987)
Deferred tax assets utilised in the year	67,557	76,554	(8,997)
Deferred tax costs/(revenues) from changes in tax rates or the imposition of new taxes		-	
Income for deferred tax assets arising in previous years and not previously recognized, used to reduce current taxes		-	
Income for deferred tax assets arising in previous years and not previously recognized, used to reduce deferred taxes		(14,675)	14,675
Cost (revenues) related to write-downs (recovery in values) of deferred tax assets recognized in previous years	11,363	2,000	9,363
Changes due to errors or change in estimates or accounting principles recognized in accordance with IAS 8	-	-	-
Total	**(77,102)**	**(132,940)**	**55,838**

The net tax benefit for the year amounted to Euro 77,102 thousand (income of Euro 132,940 thousand in 2009) and was due to the combined effect of income taxes for Euro 18,517 thousand and the net income from deferred tax for Euro 95,619 thousand.
Income taxes includes adjustments to taxes related to previous years for Euro 2,208 thousand. This amount was due to the increased taxes of Euro 2,748 thousand. whose the amount of Euro 2,582 thousand is related to higher IRES and IRAP taxes paid by the Parent Company Fondiaria-SAI following the verifications and assessments made by the Tax Office on the year 2007. On the other hand, the lower current taxes resulting from tax refunds and adjustments to previous provisions amounted to Euro 540 thousand whose Euro 526 thousand related to the subsidiary Fondiaria Nederland.

Income taxes are determined based on the theoretical tax 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 rates in force: 27.5% for IRES and 3.9% for IRAP. To calculate the IRAP regional tax for the year, any increases or reductions in rates made by some regions with reference to particular categories was taken into account also through prudent valuations.
Income taxes also include substitute income taxes paid following the option, exercised or to be exercised, for separate taxation, determined based on the rates contained in specific legislation.

In relation to the deferred taxes, this resulted in a reduction of the fiscal charge of Euro 95,619 thousand.
These included the reversal of deferred tax assets previously recorded for Euro 11,363, whose Euro 10,535 thousand refers to parent company Fondiaria-SAI,, Euro 284 thousand to Eurosai and Euro 544 thousand to Italiberia.

The following table sets forth the reconciliation between the fiscal charge recorded in the financial statements and the IRES income tax rate for the years 2009 – 2010, equal to 27.5%:

(in Euro thousands)	2010	2009	Changes
Loss before taxes	(1,007,725)	(524,452)	(483,273)
Taxes on theoretical income (excluding regional tax)	(277,124)	(144,224)	(132,900)
Tax effect from changes in permanent differences	146,418	13,355	133,063
Tax effect from utilisation of previous years tax losses without allocation of deferred tax assets	(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	30,213	21,664	8,549
Taxes on income (excluding regional tax)	**(95,934)**	**(118,697)**	**22,763**
Regional taxes	18,832	(14,243)	33,075
Total income taxes for the year	**(77,102)**	**(132,940)**	**55,838**

For a better understanding of the reconciliation between the effective charge in the accounts and the theoretical income tax of the IRAP regional tax effect wasnot considered, as the taxable income basis for these taxes is different and not comparable with the result before tax.

The tax effect of the permanent tax changes resulted in an increase of Euro 146,418 thousand in the tax charge.
The change from the previous year is mainly related to the lower impact of the positive income components which, net of the consolidation adjustments, are exempt from tax, such as, in particular, the lower amount of dividends in the year. In addition there is the greater impact of the write-downs, not fiscally deductible, on the equity securities held pursuant to Article 86 of the Presidential Decree 917/1986 (so-called PEX) recorded in the income statement and considered as permanent losses in value.
The increases include, for Euro 2,615 thousand, the higher taxe, related to the non deductibility of the loss transferred by the subsidiary TIKAL RE Fund before consolidated adjustments.

The theoretical tax charge is reduced by Euro 2,653 thousand due to the utilisation of losses carried forward whose correlated deferred tax asset was not recorded by the foreign subsidiaries, such as Finsai International for Euro 1,891 thousand, DDOR Novi Sad for Euro 193 thousand and by Immobiliare Lombarda for Euro 493 thousand.

With reference to the foreign subsidiaries, the neutralisation of the impact on the theoretical tax charge of their reported results compared to the tax charge calculated in accordance with the tax rates in force in the respective countries resulted in a total tax saving of Euro 4,323 thousand.
This change is mainly due to the low corporate tax of the Irish companies Lawrence Life for Euro 1,354 thousand and Lawrence R.E. for Euro 1,820 thousand and of the Serbian subsidiary DDOR Novi Sad for Euro 992 thousand.

The other differences, which result in higher charges for Euro 30,213 thousand, originate from the combined effect, of:

- higher income tax, of Euro 18,702 thousand, related to the fiscal losses estimated by some subsidiaries that did not consider appropriate, also on a prudent basis, to record the related deferred tax;
- adjustments of deferred tax assets recorded in previous years by the Parent Company for Euro 10,535 thousand, by Italiberia for Euro 544 thousand and by Eurosai for Euro 284 thousand.

In relation to the changes in deferred tax liabilities, it should be noted that the provision, amounting to Euro 146,284 thousand, refers for Euro 85,874 thousand to the adjustments made, in accordance with IAS 39, on net charges on investments in securities recorded, in particular, in the Life Insurance Secotr, because of the lower stock market prices recorded at the end of the year, and for Euro 19,329 thousand to the adjustment to the goodwill and other intangible assets, made in accordance with IAS 38 and for Euro 27,004 thousand to the adjustments made, in accordance with IFRS 4, of the changes in the insurance contracts liabilities of the Non-Life Insurance Sector and in the actuarial reserves in the Life Insurance Sector.

On the other hand, the reversal of deferred tax liabilities amount to Euro 41,242 thousand refer for Euro 22,609 thousand to the consolidation of the amortisation of deferred acquisition costs.

Deferred tax assets arose in the year, net of those reversed, contributed to reduce the tax charge for Euro 200,680 thousand.
Deferred taxes of the year amounted to Euro 279,600 thousand, whose Euro 24,703 thousand refers to the deduction of part of the change in the claims provision of the Non-Life Insurance Sector and Euro 24,703 thousand to the doubtful debt provision on receivables from policyholders. The account also includes Euro 169,168 thousand related to the fiscal losses realised in the year, considered recoverable based on the expected profitability in the period of utilisation, and the taxes arising on lower depreciation rates on buildings as per IAS for Euro 13,870 thousand.

On the other hand, among the reversals of deferred tax assets, we report Euro 21,865 thousand related to the reversal of deductions of greater fiscal losses on equity securities, following the realisation of losses on Lehman securities by the subsidiary Popolare Vita for Euro 15,785 thousand and Euro 10,546 thousand related to the deduction of write-downs made on receivables from policyholders in previous years.

At of financial statements date, the aggregate amount of the temporary differences amounting to non-distributable profits of the subsidiaries did not originate deferred tax liabilities. This is due to the fact that the Group is capable of controlling the cancellation of these temporary differences. The temporary differences deriving from associates are insignificant.

As additional information respect to the requirements of IAS 12 - Income taxes, it is also reported that the deferred tax assets and liabilities at the end of the year amount, respectively to Euro 361,194 thousand and Euro 132,060 thousand.

4. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Profit from discontinued operations amounts to Euro 1,762 thousand and include Euro 2,464 thousand of the net gains realised following the contribution to the Rho Fund of the property at Trieste, Riva Tommaso Gulli and Euro 702 thousand of the loss following the sale of the 51% investment in Bipiemme Vita.

FURTHER INFORMATION

With reference to the nature of the costs for the year (IAS 1.93), in addition to that already listed in the item "Other expenses", we report that the total cost of Group personnel amounts to Euro 433.3 million (Euro 430 million in 2009).

Earnings per share

The earnings/(loss) per share are 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. It is reported that the weighted average shares outstanding is reduced by the weighted average treasury shares held by the Fondiaria-SAI Group.

The diluted earnings (loss) per share is the same as the basic earnings per share as the potential savings shares for the stock option plans were not taken into account, in the absence of any diluting effects.

In accordance with IAS 33, the table below sets forth the information for the calculation of the basic and diluted earnings (loss) per share:

	2010	**2009**
Loss for the year attributable to equity shareholders of the Parent Company gross of profit from discontinued operations	(717,582)	(342,593)
Dividends distributed to the savings shareholders (Euro thousand)	(2,766)	(19,238)
loss attributable to ordinary shareholders of the Parent Company (Euro thousand)	(720,348)	(361,831)
Weighted average number of ordinary shares to calculate the basis earnings /(loss) per share	110,099,933	110,288,695
Loss per share	(6.54)	(3.28)
Effect of the dilution:		
Weighted average number of ordinary shares to calculate the diluted earnings/(loss) per share	110,099,933	110,288,695
Diluted (loss) per share	(6.54)	(3.28)

It should also be noted that the net loss attributable to the ordinary shares of the Parent Company was adjusted deducting the theoretical result attributable to the saving shareholders from the Group consolidated result.

Dividends paid and proposed

The table below provides information as per IAS 1.125a and 1.125b:

(in Euro thousands)	**2010**	**2009**
Declared and paid in the year		
Dividends on ordinary shares	48,503	84,898
Dividends on savings shares	19,235	32,006
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	-	48,513
Dividends on savings shares	-	19,238

Group solvency margin

In accordance with the provisions of the Supervisory Authority, in relation to the adjusted solvency margin and the application of the prudential filters, following the introduction of the new IAS/IFRS standards, for the year 2010 the ratio between the constituting elements and the amount of the adjusted solvency margin requested was over 97% (121% as at December 31, 2009). It should be noted that the Company applied Regulation No. 37 of March 15, 2011 which, due to the exceptional turbulence in the financial markets, allows to calculate the adjusted solvency, taking into account in the constituting elements the difference between the recording value in the individual financial statements and the relative value recorded in the consolidated financial statements of debt securities intended to be held in the long term, net of the portion attributable to policyholders and recorded as insurance liabilities.
This difference does not exceed the losses related to the year 2010 deriving from the valuation of the above-mentioned securities according to the equity method in the consolidated financial statements.
The impact of this faculty on the calculation of the adjusted solvency in the year is equal to approximately four percentage points.

The adjusted solvency margin of the parent company amounted to 83% (106% as of December 31, 2009).

In 2011 the recovery of the solvency margin will be achieved both through the share capital increase approved by the Shareholders' Meeting of January 26, 2011 and through the sale of non-listed investments in the insurance, real estate and diversified sectors.

PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the financial statements with an additional tool for a better understanding of the Group's operating and financial results.
The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, and consequently providing information on the overall operations of the Group, particularly, in areas where profits and risks are concentrated.

The primary reporting of the Group is by business segment. Companies within the Group are organised and managed separately based on the nature of their products and services, for each business segment which represents a strategic business unit which offers different products and services.
To identify the primary segments, the Group analyzed risk-return profile of the segments and considered the internal reporting structure. Non-Life insurance sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/2005. Life insurance sector offers insurance cover with payment of capital or an annuity against an event related to human life.

Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the insurance contracts liabilities of the Group and actively operate in the managing of investment properties.
Other Activities Sector, residual by nature, offers inter alia products and services in fund management, asset management, agricultural and hotellerie sector. The identification of this residual segment is based on a discretional valuation to illustrate the primary sources of risks and benefits for the Group.
The inter-sector transactions are generally carried out under arm's-length conditions.
Lastly, not that ISVAP Regulation No. 7/07, deemed it appropriate to highlight the Non-Life Insurance and Life Insurance sectors as the minimum disclosure required for segment reporting.

Also it should be noted that most of the Group's operation during 2010 took place in the European Union.

The following pages report the statement of financial position and income statement by segment.

Balance sheet by business segment

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1	**INTANGIBLE ASSETS**	**819 528**	**941 199**	**688 496**	**705 587**	**591**	**123 909**	**79 119**	**125 923**			**1 587 734**	**1 896 618**
2	**PROPERTY, PLANT & EQUIPMENT**	**108 870**	**116 464**	**6 800**	**7 800**	**373 385**	**246 567**	**105 305**	**129 524**	**-26**	**-26**	**594 334**	**500 329**
3	**TECHNICAL RESERVES – REINSURANCE ASSETS**	**656 719**	**690 169**	**166 465**	**180 131**							**823 184**	**870 300**
4	**INVESTMENTS**	**8 490 085**	**8 610 618**	**24 928 694**	**22 897 870**	**1 537 243**	**1 619 842**	**1 455 186**	**2 051 226**	**-397 335**	**-533 114**	**36 013 873**	**34 646 442**
4.1	Investment property	1 567 370	1 602 876	26 949	27 085	1 276 207	1 350 578	23 683	30 966		0	2 894 209	3 011 505
4.2	Investments in subsidiaries, associates and joint ventures	144 957	157 296	23 562	23 554	145 362	140 216	11 488	45 622		0	325 369	366 688
4.3	Investments held to maturity	0	0	594 107	810 323	0	0	0	0	-1 969	-1 850	592 138	808 473
4.4	Loans and receivables	612 608	557 512	1 606 049	1 190 212	38 717	54 341	1 227 682	1 621 129	-325 845	-515 184	3 159 211	2 908 010
4.5	Financial assets available for sale	6 132 297	6 212 036	13 988 757	12 328 590	74 082	71 662	170 828	300 450	-63 082	-16 080	20 302 882	18 896 658
4.6	Financial assets at fair value through profit & loss	32 853	80 898	8 689 270	8 518 106	2 875	3 045	21 505	53 059	-6 439	0	8 740 064	8 655 108
5	**OTHER RECEIVABLES**	**2 245 578**	**2 290 857**	**234 974**	**318 909**	**80 693**	**90 211**	**316 228**	**318 616**	**-563 098**	**-595 708**	**2 314 375**	**2 422 885**
6	**OTHER ASSETS**	**1 021 564**	**734 272**	**371 120**	**4 476 593**	**38 475**	**36 980**	**42 857**	**50 019**	**-477 952**	**-377 803**	**996 064**	**4 920 061**
6.1	Deferred acquisition costs	52 249	111 436	35 354	30 675							87 603	142 111
6.2	Other assets	969 315	622 836	335 766	4 445 918	38 475	36 980	42 857	50 019	-477 952	-377 803	908 461	4 777 950
7	**CASH AND CASH EQUIVALENTS**	**547 611**	**596 641**	**340 798**	**132 603**	**63 492**	**64 119**	**48 611**	**155 801**	**-374 572**	**-373 131**	**625 940**	**576 033**
	TOTAL ASSETS	**13 889 955**	**13 980 220**	**26 737 347**	**28 719 493**	**2 093 879**	**2 181 628**	**2 047 306**	**2 831 109**	**-1 812 983**	**-1 879 782**	**42 955 504**	**45 832 668**
1	**SHAREHOLDERS' EQUITY**											**2 550 105**	**3 710 651**
2	**PROVISIONS**	**284 981**	**240 256**	**31 371**	**24 675**	**18 755**	**23 979**	**5 530**	**9 721**			**340 637**	**298 631**
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**	**1 191 284**	**2 133 561**	**2 706 691**	**293 354**	**304 825**	**1 047 548**	**1 447 961**	**-757 606**	**-900 301**	**3 850 106**	**4 750 460**
4.1	Financial liabilities at fair value through profit & loss	23 502	7 520	1 620 308	2 071 703	2 259	2 037	866	4 155		0	1 646 935	2 085 415
4.2	Other financial liabilities	1 109 747	1 183 764	513 253	634 988	291 095	302 788	1 046 682	1 443 806	-757 606	-900 301	2 203 171	2 665 045
5	**PAYABLES**	**841 164**	**785 868**	**101 147**	**158 715**	**72 562**	**86 383**	**395 316**	**416 815**	**-573 255**	**-597 660**	**836 934**	**850 121**
6	**OTHER LIABILITIES**	**493 399**	**537 511**	**481 721**	**4 241 938**	**30 609**	**30 734**	**26 118**	**76 366**	**-482 097**	**-381 794**	**549 750**	**4 504 755**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	0	0	0	0	0	0	0	0	0	0	**42 955 504**	**45 832 668**

Segment Income Statement

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1.1	Net premiums	6 854 805	6 779 939	5 730 492	5 108 803	0	0	0	0	0	0	12 585 297	11 888 742
1.1.1	*Gross premiums written*	*7 162 227*	*7 131 032*	*5 749 276*	*5 137 011*							12 911 503	12 268 043
1.1.2	*Premiums ceded to re-insurers*	*-307 422*	*-351 093*	*-18 784*	*-28 208*							-326 206	-379 301
1.2	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 and loss	*-7 028*	*81 249*	399 632	818 083	-601	-2 421	3 310	9 214	-30	0	395 283	906 125
1.4	Financial income from 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	Financial income from other financial instruments and property investments	401 001	360 678	805 903	663 927	39 180	53 953	78 297	82 047	-42 984	-29 649	1 281 397	1 130 956
1.6	Other income	463 529	366 438	42 556	202 186	126 128	154 841	618 145	617 346	-693 855	-658 534	556 503	682 277
1	**TOTAL REVENUES AND INCOME**	**7 712 678**	**7 597 630**	**6 995 110**	**6 816 566**	**180 714**	**209 989**	**782 433**	**763 201**	**-739 343**	**-694 388**	**14 931 592**	**14 692 998**
2.1	Net insurance benefit and claims	-5 786 462	-5 670 887	-6 366 479	-6 201 138	0	0	0	0	0	0	-12 152 941	-11 872 025
2.1.2	*Amounts paid and changes in technical provision*	*-5 955 951*	*-5 929 786*	*-6 385 961*	*-6 225 959*							-12 341 912	-12 155 745
2.1.3	*Quota ceded to reinsurers*	*169 489*	*258 899*	*19 482*	*24 821*							188 971	283 720
2.2	Fee and commission expenses			-14 007	-20 676			-14 414	-17 585			-28 421	-38 261
2.3	Fianncial expenses from investments in subsidiaries, associates and joint ventures	-12 842	-14 881		-308	-7 062	-66 236	-35 375	-2 115			-55 279	-83 540
2.4	Financial expenses from other financial instruments and property investments	-486 392	-277 099	-233 343	-141 468	-83 667	-60 172	-33 811	-41 187	21 902	21 542	-815 311	-498 384
2.5	Management expenses	-1 592 180	-1 560 074	-210 690	-257 984	-299	-1 189	-335 887	-299 352	218 874	207 968	-1 920 182	-1 910 631
2.6	Other expenses	-795 889	-573 102	-98 373	-110 113	-140 554	-177 725	-430 850	-417 753	498 483	463 401	-967 183	-815 292
2	**TOTAL COSTS AND EXPENSES**	**-8 673 765**	**-8 096 043**	**-6 922 892**	**-6 731 687**	**-231 582**	**-305 322**	**-850 337**	**-777 992**	**739 259**	**692 911**	**-15 939 317**	**-15 218 133**
	PROFIT/(LOSS) BEFORE TAXES	**-961 087**	**-498 413**	**72 218**	**84 879**	**-50 868**	**-95 333**	**-67 904**	**-14 791**	**-84**	**-1 477**	**-1 007 725**	**-525 135**

PART E - Information on risks and on uncertainties

The Solvency II convergence project

In relation to the preparation for the application of the Solvency II Directive, the Fondiaria SAI Group followed closely the work of CEIOPS concerning the second level implementation measures of the Directive. The Group participated in all of the Quantitative Impact Studies, preparatory for the calibration of the new capital requirements, progressively extending the number Group cpmpanies participating. In 2006, Fondiaria-SAI and Milano participated at QIS2 with a few other Italian companies. In 2007, eleven Group companies adhered to QIS3 (with a coverage level of 94% of the reserves), in the following year all the consolidated insurance companies adhered to QIS4, as the same was for the Fifth Quantitative Impact Study, carried out in the final months of 2010.
Through the Quantitative Impact Studies, the capital requirements were calculated using both the standard model and the internal model. The movingtowards the Solvency II regulations has been as a strategic opportunity for the insurance companies to optimise business management.
This path started from 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 developed through transversal projects within the different business areas. The plan was approved by the Board of Directors with emphasis on the use of the internal model, not only as an instrument for the calculation of the capital requirements, but particularly as a system for a more efficient business management, through a greater acknowledgement in the risks undertaking and in capital allocation., A training and communication programme on Solvency II started during the year, to support this process, which progressively involves all levels of staff, in order to stress on the importance of adequate risk management throughout the company.

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 **Enterprise Risk Management**:

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

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

- the **Economic Capital**;
- measure **Risk Adjusted** profit;
- Fixed operating limits also using **Value at Risk**.

The risk assessment model is based on an estimate of **Economic Capital** (EC), or rather a **Risk Capital** model to estimate the necessary capital to evaluate the solvency of the Group, in line with the **Risk Appetite** objective. Based on the Guidelines set by the Board of Directors' resolution of May 10, 2007, the risk tolerance threshold was fixed at 99.5%, compatible with the "A" rating of the Standard & Poor's capital model. This threshold is applied both in the calculation of the Economic capital within the internal model and in the stochastic measure within the structure of the operating limits and in particular within the securities portfolio management guidelines. The model is in continual evolution and is regularly updated with the aim of being always adequate to the risks assumed, to the changes in the regulations and to the technical and methodological innovations.

The Governance Risk

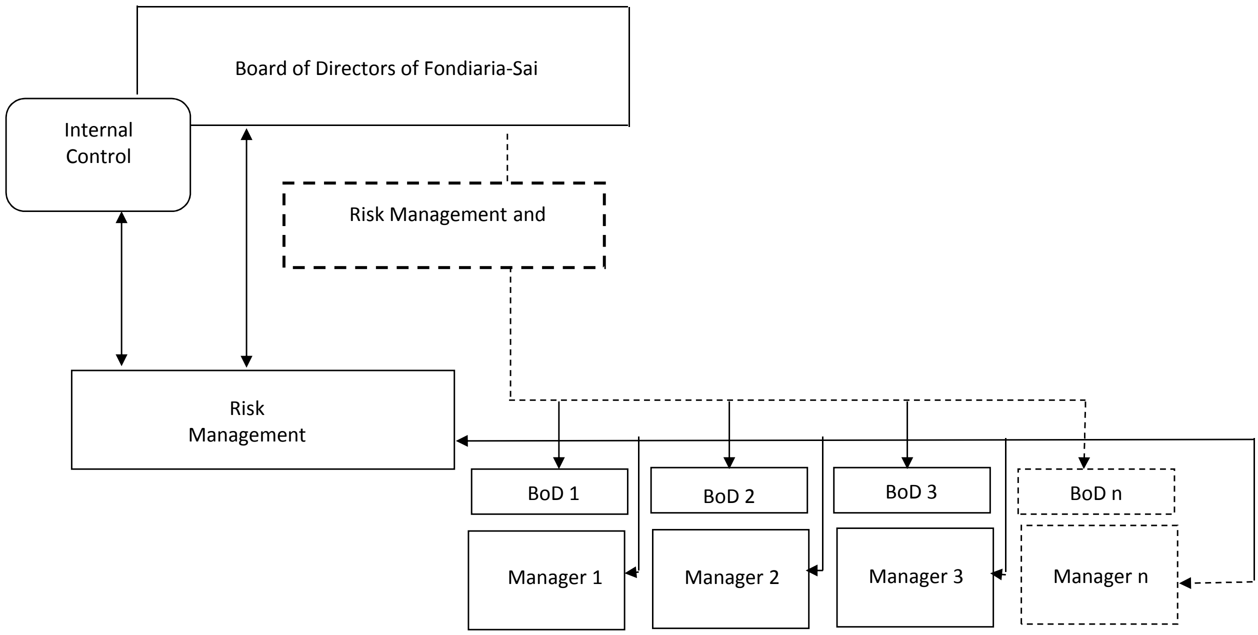
In February 2009, within the implementation plan of the risk management model, the Group Risk Policy was approved by the Board of Directors of the Parent Company Fondiaria-SAI, which established the following main objectives:

- outline common ERM principles and rationale for all the Group;
- set out the guidelines and structure of the operating limits of the Group in line with the risk appetite and capital allocation strategies;
- formalise process to undertake strategic decisions based on the risk management system as per article 44 of the Directive.

The organisational structure in relation to the risk management system involves the following key players:

Board of Directors of the Parent Company Fondiaria-SAI	- definition of the guidelines of the internal control system and risk management system; - definition of the risk strategy and of the risk tolerance level; - definition of the operational limits; - verifies the efficiency and effectiveness of the internal control system and risk management system;
Internal Control Committee	- consultations and proposals to the Board of Directors related to the monitoring of the adequacy and the effectiveness of the internal control system and of the monitoring and management of the risks;
Capital Management Committee	- supports the Chief Executive Officer and the Board of Directors in the definition of the capital allocation strategies at Group level and in the definition of investment limits; - monitoring of the Solvency I excess capital, internal model, S&P model and standard Solvency II model;
Senior Management	- responsibility of the Risks in their particular area and execution of remediation actions.
The Risk Management Department	- specialised support; - develop and completion of the Economic Capital model; - stress testing; - reporting to the Board of Directors and risk owners.

The Risk Management Department, in coordination with the Audit department and the Compliance Department, operates at Group level with appointed parties within the individual companies, with the aim of securing a uniform approach to Risk management, consistent with the guidelines established by the BoD of the Parent Company Fondiaria-Sai. For the details of the functions assigned to other bodies involved in the risk management system, refer to other sections of the explanatory notes of this financial statements.



The Risk Map

The risks considered in the adopted Model are illustrated in the Risk Map, shown below, which breaks down each risk by business segment. Besides the assessment of maximum potential loss, the approach adopted in the monitoring of total exposure also considers risks which, according to the cause and effect, may occur as a consequence of other risks, although not necessarly generating a directly measurable economic impact.
These risks, called "Second level risks" are:

- The Reputational Risk, or rather the risk related to the deterioration of the corporate image and the increase in conflict with policyholders, related also to a drop in the quality of the products offered, the placing of unsuitable policies or the conduct of sales networks;
- Risks related to the membership to a group or "contagion" risk, refers to the risk which arises from the connection between the Company and other companies of the group, whereby the insolvency status of one group entity may cause negative effects on the solvency of the Company; risks of conflict of interests.

Alongside these types of Risks, particular attention must be paid to the Strategic Risk, or the current or future risk of a drop in profits or of capital reduction arising from a change in the operating context or from bad corporate decisions, inadequate decisions implementation or a failure to respond timely to changes in the competitive environment.

The Risk Map, of Level I and II, is the basis for the Risk Management activity. This structure however is not a fixed component within the Model, as the adopted approach adopted, as described above, must consider not only all current Risks, but also the possible future risks, with the aim of anticipateing any possible threats originating from the context in which the Group operates.

Tab. 3 – Map of Risks

	Non-Life Division	Life Division	Real Estate	Other
Financial Risks				
Market Risks	√	√	√	√
Credit Risk	√	√	√	√
Liquidity Risk	√	√	√	√
Life Technical Risks				
Longevity		√		
Mortality		√		
Disability		√		
Expenses		√		
Redemption		√		
Catastrophe		√		
Non-Life Technical Risks				
Reserves	√			
Premium	√			
Catastrophe	√			
Operational and Other Risks				
Operating Risks	√	√	√	√
Risk of non compliance with regulations	√	√	√	√
Reputational Risk	√	√	√	√
Risk related to belonging to the Group or infection risk	√	√	√	√
Strategic Risk	√	√	√	√

Information on Financial Risks

Objectives and criteria of the financial risk management

The Board of Directors of the Parent Company Fondiaria-SAI set out the objective and policies of financial risk management, as well as Group mitigation policies, establishing operating criteria for the allocation of the securities portfolio and the use of derivatives instruments.
The adopted policy is aimed to guarantee:

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

In line with these objectives, according to the Group Risk Policy established by the Board of Directors,of the Parent Company, specific operating limits were defined for all types of financial risks, also considering exposure to risk concentration risk..

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

- maximum percentage per asset class on the total of Assets Under Management (Total Investments);
- concentration by issuer/counterparty;
- rating;
- VaR;
- duration gap (different for Non-Life Insurance and Life Insurance sectors);
- minimum hedging on the strategic investments;
- liquidity – in terms of maximum percentage of “illiquid” instruments.

The portfolio structure of the assets in the Life Insurance Sector is in line with the structure of the liabilities, to which the securities are related. For the Non-Life Insurance Sector, the assets are selected also considering the forecasted settlement of claims, to which insurance contracts liabilities are related. The investment guidelines and the investment risk management process will be reviewed, according to the provisions contained in ISVAP Regulation No. 36 of January 31, 2011 on next application.

Market risk

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

The Group monitoring system provides for the evaluation of the economic impact deriving from these variables through VaR measures, which allows:

- tTo obtain uniform risk measures, in order to compare different instruments;
- To determine position limits;
- To develop “risk-adjusted” profitability measures.

In particular, the adopted measures are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital as of December 31, 2010 of the equity and debt portfolio, calculated at a confidence level of 99.5%, are shown below.

Tab. 4 - Analysis of the values and of the Value at Risk as of December 31, 2010

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
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 Bonds and Funds	86,61	1,21	0,02	1,22
Total non-listed 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
Total	100,00	1,90	0,03	1,92

Tab. 5 - Analysis of the values and of the Value at Risk as of December 31, 2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
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 Bonds, Funds & Deposits	83,23	1,16	0,02	1,18
Total non-listed 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
Total	100,00	2,31	0,04	2,35

The percentage weight is calculated taking as reference the listed value.
The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Tab. 6 - Analysis of the values and Risk Capital as of December 31, 2010

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
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 Bonds and Funds	86,61	4,74	0,08	4,82
Total non-listed 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
Total	100,00	7,37	0,13	7,50

Tab. 7 - Analysis of the values and Risk Capital as of December 31, 2009

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
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 Bonds, Funds & Deposits	83,23	4,07	0,08	4,15
Total non-listed 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
Total	100,00	8,22	0,19	8,41

The percentage weight is calculated taking as reference the listed value.
The columns"/Risk Capital Rate/Price" and "Risk Capital Exchange %" show the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

The decrease of the risk in terms of the portfolio Risk Capital compared to December 31, 2009 is mainly due to the equity component caused from the reduction of volatility and the change in the method in measuring equity risk.

Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse change in interest rates", the exposure of the Group mainly regards debt securities and in particular long maturity debt securities. In order to limit this risk, the Group uses a mix between fixed income s and variable rates securities. The ALM management has the aim to maintain an equilibrium between assets and liabilities durations.

Through the use of stochastic models, in addition to the VaR estimate, stress tests are also performed considering extreme rates scenarios. The table below sets forth a sensitivity analysis of the value of the debt securities portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Table 8 – Sensitivity analysis of the debt securities component

(in Euro millions)	**+ 50 bp**		**- 50 bp**	
	As of December 31, 2010	**As of December 31, 2009**	**As of December 31, 2010**	**As of December 31, 2009**
Total	**(444)**	**(368)**	**471**	**391**
of which Non-Life Insurance	(58)	(50)	60	52
of which Life Insurance	(386)	(318)	411	339

The Held To Maturity and Loans and Receivables categories are not included in the analysis.

The table below sets forth the analysis of the duration, of the VaR and of the Risk Capital of the debt securities portfolio as of December 31, 2010 divided by type of issuer and maturity.

Table 9 - Analysis of the debt securities component by VaR and Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
Governament Euro	**78,53**	**5,18**	**1,16**	**4,59**
Variable rate	***17,69***	***1,27***	***0,46***	***1,94***
Fixed rate	***60,84***	***6,27***	***1,37***	***5,37***
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**
Variable rate	***0,78***	***0,12***	***0,02***	***1,00***
Fixed rate	***19,42***	***4,34***	***1,31***	***5,07***
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**
Fixed rate	***0,93***	***1,07***	***0,47***	***0,86***
0.0< <=1.5	0,77	0,63	0,32	0,12
1.5< <=3.0	0,09	2,90	1,14	4,04
3.0< <=5.5	0,07	3,66	1,28	4,95
5.5< <=7	0,00	5,81	1,52	6,51
Governament Non Euro	**0,24**	**3,04**	**0,20**	**0,27**
Variable rate	***0,00***	***0,17***	***0,02***	***0,00***
Fixed rate	***0,24***	***3,08***	***0,21***	***0,27***
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**
Variable rate	***0,01***	***0,07***	***0,00***	***0,52***
Fixed rate	***0,09***	***1,60***	***0,16***	***0,14***
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	0	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 as reference the values utilised in the analysis.
The analysis does not include structured securities.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.

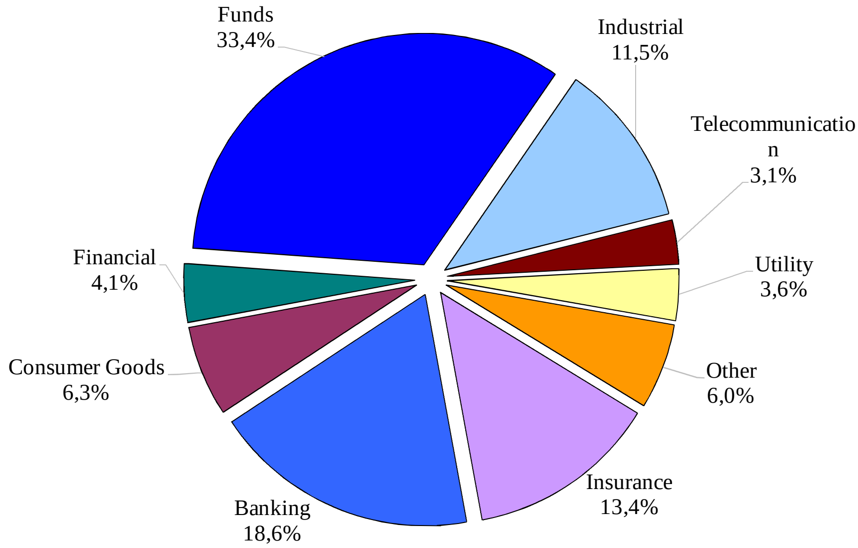
Equity risk, exchange risk and real estate risk

The equity risk or "risk of unexpected losses deriving from adverse changes in equity prices" and the foreign exchange risk or "risk of unexpected losses deriving from adverse changes in exchange rates" are valued by stochastic models adapted tothe market.

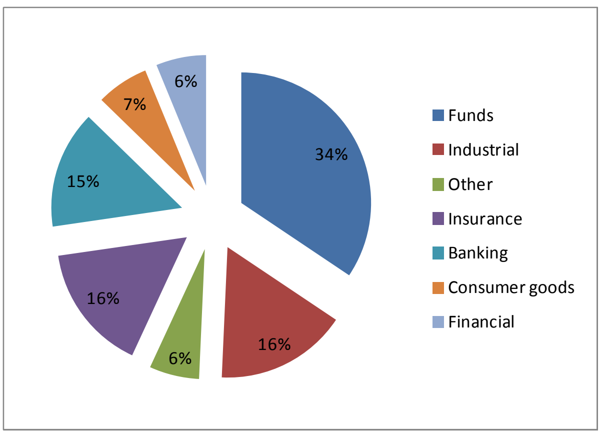
The valuation of the assets uses the volatility of the underlying securities and of associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria are used as input for the calculation of the VaR and Risk Capital.

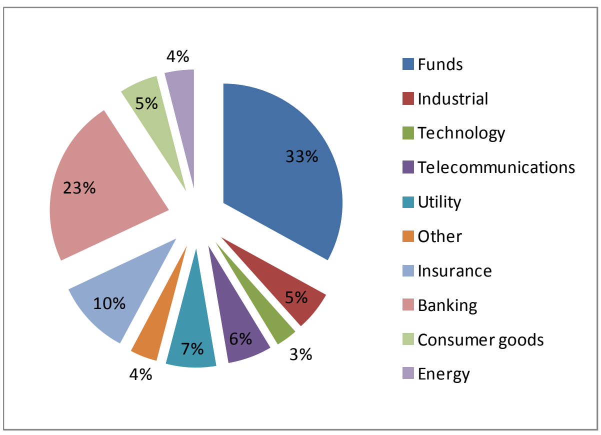
The graphs below sets forth the composition of the portfolio of the equity sector.

Graph 10 - Composition of the equity portfolio of the Fondiaria SAI Group



Graph 11 - Fondiaria SAI Group Non-Life Insurance Sector 1 **Graph 12 - Fondiaria SAI Group Life Insurance Sector**





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

Table 10 – Sensitivity analysis of the listed equity portfolio

(in Euro millions)	As of December 31, 2010	As of December 31, 2009
Total	**(145)**	**(159)**
of which Non-Life Insurance	(82)	(76)
of which Life Insurance	(62)	(83)

The table below sets forth the VaR and Risk Capital analysis related to the equity risk and exchange risk (of the equity and debt securities portfolio) broken down by currency.

Tab. 11 - Analysis of the composition and the VAR

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Equities	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**	**10,73**
Derivatives on shares	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
Bonds	US Dollar	0,16	0,22	5,19	5,41
	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 Bond Funds	**86,61**	**1,21**	**0,02**	**1,22**
Equities	US Dollar	0,01	7,65	5,14	12,79
	Euro	2,67	3,99	0,00	3,99
	Total non-listed shares	**2,69**	**4,01**	**0,03**	**4,04**
	Total	**96,20**	**1,92**	**0,03**	**1,95**
	US Dollar	0,01	1,18	5,16	6,34
	Euro	3,79	1,20	0,00	1,20
	Other assets	**3,80**	**1,20**	**0,01**	**1,21**
	Total	**100,00**	**1,90**	**0,03**	**1,92**

The percentage weight is calculated taking as reference the listed value.
The column "VaR Price %" and "VaR Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Tab. 12 - Analysis of the composition and the Risk Capital

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Equities	Danish Crown	0,00	75,49	1,35	76,84
	Norwegian Crown	0,00	83,06	18,12	101,18
	Serbian Dinar	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**
Derivatives on shares	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 Bond Funds	**86,61**	**4,74**	**0,08**	**4,82**
Equities	US Dollar	0,01	33,62	23,73	57,34
	Euro	2,67	17,43	0	17,43
	Total non-listed shares	**2,69**	**17,51**	**0,12**	**17,63**
	Total	**96,20**	**7,48**	**0,13**	**7,61**
	US Dollar	0,01	4,66	23,81	28,47
	Euro	3,79	4,73	0	4,73
	Other assets	**3,80**	**4,73**	**0,04**	**4,77**
	Total	**100,00**	**7,37**	**0,13**	**7,50**

The percentage weight is calculated taking as reference the listed value.
The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSai.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

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

With reference to the above method described, the risk capital as of December 31, /2010 was 6.6% of the current value of the properties recorded in the financial statements (Euro 4,466 million approx.).

Credit risk

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

- **Counterparty Default Risk**, the risk of losses due to unexpected insolvency of the counterparties and of debtors, excluding issuers of debt securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables related to derivatives.
- **Spread Risk**, the risk related to the change in the value of the debt securities held in portfolio following the changes in the rating level of the issuer.

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

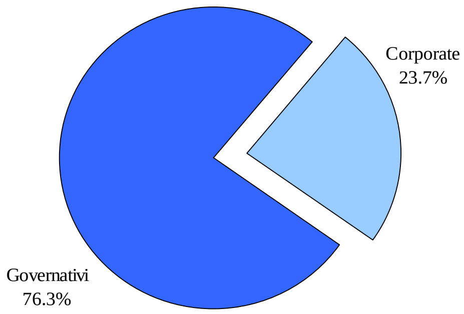
The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a consequence of the "migration" of the issuers from one rating class to another. The latter is considered more adequate for the total valuation of the Economic Capital. Based on these models, the exposure of the Group to the credit risk is periodically monitored.

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

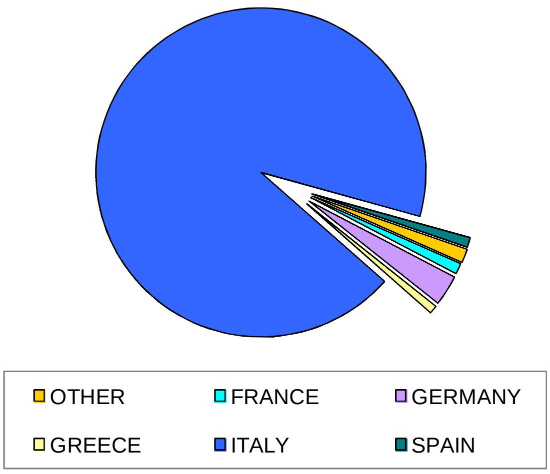
In the Group companies of the banking sector, the credit risk is analysed through constant monitoring of the quality of the loans. In relation to the receivables from other banks a constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. The receivables from customers are mainly secured by collaterals and the allocation of capital is calculated using the regulatory coefficients. The internal control system monitors the distribution and the migration between the various classes reporting the anomalies.

The graph breaks down the debt securities portfolio by issuer, rating and segment.

Graph 13 – Breakdown of the bond portfolio of the Fondiaria SAI Group



Graph 14 – Government bond portfolio by country of the Fondiaria SAI Group



Issuer Country	Percentage
AUSTRIA	0,10
BELGIUM	0,34
CANADA	0,04
FINLAND	0,10
FRANCE	1,06
GERMANY	3,00
JAPAN	0,01
GREECE	0,83
IRELAND	0,13
ITALY	92,77
MEXICO	0,02
HOLLAND	0,04
PORTUGAL	0,02
UNITED KINGDOM	0,01
SERBIA	0,02
PAN-NATIONAL	0,44
SPAIN	0,98
UNITED STATES OF AMERICA	0,06
SWITZERLAND	0,04

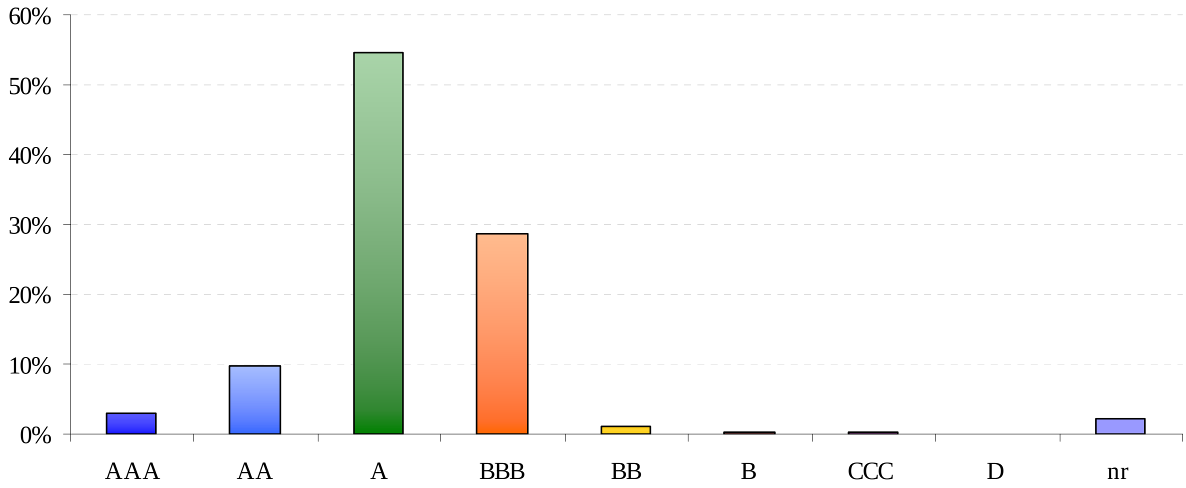
During 2010, the exposure of Government Sovereign Securities at consolidated level, had a significant reduction in bonds issud from Greece (from 4.41% to 0.83%), Portugal (from 0.95% in 2009 to 0.02%) and Ireland (from 0.37% to 0.13%).

This strategic action was implemented due to the current difficulties encountered by these countries at public finance level.

The most significant investment are Italian Government Securities, amounting to 92.77% as they provide good returns, despite the current volatility.

In relation to sovereign issues of European countries with AAA rating, preference was given to Germany, maintaining the exposure substantially unchanged, while the investment in French sovereign bonds reduced (from 3.89% to 1.06%) as the current public finances is not consistent with such a strong rating.

Graph 15 – Corporate bond portfolio of the Fondiaria SAI Group by Standard & Poor's rating



Graph 16 – Corporate bond portfolio by segment of the Fondiaria SAI Group

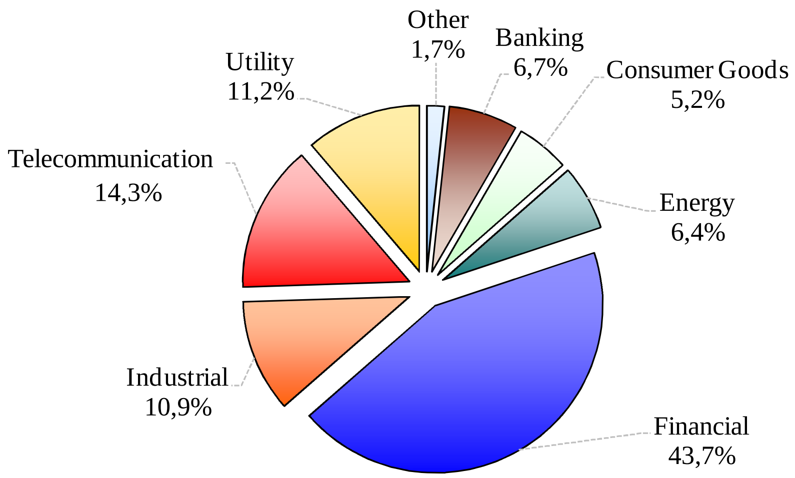
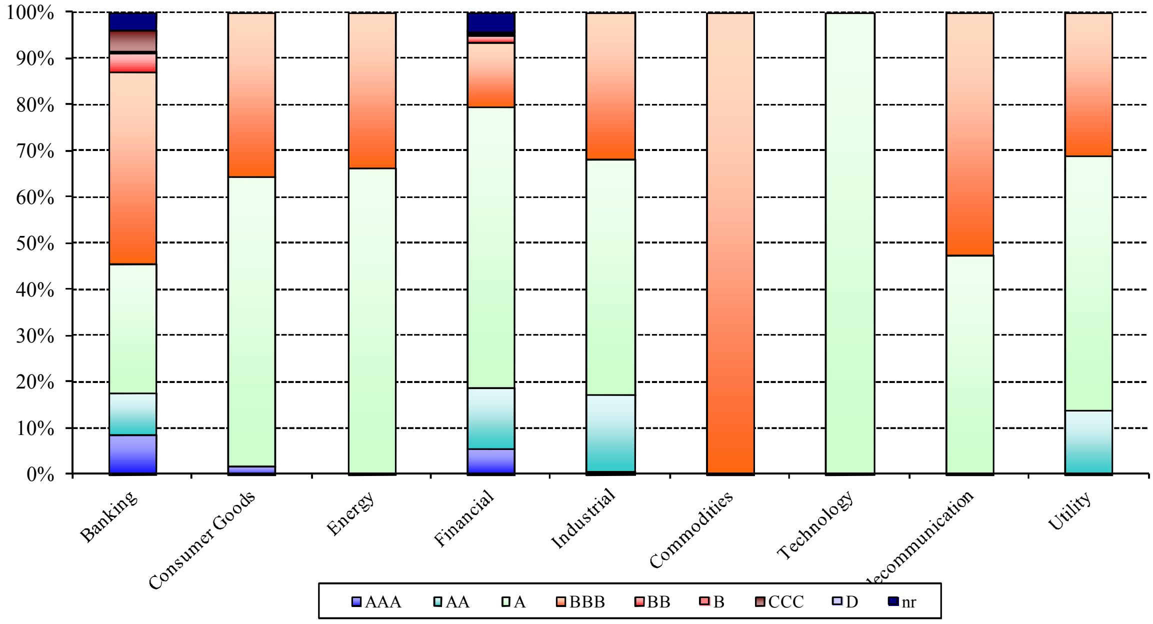


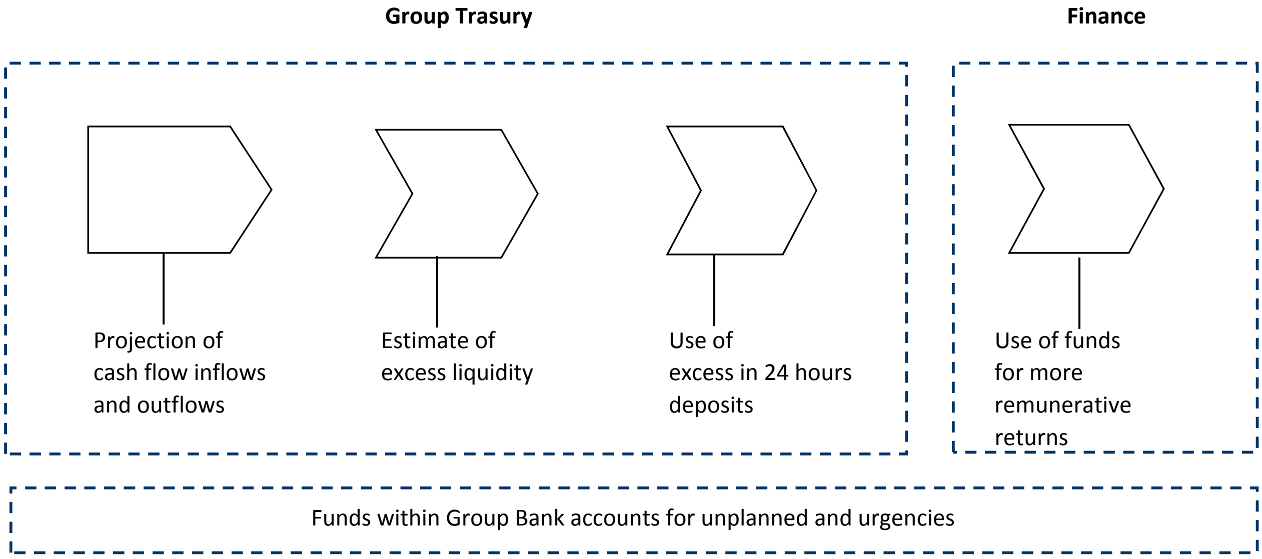
Fig. 17 - Corporate bond portfolio by sector and rating of the Fondiaria SAI Group



Liquidity risk

The liquidity risk is “the risk of not being able to fulfil obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses".
The Group adopted an organisational system for liquidity management based on the centralisation of a centralized cash flows management through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily cash pooling), also the optimisation of the returns on the liquidity through the centralised management of the excess liquidity respect to the programmed commitments. The Group Treasury activities are aimed to ensure an equilibrium between monetary credit lines capable of settling any unexpected obligations of the policyholders and of suppliers and the opportunity to invest the excess liquidity with more remunerative transactions.

In order to achieve this target, the activities, mainly undertaken over a ten day time period, are structured according to the following scheme:



Investments in 24 hour time deposit (so-called time deposits) are managed by bank counterparts according to the following criteria:

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

In relation to the fund investments, according to the Group Risk Policy, limits to the illiquid assets compared to the total assets under management (AUM) are fixed.

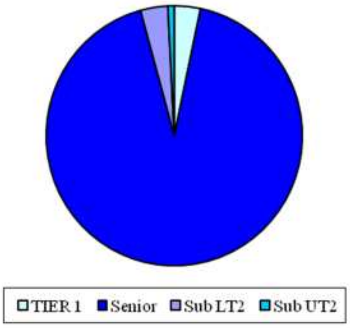
Debt classes

IWithin the portfolio of insurance companies so-called “hybrid” debt instruments are increasing. Such instruments present characteristics of both debt securities and equity securities and attribute to the holders a greater return compared to normal debt securities but with a greater risk in the event of issuer default, such as, for example, lower priority in repayment respect to other credit lines held (debt **seniority**).

Following an increasing order of “risks” and of “subordination”, the so-called **Senior** debt is the simplest technical form and least risky: these securities have a defined maturity, do not have advance settlement options and the payment of the coupon cannot be changed without incurring a default event. More risky are the level of subordinated capital denominated **Tier 2** and **Tier 1**, further broken down into **Lower Tier 2 (Sub LT 2,** less risky) and **Upper Tier 2** (**Sub UT 2**, more risky). Tier 1 reaches the maximum level of subordination of a debt instrument, which assumes characteristics similar to those of a privileged share.

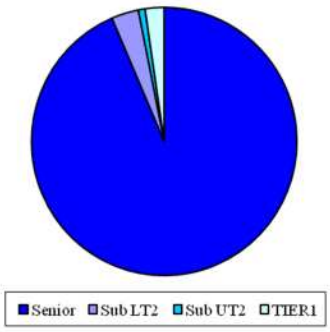
The berakdown of the debt portfolio of the two listed companies of the Group by category is shown below.

Graph. 18: Fondiaria-SAI



Seniority	Composition %
Senior	92.5
Sub LT2	3.4
Sub UT2	0.8
TIER1	3.3

Graph. 19: Milano Assicurazioni



Seniority	Composition %
Senior	93.6
Sub LT2	3.3
Sub UT2	0.8
TIER1	2.3

The breakdown by maturity of the financial liabilities with exclusion of those in which the investment risk is on the Life policyholders is set forth below.

Financial liabilities

(in Euro millions)	As of December 31, 2010	As of December 31, 2009
up to 1 year	715	1,298
from 1 to 5 years	355	214
from 6 to 10 years	472	485
over 10 years	698	695
Total	**2,240**	**2,692**

The main financial liabilities are composed of subordinated liabilities, which are approx. 46% of the total financial liabilities of the Group and over half of them have maturity above 10 years.
Vice versa the liabilities due within one year mainly include deposits held by BancaSai related to its customers for Euro 304 million, deposits from reinsurers for Euro 248 million and bank deposit of Group companies for Euro 201 million.

In particular, in relation to the subordinated liabilities, the table below sets forth by maturity or, if existing, with reference to the next call date, the contractual not discounted cash flows and the book value of the liabilities.

Sub-ordinated liabilities

(in Euro millions)	As of December 31, 2010		As of December 31, 2009	
	Cash flow non discounted contracts	Book value	Cash flow non discounted contracts	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 Insurance sector and deposit accounting

In relation to the insurance liabilities of the life insurance sector, the Group considers the impact on the expected profitability of all the inflows and ourtflows and in a particular those related to redemptions. In fact, the assumptions adopted for the determination of both the product tariffs and the valuation of amounts and risks, are periodically updated with the effective observations on the expected ouflows.

The breakdown of the amounts of the provision of the direct business of the life insurance segment divided by contractual maturities are set forth in the table below. For the contracts without expiry (annuities and whole life contracts), an expected date for outflows consistent with the assumptions used for the valuation of the Value in Force was considered .

(in Euro millions)	**As of December 31, 2010**	**As of December 31, 2009**
up to 1 year	2,089	1,638
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**	**21,977**

The total, related to the direct business, includes actuarial reserves for Euro 16,055 million (Euro 13,499 million at 31/12/2009), technical reserves, where investment risk is on the policyholders and arise from pension funds management, for Euro 6,951 million (Euro 6,265 million as of December 31, 2009), insurance contract liabilities of insurance companies where the investment risk is on the policyholders for Euro 1,345 million (Euro 1,831 million as of December 31, 2009), and from the pension funds management for Euro 264 million (Euro 227 million as of December 31, 2009) and no deposit accounting.
It is also included the reserve for claims to be paid equal to Euro 277 million as of December 31, 2010 (Euro 155 million as of December 31, 2009), which by its nature has a residual expiry substantially of one year.

Insurance liabilities of the Non-Life Insurance sector

In relation to the non-life insurance sector, the breakdown of the claims reserves and the gross direct premium provision by maturity is set forth in the table below. The total provision are shown by duration in proportion to the expected cash flows for each interval shown.

(in Euro millions)	**As of December 31, 2010**	**As of December 31, 2009**
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	**11,706**	**11,465**

The total amount includes the premium provision for Euro 2,741 million (Euro 2,687 million as of December 31, 2009), the claims provision for Euro 8,954 million (Euro 8,767 million ats of December 31, 2009) and the other technical provisions represented by the ageing reserve of the Health Class for Euro 10 million (Euro 12 million asof December 31, 2009).

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

This section reports, as per paragraphs 38 and 39 of IFRS 4, separately for the Non-Life Insurance and Life Insurance sectors, information regarding the objectives of risk management related to insurance contracts and the policies adopted to mitigate them, the contractual clauses and the general terms which have a significant effect on the amount, timing, and on the level of uncertainty of related future cash flows.

NON-LIFE INSURANCE SECTOR

The risk elements in the management of the Non-Life Insurance sector are related to the subscription risk (insufficient premiums to cover claims and expenses) and the reserve risk (insufficient reserves to meet commitments towards policyholders).

The subsrcription risk is divided into mass risks, corporate risks and special risks, depending on the related insurance contract. The mass risks, such as for example those related to Motor TPL, Land Vehicles, and those related to individual personal risks (Accident and Health), households (Residential and Civil Responsibility) and small enterprises (trades and commerce) are covered with pre-defined standard conditions which are established by the central technical offices on the basis of existing regulations, insurance market experience and the specific experience of the Group.

In general, for the mass risks and in any case for all the risks where regulatory and standard price conditions exist, the subscription is made by the various agency networks using adequate IT procedures. Within standard parameters, the sales networks can use a flexible tariff system monitored centrally. In case that the needs of a specific Customer requires a change in the standard conditions, the exception is valued and authorised by the Technical Structure of the Company.

In relation to the corporate risks and special risks, that cannot be covered by standard conditions or regulations or tariffs due to their characteristics and size, the subscription procedures are more structured.

Underwriting Risk

Mass risks
In the Motor TPL class, in which the Group is leader, representing the largest part of the portfolio, the huge mass of statistical data held allows a sophisticated "personalised" price elaboration which takes into account a large number of risk factors both subjective and objective. The database available is in fact statistically significant and allows the use of multilevel analysis which, through "General Linear Models" allows the evaluation of the relationship between risk factors, highlighting all those aspects not directly identifiable with single factor analysis.

The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual monitoring to identify any unexpected situations, both at geographical level and for the remaining risk factors, in order to allow timely corrective responses against any changes in the technical trends that could occur with the introduction of the direct compensation system.

Similar attention is given for the most loyal Customers through incentive initiatives, not only on existing contracts, but also, with initiatives aimed to acquire new niche markets.

In the Land Vehicle sector, which is traditionally a very important business area, tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of insured vehicle, and the guarantees provided. The TPL guarantee is based on the Bonus Malus class, the age of the owner and the age of the insured vehicle. The customer can also choose between different insurance parametres which allows a significant difference in the price of the various guarantees.

Also for the Non-Motor Classes, the underwriting criteria and tariffs in mass risks are strictly correlated to the statistical experience of the Group portfolio which is sufficiently large and stable to allow fixing suitable guarantees prices for the various risk types. In particular, in the Health Class the underwriting is accompanied and subordinated to the evaluation of a medical history questionnaire which permits tariffs based on the health conditions of the policyholder.

In general, for the mass risks and in any case for all the risks where regulatory conditions and standard tariffs exist, the underwriting is made with adequate sales agency networks IT procedures and equipment.

Within the standard parameters, the sales networks can use a tariff flexibility which is monitored centrally. In case that the needs of a specific Customer require a change in the standard conditions, any exception is valued and authorised by the Technical Structure of the Group.

Corporate Risks and Special Risks

In relation to the corporate risks and special risks, that cannot be covered by standard conditions or regulations or tariffs due to their characteristics and size, underwriting procedures are more structuredThe sales agency networks have an independent underwriting limit by value and type of risk; above these values and types, for the underwriting of risks are assisted by a Technical network adequately trained that evaluate risks and set out conditions on a case by case basis.

Collateral

With particular reference to the Collateral Class, the analysis of the risks is made by a preliminary and careful selection, performed with a double examination:

- under the objective profile, the examination of the nature and the specific characteristics of the original relationship, which determined the request for the collateral, is aimed to verify, at first instance, the inherence of the operations under examination to the risk categories of the class according to the related regulations and provisions; in the second place, particular attention is given to the verification of the features of the collateral contract which must always respect the principle of accessory with regard to the main obligation;
- under the subjective profile, the examination relates to the valuation of the financial position as well as all the elements related to ethics, professional capacity and solvency of the Counterparty.

Both the aspects, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders' tax returns etc.) sent by the agencies to the Technical Department or head office. This documentation is updated with appropriate commercial information through specialised companies and with further investigations related to the history of the relationship with the Customer, made with the class databases, in order to verify the cumulated exposure to the parties.
The above activity has the purpose of quantifying a total "underwriting limit" with the same counterpart, and is made within precise and contained limits by the individual Technical areas; above these limits, the cases are presented to the internal boards of the classes, represented by the ""Credit Committee".
The issuance of the collateral policies is then made by the agencies, through an IT procedure which performa a preventive control of the cumulated exposure, up to reaching the limits of the underwriting agreed.
All the collateral policies issued by the Class are appropriately protected through the placement of 50% in a proportional reinsurance agreementwith capacity of Euro 70 million, to be used without distinction by individual Insurance companies (Fondiaria-SAI or Milano) or at Group level (in this case for Liguria Assicurazioni there is an utilization sublimit 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 equal to Euro 2.5 million up to Euro 25 million.

Furthermore, in order to guarantee an adequate fractioning of the risk, containing the exposure peaks, the Group uses the Coinsurance instrument, on a reciprocal regime with other insurance Companies that adopt similar underwriting policies based on the principles of caution and careful risk selection.

Hedging of Catastrophic exposure

The processes adopted by the Group to optimise the control of the exposures to catastrophic risks is reported below.
Particular attention is given to the risk concentrations on some classes, using, in accordance with the specific characteristics, appropriate calculation methods.

The Fire Class is that which, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this purpose valuations on the exposure concentration are made on a geographic, seismic and also a hydrogeological basis.

The exposure concentrations by seismic area are updated during the year and subsequently modelled once a year using mainly the two universal products adopted by the international markets (RMS RiskLink DLM and EQECAT WorldCAT), but also using a third tool (AIR II).

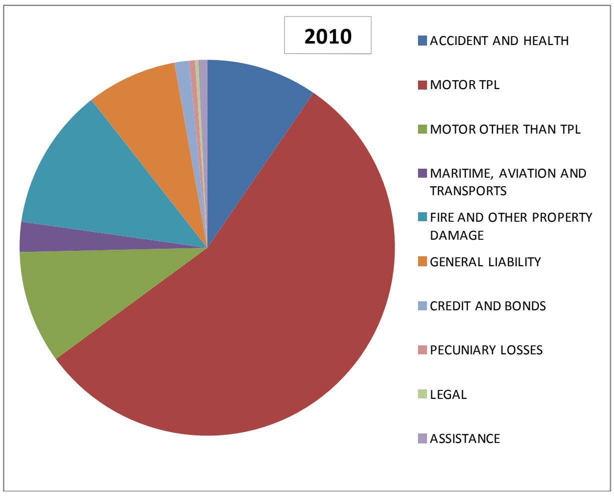
The results are subsequently analysed with the support of international operators, in order to achieve adequate reinsurance protection based on the two models utilised.
Specifically, a return term of approx. 250 years by catastrophic claim was adopted.

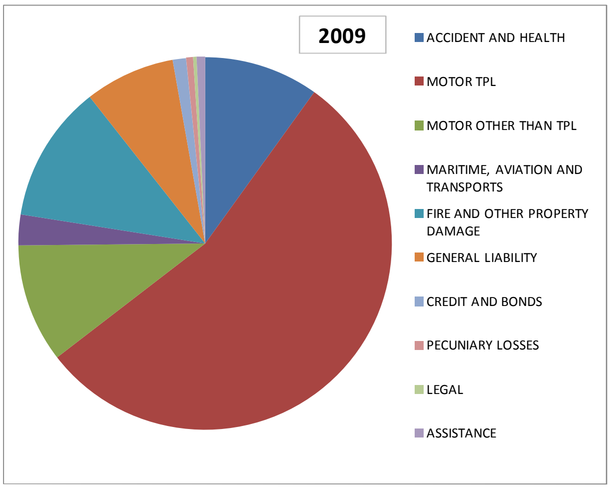
The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance protection per event.

The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, as 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 during the past years of subscription.
Finally, it should be noted that the subscription in the Injury class is protected with a large catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life Insurance secot.

The percentage composition of the Non-Life Insurance in the Group for the last two years:

Graph 20 – Composition of the Group Non-Life Insurance Classes





Class	Compos. in %
accident and health	9.59
legal assistance	1.56
bonds	1.23
general tpl	7.76
fire and property damage	12.18
marine. aviation	2.53
motor division	65.14

Class	Compos. in %
accident and health	9.95
legal assistance	1.62
bonds	1.16
general tpl	7.83
fire and property damage	11.90
marine. aviation	2.64
motor division	64.90

It is evident the importance in the Group of Motor Classes in providing future cash flows. This is due to a stable portfolio not subject to significant variations such as to impact on future projections.

The motor class products were recently redefined in order to improve the quality of service offered to customer and represent the best the market can offer.
The Motor TPL sector, due its inherent characteristics, does not have particular concentrations of risk; there may happen single events of a particular gravity, but the size of the portfolio, also geographically distributed in a uniform measure throughout the country, is such to be able to cover such events without significant impacts on the results.
In any case, for events of extreme and unpredictable gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations may occur especially in the case of atmospheric events of extreme intensity or natural catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the Fire Class.

In the Non-Motor Non-Life Insurance Sector, the Group operates in all sectors 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 centralized in specialised single class insurance Companies such as Pronto Assistance and Europa Tutela Giudiziaria; for the other classes such as Transport and Merchandise, SIAT, having a specific and recognised expertise, acts as a central entity for the Group.

The risks of the other non-Motor Non-Life Insurance Classes are underwritten by all the insurance Companies of the Group mainly through exclusive agency networks, but also through intermediaries and in some cases through multi-mandate agency networks and bancassurance agreements.

Concentration risk and use of co-insurers

The Group uses co-insurance - that is the splitting of the risks based on quotas with other insurance Companies, - both for commercial reasons at local level and to limit insurance exposure in the case of huge risks.

The maintenance of the Group policies already realised in the previous years also during 2010, confirmed the distribution of the portfolio, with a prevalence of risks assumed in Exclusive Delegation: in fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.
In relation to the Bond Class, in 2010 the policy related to the underwriting of risks Other delegations is characterised by a higher-level selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

In relation to Other delegations, in 2010 the weight of these premiums was 9.4%, with an increase on 2009 (9.2%). The weight of the total cost of the claims was 9.3%, with a slight decrease on the previous year (9.4%).

Provision risk

With reference to the second component of the insurance risk of the Non-Life Insurance Sector, or rather the reserve risk, this relates to the uncertainty related to the utilisation of the claims provision. This refers to the risk that the claims reserves may not be sufficient to meet the commitments towards policyholders or damaged.
The provision risk, being related to the estimatation of the provision s, can be monitored from the basic information traceable from the triangular of the claims.
As per paragraph 39 of IFRS 4, information is provided below related to claims of the Civil Responsibility classes.
The tables below are filled from official data forms provided to the Supervisory Authority by the Fondiaria-SAI Group (ref. form 29 and attachment 1/29, form 29A).

Each data presented on the “triangle” represents the status of the cost of generation as of December 31 of the year of occurrence, represented by the sum of the following components:

- cumulative payment since the year of occurrence as of December 31, of the year of observation;
- provision on open claims, referred to December 31 of the year of observation;
- estimate of the late claims of the year of occurrence at December 31 of the year of observation.

The “Estimated final cost”, the “Payments made” and the “provision amount” refer to the most recent year of observation - that is the longest diagonal of the triangle.
It is considered appropriate to represent changes in claims for only the civil liability classes (motor and general civil liability) as 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 the determining generation cost, especially in the first years of observation. This situation, common to all classes, is particularly marked for the General TPL Class.

(in Euro millions)

CLASSES 10 + 12 (Motor TPL)	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
Provision Amount	127.4	166.7	189.6	216.5	282.6	386.4	393.8	538.0	827.3	1,796.6	4,925

(in Euro millions)

RAMO 13 (General TPL)	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	239.2	235.6	239.8	244.2	226.0	230.0	201.3	184.4	153.2	135.7	2,089
Provison Amount	66.1	73.4	96.5	115.3	135.8	156.3	177.4	198.9	272.6	413.3	1,706

12

NOTE: the triangles include Liguria from 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)
  + r**eserved related to the year of occurrence on claims reported** (in the year of observation)
  + **reserved related to the year of occurrence on late claims** (in the year of observation)
- the "estimated final cost" is the cost of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "amount to reserve" is the reserve related to the year of occurrence in the last year of observation

The table below shows the situation of the open claims at the end of 2010 for the companies of the Fondiaria-SAI Group and Milano Assicurazioni, compared with the number of claims reported in the various years.

Generation	Number of reported 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	190,090	23.22

Excluding the CID Mandate claims reported since 01/02/2007 with the introduction of the direct compensation which are considered the claims caused (NO CARD + CARD DEBITOR).

Card management from 01/02/2007

Generation	Number of reported claims	Number of claims open	% on reported claims
2007	428,094	2,849	0.67
2008	537,499	9,941	1.85
2009	665,673	25,634	3.84
2010	614,066	101,899	16.59

Verification of the consistency of liabilities

The premium provision for risks in progress is created, in accordance with article 16 of ISVAP Regulation No. 16/08, to cover the risks of the company after the year-end, in order to meet all claims which may arise on contracts which gave rise to the formation of the provision for the premium fraction.
The calculation method adopted for this provision used the empirical method suggested by the above-mentioned Regulation. This latter provision is in line with the adequacy test of the insurance contracts liabilities of the Non-Life Classes required by IFRS 4 (so-called LAT).
It is also considered that the current method of determination of the claims provision in accordance with the latest cost criteria are methodologically appropriate to represent the future cash flows in the existing contract portfolio.

LIFE INSURANCE DIVISION

The main elements of risk of the Life Insurance sector management relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality, disability, expenses, redemption, catastrophic risks) for which refer to the respective sections in the chapter “Information on risks and uncertainties”.

With reference to the traditional products, there are two segments which manage different types of insurance coverage:

- the individual policies, related mainly to the temporary coverage for death stipulated both in the “stand alone” form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies;
- the Corporate Policies which typically manages the risks related to the conventionally called “assistance” coverage and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In addition to the traditional type contracts, including also savings and pension financial products (annuity and deferred capital), there are also pure investment 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 policy segment, the typical risks insured by the Group are those related to the temporary coverage for death stipulated both in the “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 price of these products, the Group uses specific tariff forms determined through official ISTAT statistics on the mortality of the Italian population, adapted on the basis of the mortality history of the portfolio of the policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or not. The amount insured is subscribed on the basis of fixed and standard rules, the so-called “underwriting grid”. This grid is structured on the basis of a different brackets of capital insured for which there are different types of required health check-up in accordance with the “International Guidelines” in the medicine.
There is also the application of extra-premiums intcase the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.
Beyond a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the financial and economic situation of the Customer.
In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.
It should also be noted that, for amounts above a certain threshold, the underwriting of the risk is subject to explicit acceptance by the reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific health extra-premiums preliminarily agreed with the reinsurer.
The technical performance trend of the portfolio confirms the historically based application in terms of personalisation of the statistical base, compared to the general ISTAT. The longevity risk - typically related to the portfolio relative to annuities - is currently marginal due to the non significant presence of this type of contract in the portfolio of the Company.

Corporate Policies

In the Corporate sector, the typical risks insured by the insurer are those related to the conventionally called “assistance” coverage and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).
In consideration of the tariff structures used by the insurance companies of the Group for this type of contract, a verification that the insurance cover is due to an objective situation - an legal obligation or company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests of insurance cover based on the needs of single individuals are excluded methodologically in order to exclude originally all forms of anti selection of the risk.
This fundamental rule is integrated by further limitations in the determination of the capital and amount insured, which must derive by an external regulation, in order to avoid any free determination by single indivisduals.
The amount insured is underwritten based on standard rules (insurance grid) variable on the type of counterparty and number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always requested, based on standard medical documentation.
also in this case, for amounts above a certain threshold, , the underwriting of the risk is subject to the explicit acceptance by a reinsurer.
It should be noted finally that based on the medical evaluation, the underwriting of the risk may result in the application of specific health extra premiums, sometimes preliminarily agreed with the reinsurer.

Particular attention is paidin relation to the underwriting of cumulative risks, normally regulated through the application of a limited liability clause of the amount payable by the insurer in case of death due to a catastrophic event.
The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically adapted on the claims trend of the portfolio of the company - means the continuous monitoring of the trend both within the acquired portfolio and within the individual policies considered sensitive in terms of overall or pro-capite exposure.
The technical performance trend of the portfolio confirms the historically based application in terms of personalisation of the statistical base, compared to the general ISTAT.
Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in the portfolio.
This risk is present in the portfolio of the cCompany, in a prospective and not marginal manner due to deferred annuity contracts of Pension Funds or of single Companies which have internally a specific complementary pension plan for employees.

In this area, the Group has implemented a distribution policy concentrated on the creation of tariff forms which use the most updated statistics base and a careful evaluation of guaranteed financial returns, constantly monitored in the markets. The overall evolution of the portfolio shows a high level of stability in policies covering death/invalidity risk and those for corporate provisions required by law –(Employee Leaving Indemnity) and complementary provisions (pension funds), due to the consultancy carried out by our sales network, with an increase related to the salaries.
The portfolio related to the management of the liquidity of the companies, however is handled through specific financial capitalization of the premiums paid by the counterparty on a minimum guaranteed return and annual performance consolidation basis and shows strong acceleration in line with the market trend.
In relation to this, particular attention is paid to the concentration of the commitments on individual counterparties in order to avoid negative impacts on the company income statement in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.
This element is mitigated by an internal regulation which requires, on one hand, a percentage of these contracts not greater than a determined one on the investments of the separated management these contracts are related to and, on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of risks associated with Life insurance products

The portfolio of the Group can be classified in three uniform macro-groups according to technical characteristics and the product offered:

- The risk products, whose offer consists of products protecting the individual or his family guaranteeing a certain economic level against unexpected events;
- The pure investment product to meet greater requests for treasury management soluctions of small and medium size companies, replacing alternative opportunities currently proposed by the financial market;
- Savings products for the medium-long term period, also related to pensions.

In relation to the traditional products, within the first category are included all the contracts which have an important risk component in case of death, as for the temporary death case and for mixed insurance; in the second case, the contracts which have a strong financial component such as the capitalisation and for the third category prevalently annuity contracts and deferred capital.
In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to the Oicr basket and equity or stock exchange indices.

A Life contract is classified as insurance if the insurance risk is significant, i.e. if an event insured can induce the insured to pay significant additional services; “additional services” are intended as the amounts paid in the case of the occurrence of events exceeding those that would be paid in casethe event insured did not occur.
A Life class contract is considered an insurance contract if either:

- the benefits normally and constantly exceed, the level of 5% of the amount payable in the case in which the event does not occur;
- it represents an annuity right;
- it contains an option of conversion in guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.
The classification was made at tariff level; consequently there are certain insurance products (for example covering death), certain financial products (i.e. capitalisation) and in addition, residually, products for which, , it is necessary to make evaluations at individual contract level to determine their classification.

LAT Model

To determine the LAT (Liability Adequacy Test) in order to evaluate the adequacy and the sufficiency of the provisions recorded in the Local GAAP financial statements, a model was adopted which generates prospective cash flows, developed in MoSes system for the Companies Fondiaria-SAI, Milano and Popolare Vita.
Lawrence Life does not need LAT for contracts classified as insurance as the recorded reserves according to the regulatory standards satisfy the minimum control requirements.
In relation to the traditional portfolio, it has been split into uniform groups according to the technical characteristics of the product (capitalisation contracts, risk and savings and pension).

The table below shows the quantification in terms of policies.

Number of policies(*) elaborated asof December 31, 2010

Division	CAPITALIS.	PROD. OF RISK	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 the collective a record was considered for each person insured

The tariffs for the purposes of the LAT calculation covered almost all of the portfolio of the traditional contracts in scope for IFRS 4 at the time of evaluation, as illustrated by the table below.

Composition of the traditional portfolio by division as of December 31, 2010

(in Euro thousands)

Division	Reserve elaborated	Total reserve	% elaborated
Fondiaria-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 S.p.A.	4,353,384	4,412,299	98.7
Total	**14,849,955**	**15,597,532**	**95.2**

The results obtained in the portfolio considered, in accordance with the methods described below, were proportionally extended to the entire portfolio.

For each policy the projected cash flows are annually generated taking into account the demographic assumptions, mortality and second order expenses in order to value on an annual basis, the economic variables for the calculation of the financial needs, assuming that the capital paid is settled on expiry or at the end of the deferral period.

For the projections of premiums inflows, in relation to the specificity of each tariff, only the policies which were paid at the valuation date are considered.

The projections of services and premiums, ,is performed in accordance with the minimum guaranteed return, if agreed, and the market risk free curve at the reference date is used for the discounting of the cash flows.

For contracts with specific assets, the discount rate was taken from the effective return of the assets hedging the insurance liabilities, taking into account the credit risk related to the individual securities included in the basket. The credit risk is valued based on the probability of default assigned by Standard & Poor.

In the estimate of the amounts paid following the advance redemption by clients of the contracts, in addition to the assumptions related to the mortality and probability of redemption, the specific penalties of each tariff are considered.

For the full life tariffs, a conventional contract duration of twenty years was utilised.

While defning the assumptions of the future commissions on the premiums collected payable to the network, reference was made to the corresponding tariffs and in accordance with the current commercial agreements in force.

The discounting of the future cash flows described above permitted the determination of the commitments of the Company in accordance with the “best estimate” basis at the moment of the valuation. This amount is defined in the “LAT provision” table below.

With regard to the assumptions, reference was made where possible to the Company experience and to the Italian insurance market context in addition to economic-financial scenarios at the valuation date.

Traditional Portfolio

The application of the model for the LAT valuation provided the below shiwn results compared to the provision in the financial statements inclusing the actuarial provision, the future expenses provision, the additional provisions for interest guarantee, decreased by the commissions to be amortised described above.

The technical provisions net of the deferred liabilities to policyholders, these latter reported in accordance with the shadow accounting technique, exceed the reserves calculated according to the LAT model.

LAT valuation as of December 31, 2010

(in Euro thousands)

COMPANY		CAPITALIS.	PROD. OF RISK	SAVINGS & PENSION	TOTAL
Fondiaria-SAI	LAT Res.	2,048,727	706,621	3,996,505	6,751,853
	Tot. per Accounts	2,295,370	831,405	4,688,108	7,814,884
	Balanced 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	49,405
	DAC	-	1,174	7,185	8,359
Milano Ass.ni	LAT Res.	581,796	569,146	1,841,911	2,992,853
	Tot. per Accounts	647,002	670,506	2,187,962	3,505,471
	Balanced Res.	642,274	660,741	2,156,097	3,459,113
	Additional Res.	85	8,002	26,111	34,197
	Expenses Res.	4,643	3,517	11,477	19,638
	DAC	-	1,754	5,723	7,477
Popolare Vita	LAT Res.	181,992	-	4,000,267	4,182,258
	Tot. per Accounts	192,632	-	4,231,735	4,424,368
	Balanced 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 2.16% 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: risk free curve at the valuation date.
- Redemp, Reductions, Cancellation: the frequency to be eliminated fluctuates in a range between 0.00% and 26.56% for the portfolio traditional and between 0.00% and 42.00% 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.
- Management expenses: fluctuates in a range between Euro 22/year and Euro 84/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 insurance contract liabilities recorded in the financial statements in relation to the risks underwritten and to the future expenses.

LAT valuation – Index and Unit insurance as of December 31, 2010

(in Euro thousands)

COMPANY		UNIT-LINKED	INDEX-LINKED	TOTAL
Fondiaria-SAI	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	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 2.16% 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: risk free curve at the valuation date.
- Redemp, Reductions, Cancellation: the frequency to be eliminated fluctuates in a range between 0.00% and 26.56% for the portfolio traditional and between 0.00% and 42.00% 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.
- Management expenses: fluctuates in a range between Euro 22/year and Euro 84/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Guarantee return prosivion

With reference to the commitments underwritten with the policyholders, the breakdown of the Life Insurance Sector provision for the companies of the Group, shown below, highlights that over 60% (61.7%) equal to Euro 12,037 million relate to policies with guaranteed returns between 1% and 3%, while 16.5% (equal to Euro 3,226.9 million) relate to policies with guaranteed return between 3% and 5%.
In comparison, the provision for non guaranteed contracts are modest (Euro 152.1 million) while, compared to the previous year, the reserves for contracts with interest rates guarantees on expiry decreased from Euro 3,931.2 million in 2009 to Euro 3,547.9 million in 2010 and the provision for contracts with guarantees related to specific assets also decreased from Euro 744.3 million in 2009 to Euro 531.0 million in 2010.

Insurance reserves of the Life Insurance segment: guarantee return (*)

(in Euro millions)	**2010**	**2009**
Provision with guaranteed annual interest rate	**15,269.8**	**12,449.5**
0% - 1%	5.9	8.3
from 1% to 3%	12,037.0	8,859.2
from 3% to 5%	3,226.9	3,582.0
Provisions without guaranteed interest rate	**152.1**	**177.8**
Provision related to specific assets	**531.0**	**744.3**
Provisions 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 borne by the policyholders.
Companies considered: Fondiaria-SAI, Milano Assicurazioni, Popolare Vita

Information on operating risks

The Operational Risk Management framework

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

Within the corporate governance structure of the Group, the Operational Risk Management (ORM) activity is undertaken by the Operational Risk Management, IT and Privacy Unit within the Risk Management Department of the Parent Company Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, are ensuring the safeguarding of the Group assets, an adequate control of the risks and the improvement of the business processes efficiency.

In undertaking its activities, the Risk Management department on the basis of the Group organisational model, operates with the Risk and Controls Manager (RRC), through personnel hierarchically dependent from the Process owner, and functionally dependent to the Risk Management department, with skills in the relative areas of activity and background experience in the risk management area.
The Risk Management Department also operates with the other supervisory boards within a reciprocal consultative and information-sharing relationship, in the projects in which the different organisational departments participate. In particular, the principal persons/departments with whom operating relationships are undertaken are:

- The Executive appointed pursuant to Law 262/2005;
- The Compliance and Corporate Governance Committee;
- The Compliance Department;
- The Audit Department.

The classification of the Operational Risks uses the event-type model adopted in the banking sector (Basilea II) and on which the current orientation of CEIOPS Solvency II guidelines are based. This classification, structured on three levels was modified in the second and the third levels to adapt it to the specific problems and internal analysis models; below the first level of classification is shown.

Table 13 – Classification of the operational risk

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

Activities carried out and targets for 2010

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

In line with the “Solvency II convergence project”, the activities related to the creation and development of the operating risk management system continued, in particular, the principal targets reached were:

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

During 2010, within the Solvency II project activity, the activities related to the Business Continuity and Crisis management project have started, in which the following targets were identified:

- definition of a “high level” Business Continuity Policy;
- creation of a Group Business continuity Plan (BCP), identification of the Business Continuity Management – BCM.

Other risks

Risks associated with investee companies in the banking and financial sector

Following the entry into force of the 7th update of the 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 for the calculation of the new capital requirements. The new method refer to the “first pillar” related to the credit, counterparty, market, exchange rate and operating risks.
As contained in the above-mentioned regulation, the application of the other two pillars “Prudent Control Process” (ICAAP or Internal Capital Adequacy Assessment Process) and “Public Information” within the Bank Group pertain directly to the senior management of the Parent Company. The departments undertaking the analysis, the management and monitoring of the risks, in particular those related to the credit risk, use fully integrated instruments in their decisional processes, which also allows to obtain periodic performance information (reports and performance indicators).

For the details of the above-mentioned risks, in accordance with the provisions of article 2428 of the Civil Code, refer to what reported below.

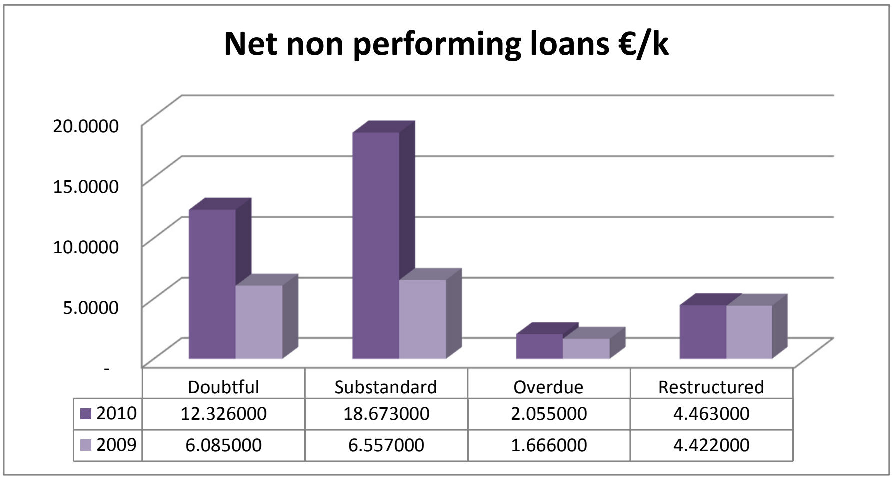
BancaSai
The Bank continues to focus on the “fractioning of the risk” which is still one of the fundamental requisites of the loan portfolio, both in relation to the distribution by economic activity and concentration by individual client: the need to adopt a particularly selective criterion was identified, and adapted to the Bank in the definition of the size of the credit limits available to clients.
Apart from the credit line granted to the subsidiary Finitalia, which represents approx. 5% of total e portfolio, the distribution of the credit lines provided to Households/Private is over 41%, to banks and financial services 12%, to commercial and other services 29% and other parties with smaller percentages.

In consideration of its operating activities, the credit risk represent the main risk component to which the Bank is exposed. It was considered appropriate to avoid, at least in principle, operations of an exclusively financial nature, and limit participation in syndicated loans to specific cases. On the other hand, it was decided to favour operations of a commercial nature, for the inherent characteristics of this technical form, related to their capacity to ensure greater client loyalty, to the margins generated, and to their ability to be an indicator of the state of our counterparties, through the verification of the returns on the portfolio. The self-financing credit lines grew overall by over 42% in the year.

Due to the deteriorating economic climate, for all of 2010, there was an increase in problem loans, in spite of increased monitoring activities of clients, which resulted in a sharp reduction in the current receivable portfolio, from 97% to 92.5%.

The percentage of the non-performing loans increased from 3% to 4.9%; the individual positions are adequately managed and prudently written-down (the level of coverage of the non-performing loans increased from 30% to 36.7%).
The activity of constant monitoring of the loan portfolio, as well as the prior examination of the solvency of the debtors continued during the year. From this viewpoint, the annual revision of the credit lines was particularly important, which involved an increasing number of counterparties than the previous year following the greater number of loans and the reduction of the credit limit threshold for the revision of the credit limits.

The increased deterioration of loans in 2010 on the previous year, comprising overdue and non-performing loans, or the persistent breaching of credit limits, illustrated in the table below, is caused by the current recession, and in particular the widespread deterioration of the SME's and households, segments in which BancaSai has a strong presence.



In relation to risk policies, one of the principal pillars in the management and the formulation of the strategic choices of BancaSai continues to be the territorial presence of the Institute through its branch network and, to a lesser extent, through the insurance agency and promoter networks of the Fondiaria SAI Group.
Based on this principle, the loan portfolio of BancaSai is concentrated in Northwest and Central Italy while the bank covers the other areas to a much lesser extent and mainly in relation to home loans.

The Bank also utilises the Credit Rating System for the determination of internal ratings assigned to clients. The analysis compared to the previous year recorded upgrading for 26% of the portfolio, downgrading for 27% of the portfolio, while the remaining part remained unchanged or without rating.

The table below shows the percentage of each rating class compared to the total.

Loans by Rating Class and Segments (values in %)

CLIENT RATING	NOT NOTED	CORP.	FIN. INTERM.	IST. BAN.	MSE	PRIV. CONS.	SMALL BUS.	TOTAL
NO RATING:	0.64	-	-	-	-	-	-	0.64
AAA	-	1.13	-	-	-	-	0.01	1.15
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	9.06
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	-	-	2.88	0.71	0.12	8.73
CC	-	1.90	-	0.01	2.54	0.66	1.14	6.25
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	3.50
SUB-TOTAL	***0.64***	***27.74***	***7.70***	***0.89***	***10.84***	***41.50***	***5.75***	***95.06***
FINITALIA	**-**	**-**	**4.94**	**-**	**-**	**-**	**-**	**4.94**
TOTAL GENERAL	**0.64**	**27.74**	**12.63**	**0.89**	**10.84**	**41.50**	**5.75**	**100.00**

Finitalia

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

The Board of Directors have the power to determine the general management strategies of the company. In relation to internal controls, the Board of Directors approves the strategic and management policies of the risk, as well as the organisational structure of the company.

The strategies and policies are mainly contained in the documents “Company Regulations” and “Limits and Risk Management”.

The Credit Department is responsible for the credit risk limits. The Credit Recovery Department is responsible for the management and recovery of loans and reports to the Administrative Department. The Credit Risk Control Department is responsible for the credit risk control and reports to the Risk Management Department who in turn reports to the Banking Group Risk Committee through a system of internal reporting and oversees compliance with the capital requirements calculating the risk weighted asset against the credit and counterparty risk of the bank portfolio in accordance with the provisions of “Basilea II”.

The provision of credit is undertaken through a profile of the potential borrower and based on their capacity for borrowing and capacity to generate sufficient financial cash flows in order to meet the repayments on the pre-established expiry dates.
Finitalia has implemented a process for the evaluation of lending which takes into consideration all of the information acquired from internal and external databanks, utilising the knowledge of the clientele both in relation to banking/financial aspects and insurance, obtaining the client profile on the basis of all the relationships in course with the Fondiaria SAI Group.
The borrower is processed and analysed through semi-automatic procedures by personnel in accordance with levels of authority attributed, integrated in the management system operating on the AS400.

In the loan negotiation phase, Finitalia acquires unsecured and secured guarantees in order to mitigate the risk. All loans disbursed, excluding those to small-medium enterprises, are covered by death/invalidity/illness insurance cover, completely free for the clients.
For all the “insurance” clients financed, the client is requested on the signing of the loan to undertake specific insurance commitments in favour of Finitalia for all insurance contracts as a guarantee in case of insolvency.
For the clients from the BancaSai branch channel, in the case of non-repayment, it is also possible to obtain through simple request the sums or funds available, in whatever form, held by the client at BancaSai.
For the clients of the Company conventioned product line, where the repayments are normally through direct deduction from salary, the employee leaving indemnity available in the Company or the amounts in the Client’s Pension Fund is normally restricted, in the event of termination of employment.

The Administrative Department is responsible for the analysis and classification of non-performing loans, as well as the impairment test analysis. The criteria for the impairment test requests the segmentation of the portfolio by uniform categories of products and by different risk classes to which are applied the average statistical percentage losses, recorded analysing the historical data.

Finitalia has adopted, for the purposes of the calculation of the capital requirements necessary for the credit risk, the simplified standardised calculation method, in accordance with that of the Banking Group. In order to permit correct monitoring of the risks of the BancaSai Banking Group, Finitalia provides the Parent Company on a monthly basis specific data extractions in order to provide a general overview of the credit risk trend at consolidated level.
The management and recovery of the non-performing loans is undertaken through standardised and automated procedures within the management system, which classifies the various loans by expiry period. The entire process is undertaken by the Credit Recovery Department, in conjunction with the insurance department in the case of any insurance guarantees present.
The various credit recovery phases are based on the level of 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, assets sold and discontinued operations

Sale of 100% of Banca Gesfid SA

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

The table below sets forth the assets and liabilities of Banca Gesfid SA as of June 30, 2010:

(in Euro thousands)

Assets (Other Sector)	
Intangible assets	1,837
Propertyand equipment	11,980
Investments	207,159
Other receivables	4,138
Other assets	1,444
Cash and cash equivalents	25,983
Total	**252,541**
Liabilities (Other Sector)	
Provisions	2,830
Financial liabilities	166,015
Payables	5,169
Other liabilities	4,261
Total	**178,275**
Net equity	**74,266**

The sale price was paid in cash: therefore, the net cash flow arising from the sale was the following:

(in Euro thousands)

Cash received (sales price)	93,408
Cash and banks ceded	(25,983)
Net cash inflow	**67,425**

The gain realised at consolidated level amounted to Euro 8 million.

The contribution of Banca Gesfid SA to the 2010 Income Statement was the following:

(in Euro thousands)

REVENUES	
Commission income	18,553
Income and charges from financial instruments recorded at fair value through profit or loss	2,771
Income from other financial instruments and property investments	1,041
Other revenue	136
Total Revenues	**22,501**
COSTS	
Commission expenses	3,984
Charges from other financial instruments and property investments	5
Management expenses	13,558
Other costs	2,334
Total costs	**19,881**
INCOME TAXES	**690**
RESULT	**1,930**

Sale of 100% of Crivelli S.r.l.

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

The table below sets forth the assets and liabilities of Crivelli S.r.l. as of September 30, 2010:

(in Euro thousands)

Assets (Real Estate Sector)	
Intangible assets	232
Property and equipment	47,051
Investments	62
Other receivables	4,335
Other asset	15
Cash and cash equivalents	3,365
Total	**55,060**
Liabilities (Real Estate Sector)	
Financial liabilities	42,848
Payables	8,991
Total	**51,839**
Net equity	**3,221**
Sales price	**27,500**

The sales price was paid in cash: therefore, the net cash flow arising from the sale was the following:

(in Euro thousands)

Cash received	27,500
Cash and banks ceded	(3,365)
Net cash inflow	**24,135**

The contribution of Crivelli S.r.l. to the 2010 Income Statement was the following:

(in Euro thousands)

REVENUES	
Other revenue	16,031
Total Revenues	**16,031**
COSTS	
Charges from other financial instruments and property investments	536
Other costs	18,061
Total costs	**18,597**
INCOME TAXES	**8**
RESULT	**(2,574)**

Sale by Milano Assicurazioni of the investment in Bipiemme Vita (Life Sector)

After obtaining the relevant authorisations, on June 17, 2010, Milano Assicurazioni sold to Banca Popolare di Milano the entire investment in Bipiemme Vita S.p.A., comprising 51% of the share capital for a consideration of Euro 122.1 million, net of – as agreed – the dividend paid in the intervening period to Milano Assicurazioni of Euro 8.67 million. The sale had a minor impact on the income statement: the loss of Euro 0.7 million was recorded, as per IFRS 5, in the specific income statement account Profits/Losses of discontinued operations.
The agreement also provides for an earn-out linked to the achievement of defined thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in Bipiemme Vita S.p.A. to third parties within 12 months, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.
Currently, and based on the information available, it is not possible to estimate the effect of the above-stated earn-out clause.

PART G - Transactions with related parties

Disclosure in the consolidated financial statements on "Related Party transactions" is governed by IAS 24 and by the relative Consob Communications.

The Parent Company' s main financial and economic transactions with its subsidiaries (whether or not within the scope of application of Article 2497 of the Civil Code or otherwise) are reported in the Directors' Report on its separate financial statements.

The transactions between the Parent Company and its subsidiaries were eliminated in the consolidated financial statements and are not disclosed in these notes.

From the current year, a greater disclosure is provided in relation to other related party transactions, with details both of the size of the cash inflows and outflows and the nature of the underlying activities. For comparative purposes, the figures of the previous year were reclassified in line with the current year.

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

Account balance

(in Euro thousands)	As of December 31, 2010		As of December 31, 2009	
COUNTERPARTY	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Parent company	202	19,267	92	416
Associatess	108,214	12,646	89,623	2,779
Group companies	7	8	7	8
Other related parties	324,556	36,884	250,102	34,226
TOTAL	**432,979**	**68,805**	**339,824**	**37,429**

(in Euro thousands)	As of December 31, 2010		As of December 31, 2009	
ACCOUNT	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Real estate activities	313,011	41,087	239,158	28,777
Insurance activities	-	109	-	2,699
Financing activities	118,364	21,732	100,543	8
Services provided	1,322	-	99	17
Services received	282	2,162	24	1,795
Compensations for Corporate Office	-	3,705	-	4,133
Remuneration of Strategic Exec. Resp.	-	10	-	-
TOTAL	**432,979**	**68,805**	**339,824**	**37,429**

(in Euro thousands)	2010		2009	
COUNTERPARTY	**Income**	**Charges**	**Income**	**Charges**
Parent company	229	2,372	166	2,295
Associates	31,065	31,144	15,798	13,401
Group companies	-	-	5	-
Other related parties	85,174	118,714	16,443	130,406
TOTAL	**116,468**	**152,230**	**32,412**	**146,102**

(in Euro thousands)	2010		2009	
ACCOUNT	**Income**	**Charges**	**Income**	**Charges**
Real estate activities	85,786	93,539	15,837	90,037
Insurance activities	29,213	20,382	13,138	12,045
Financing activities	356	167	2,788	22
Services provided	1,080	-	644	-
Services received	-	14,749	-	15,402
Compensations for Corporate office	33	17,845	5	25,376
Remuneration of Strategic Exec. Resp.	-	5,548	-	3,220
TOTAL	**116,468**	**152,230**	**32,412**	**146,102**

Financial Cash flows

(in Euro thousands)	2010		2009	
COUNTERPARTY	**Cash inflow**	**Cash outflow**	**Cash inflow**	**Cash outflow**
Parent company	352	2,018	169	2,291
Associates	24,263	36,477	18,458	20,098
Group companies	-	-	-	-
Other related parties	32,850	145,372	32,238	280,128
TOTAL	**57,465**	**183,867**	**53,072**	**300,872**

(in Euro thousands)	2010		2009	
ACCOUNT	**Cash inflow**	**Cash outflow**	**Cash inflow**	**Cash outflow**
Real estate activities	25,137	113,219	21,113	221,867
Insurance activities	28,138	18,615	13,138	12,876
Financing activities	3,205	11,488	18,437	25,711
Serrvices provided	985	-	384	-
Services received	-	19,720	-	15,160
Compensations for Corporate office	-	15,277	-	22,038
Remuneration of Strategic Exec. Resp.	-	5,548	-	3,220
TOTAL	**57,465**	**183,867**	**53,072**	**300,872**

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 entities.

In relation to the principal transactions, the financial amounts are reported below.

The principal transactions resulting in **assets of a financial nature with associates** refer to:

- Euro 54 million with the associate Garibaldi S.c.a and Euro 14 million with the associate HEDF Isola S.c.s., against investment holdings made by Milano Assicurazioni S.p.A.;
- loans receivable, recorded by Immobiliare Milano in respect 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);

- Euro 6.3 million for loans granted by Immobiliare Fondiaria-SAI to the associate Progetto Alfiere S.p.A..

In relation to **transactions with associates resulting in real estate related assets** Euro 12.2 million represents receivables due towards Immobiliare Lombarda S.p.A. from CityLife S.r.l. for works and services provided in relation to the project in the former Fiera Milano area.

The principal **transactions with other related parties resulting in real estate related assets** mainly refer to:

- Euro 102.5 million total advance payments made 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 fulfilment of real estate contracts on the construction area in Rome, Via Fiorentini. It should be noted that this operation, commenced in 2003, included the sale to Avvenimenti e Sviluppo Alberghiero S.r.l. of the construction area and the purchase by it of the completed real estate complex under construction on the area in question for a price of Euro 110 million, taking into account the contractual addendum stipulated in 2009. No further amounts were paid in the current year for this transaction;
- Euro 88.7 million related to the valuation at inventory of the real estate project related to the Loano Touristic Port. 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 the amounts paid during the current year and those paid in previous years to the company Marcora Costruzioni S.p.A. In addition the inventory valuation includes Euro 9.6 million incurred by the company Sepi 97 S.r.l. for planning design work, as well as Euro 2.6 million from I.C.E.IN. S.p.A. and Euro 1 million from IM.CO. S.p.A. for construction work;
- Euro 52 million of advance payments made to IM.CO.S.p.A. by Milano Assicurazioni S.p.A. in the current year for Euro 11 million and in previous years for Euro 41 million in relation to the real estate transactions concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola). The project included the sale in 2005 to "IM.CO. S.p.A." of the above-mentioned land and the purchase by it for a price of Euro 93.7 million of a property for office use under construction on the above-mentioned land.
- Euro 23 million related to advance payments made by Immobiliare Fondiaria-SAI S.r.l. to IM.CO. S.p.A. for the future acquisition of a hotel complex with an attached wellness centre currently under construction in the municipality of S. Pancrazio Parmense (Parma);
- Euro 8 million related to advance payments made in previous years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for planning and design work in the Castello Area (FI);
- Euro 5.7 million refers to the valuation at inventory of the demolition and reconstruction work carried out by the related party I.C.E.IN. S.p.A. in the area owned by the subsidiary Meridiano Secondo S.r.l. both during the current and previous years ftogether with Euro 2.2 million incurred for planning and design work activities with MI.PR.AV. S.r.l.;

- Euro 1 million refers to maintenance costs capitalized by Fondiaria-SAI S.p.A. for the restructuring work carried out by the related party I.C.E.IN. S.p.A on the property located in Milan, Viale Monza Euro 0.9 million refers to charges incurred by Milano Assicurazioni S.p.A. with IM.CO. S.p.A., for works on the property located in Milan, Via Lancetti;
- Euro 0.7 million related to charges incurred with I.C.E.IN. S.p.A and capitralised by the Tikal R.E. Fund from I.C.E.IN. S.p.A. for improvements and work necessary to comply with regulations on the property located in Milan, Via Tucidide.
-
- Euro 0.4 million related to charges incurred with IM.CO. S.p.A. and capitalised by Fondiaria-SAI S.p.A. for improvement works on properties.

In relation to **transactions resulting in financial assets with Other Related Parties**, it should be noted that Euro 19.5 million are related to credit facilities granted by the subsidiary BancaSai. Of these, Euro 10.8 million and Euro 8.7 million are respectively held against Sinergia Holding S.p.A. and IM.CO. S.p.A. while the residual Euro 3 million relates to loans provided to individuals.

Financial **liabilities towards the Parent Company** refer to deposits within the subsidiary BancaSai for Euro 18.5 million.

The **real estate liabilities towards Associates** refer to transactions between the subsidiary Immobiliare Lombarda S.p.A. and its associate Tre Torri Contractor S.c.a.r.l. for Euro 12 million, related to works and services provided in relation to the the project in the former Fiera Milano area (CityLife project).

The **real estate liabilities towards Other Related Parties** refer 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 Loano touristic port;
- in addition, payables due by Milano Assicurazioni S.p.A. to IM.CO. for Euro 6 million for invoices to be received in relation to the mentioned above real estate project related to the land located at Via Confalonieri - Via de Castillia Milan (Lunetta dell'Isola) and for work on the property at Via Lancetti in Milan.

The financial **liabilities towards Other Related Parties** refer to current bank accounts held by other related parties, both physical persons and legal entities, with BancaSai, for Euro 2.5 million.

The **liabilities for services received from Other Related Parties** amount to Euro 1.4 million and relate to invoices to be received.

Finally, payables are shown for compensations due to Directors and Statutory Auditors, payable in 2011, related to the Parent Company for Euro 2.7 million and to the subsidiaries for Euro 1 million.

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

Real estate income from Associates mainly relates to construction revenues of Euro 30 million payable to Immobiliare Lombarda by the associate CityLife S.r.l. for for the project in the former Fiera di Milano area.

Real estate income from Other Related Parties refers to:

- Euro 36.8 million, which represents income from the valuation of work performed by Marcora Costruzioni S.p.A on the Loano Port project for the subsidiary Marina di Loano S.r.l., and Euro 1 million for planning design work performed by Sepi S.r.l.;

- Euro 14.8 million of income from the valuation of work performed by Marcora Costruzioni for the subsidiary Crivelli, related to the building located at Milan, Via Cambi (together with Euro 0.5 million of planning and design work performed by MI.PR.AV S.r.l.). It should be noted that the company Crivelli was sold at the end of 2010, but the consolidated income statement includes income up to the deconsolidation date;
- Euro 1 million of income from the valuation of construction work performed I.C.E.IN. S.p.A. on the area owned by Meridiano Secondo S.r.l.

From the current year, the transactions with the Group's Pension Fund are considered as related party transactions. **Insurance income from other related parties** includes therefore, in addition to Non-Life and Life policy premiums for Euro 3.4 million, also the premiums that the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI Group Executive Pension Fund paid to Fondiaria-SAI for Euro 15.7 million and Milano Assicurazioni S.p.A. for Euro 10 million. These payments are for the investment in Life policies of the contributions collected from the policyholders.

Charges to the Parent Company for services received include personnel costs of employees at the Parent Company for Euro 2.3 million.

With regard to property-related charges from associates, the amount of Euro 31 million 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** mainly refer to:

- Euro 36.8 million representing costs incurred by Marina di Loano S.r.l. for the Loano Port project from Marcora Costruzioni S.p.A. In addition planning and design charges were incurred from Sepi S.r.l. for Euro 1 million;
- Euro 14.8 million charges incurred by Crivelli S.r.l. from Marcora Costruzioni related to the property located in Milan, Via Cambi, and Euro 0.5 million of planning and design charges from MI.PR.AV. S.r.l.. It should be noted that Crivelli S.r.l. was sold at the end of 2010, but the consolidated income statement includes charges of the company until the deconsolidation date;
- Euro 2.5 million charges incurred by Atahotels S.p.A. from I.C.E.IN. S.p.A. for the purchase of furniture for Residence The One, located at San Donato (MI) and managed by Atahotels S.p.A.;
- Euro 2.2 million incurred by Fondiaria-SAI Servizi S.c.r.l. Group from IM.CO. S.p.A. for the purchase of furniture;
- Euro 1.3 million incurred by Immobiliare Lombarda S.p.A. from SO.GE.PI. S.r.l. for the technical management and rental / leasing services for real estate managed by the Group;
- Euro 1 million incurred by Meridiano Secondo S.r.l. from I.C.E.IN. S.p.A. for the construction works in the area of Via Gioia, Milan.

We would point out that these charges are also valued under property, and equipment, given that the property development projects in progress are considered as inventory.

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

- Euro 6.4 million related to technical-administrative consultancy fees and legal advice;
- Euro 1.7 million paid to Gilli Communication S.r.l. in relation to the advertising campaign of the telephone insurance company Dialogo Assicurazioni S.p.A.,and Euro 1.4 million in relation to advertising services to other Group companies;
- Euro 1.4 million refers to transactions with the company Laità for marketing services for the Fondiaria-SAI Group.

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

- settlement of claims, against redemption or expiry of Life insurance policies for Euro 4 million;
- payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds for Euro 8 million. These payments were made in accordance with contractual agreements in force;
- commissions paid to insurance intermediaries for Euro 8.3 million.

Residual charges with other related parties include compensation to members of the boards of directors and statutory auditors of Group companies for Euro 17.8 million and salaries of senior managers with strategic responsibilities for Euro 5.5 million. With reference to the latter, we note that no component of this remuneration falls within the scope of point 16 of IAS 24.

Commitments relating to real estate transactions with other related parties included:Euro 51,4 million yet to be paid for the completion of the Milan, Isola and Rome, Via Fiorentini real estate operations . These operations, commences in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned building areas and the purchase of the buildings to be constructed upon these areas.
Milano Assicurazioni also underwrote financial commitments to be paid under the form of Profit Participating Bonds to the associate Garibaldi S.c.a., for Euro 26.7 million, and to Isola S.c.a., for Euro 8.7 million.. Milano Assicurazioni also underwrote equity commitments of Euro 50.1 million with the associate CityLife against construction costs and interests payables.

Real estate 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 comprised premiums paid on Non-Life and Life policies of Euro 3.4 million and 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.
Financial cash inflows from Other Related Parties refers to loans rborrowed by the subsidiary BancaSai respectively to IM.CO. S.p.A. for Euro 1.7 million and Sinergia Holding S.p.A. for Euro 1.3 million.

Real-estate -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.

Real-estate-related cash outflows to other related parties refer to:

- payment of invoices to Marcora Costruzioni S.p.A. for Euro 32 million related for work in progress for the project involving the construction of the Port of Loano and for Euro 1.4 million to Sepi 97 S.r.l. for planning and design work;
- payment of invoices to Marcora Costruzioni S.p.A. for Euro 20 million by Crivelli S.r.l. for the costs incurred related to the property located in Mila, Via Cambi;
- payment of invoices to IM.CO. for Euro 87 million by Milano Assicurazioni S.p.A. in relation to the property project on land located at Via Confalonieri - Via de Castillia Milan (Lunetta dell'Isola) and for work performed on the property in Milan, Via Lancetti;
- payment of invoices Euro 5.3 million to IM.CO. by Villa Ragionieri S.r.l. for the improvement works and plants in the new health centre owned by the company, completed last year;
- advance payment of Euro 5 million made by Immobiliare Fondiaria-SAI S.r.l. to IM.CO. S.p.A. for the future acquisition of a hotel complex with an attached wellness centre currently under construction in the municipality of S. Pancrazio Parmense (Parma);;
- payments of Euro 3 made by Atahotels S.p.A. to I.C.E.IN. S.p.A. for the purchase of furniture for Residence The One, located at San Donato (MI) sold to Atahotels S.p.A.;
- Euro 2.2 million paid by Fondiaria-SAI Servizi S.c.r.l. Group to IM.CO. S.p.A. for the purchase of furniture;
- payments of Euro 1.3 million during the the year by Immobiliare Lombarda S.p.A. to So.ge.p.i. S.r.l. for the technical management and rental / leasing services of real estate managed by Immobiliare Lombarda S.p.A;
- Euro 1 million paid by Tikal R.E. Fund to I.C.E.IN. S.p.A. for improvements and work necessary to comply with regulations on the property located in Milan, Via Tucidide.
- Euro 1 million paid by Meridiano Secondo S.r.l. to I.C.E.IN. S.p.A. for the construction works in the area of Via Gioia, Milan
- Euro 1 million paid to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for improvement works on properties.

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 to 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 intermediaries for Euro 8.3 million.

Cash outflows to associates concern:

- payments of Euro 8 million to the associate Garibaldi S.c.a. for 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).

Payments by the Parent Company for services received include personnel cost recharges to the Parent Company for Euro 2 million.

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

- Euro 8.6 million related to technical-administrative and legal consultancy fees;
- Euro 2 million paid to the company Gilli Communication S.r.l. in relation to the advertising campaign of the telephone insurance company Dialogo Assicurazioni S.p.A. and Euro 1.4 million in relation to advertising services to other Group companies;
- Euro 1.7 million refers to transactions with the company Laità for marketing services for the Fondiaria-SAI Group.

The remaining outflows to other related parties refer to remuneration paid to directors for positions held in 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 relating to transactions with related parties (including associates) accounted for approximately 1% of the total assets in the consolidated financial statements, while liabilities amounted to 0.17% of consolidated liability items, excluding equity items.
Similarly, net cash flows with related parties absorbed 5.4% of the net liquidity deriving from continuing 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 certain directors have declared to hold interests and equity investments in Sinergia Holding di Partecipazioni S.p.A., which controls these companies.

No significant balances or transactions deriving from atypical and/or unusual transactions took place with related parties during the year.

Directors' fees

The following table sets forth the remuneration of directors for offices held in the Group:

(in Euro thousands)	**2010**	**2009**
Remuneration	11,491	12,050
Bonus and other incentives	-	-
Non-monetary benefits	72	69
Total	**11,563**	**12,119**

The remuneration of directors is based on the average market remuneration levels, while bonuses and other incentives are normally determined ex-post 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 rules regarding 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 following table sets forth the breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to the Fondiaria-SAI Group:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,248
b) certification work	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	318
c) fiscal consulting	-	-	-
d) other services	Ernst & Young Financial Business Advisors S.p.A.	Fondiaria-SAI	238
Total fees in the year			1,804

n.b. remuneration excluding VAT, including the amounts pertaining to the incorporated company Systema Vita

The following table sets forth the breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to the Fondiaria-SAI's subsidiaries:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	1,090
	Network Ernst & Young	Foreign subsidiary companies	314
b) certification work	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	677
c) fiscal consulting	Network Ernst & Young	Foreign subsidiary companies	8
d) other services	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	45
	Ernst & Young Financial Business Advisors S.p.A.	Italian subsidiary companies	738
Total fees in the year			2,872

excluding VAT

PART H – Other Information

Subsequent events after the year end

There were no significant events as per paragraph 21 and subsequent of IAS 10 after year-end which would adjust the values of the current financial statements.

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

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

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

With resolutions of March 22, 2011 adopted by the Board of Directors of Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and Premafin Finanziaria S.p.A. H.P. laid the foundation for an important recapitalisation programme of the companies of the Fondiaria SAI Group (the "Group") which will result in an overall increase in the Adjusted Solvency Margin (Solvency I) of Fondiaria-SAI of around 30 percentage points compared to December 31, 2010.
The Agreement reached between Premafin Finanziaria S.p.A. H.P. and Unicredit S.p.A. and the consequent impact on the share capital of Fondiaria-SAI and Milano Assicurazioni will strengthen the capital base of the third largest Italian insurance group (Euro 13 billion premiums, 9 million customers – over 10,000 collaborators between employees and agents) within a very difficult Motor TPL and financial market situation, caused by an extensive global crisis and compounded by domestic issues within the sector.
The Agreement guarantees therefore for the Group – and for the protection of all policyholders and shareholders – the maintenance of strong solvency margins, also in view of the more stringent requirements which will be introduced in 2012 by the European regulation concerning the solvency of insurance companies (so-called solvency II), maintaining also the current shareholder structure of the Premafin-Fondiaria - SAI – Milano Assicurazioni Group.

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the statement of financial position accounts are the following:

	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	106.0450	96.2044

Milan, March 23, 2011

For the Board of Directors
The Chairman

Ms. JONELLA LIGRESTI

ATTESTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENT AND INTEGRATIONS

1. The undersigned Emanuele Erbetta (in his capacity as Chief Executive Officer of Fondiaria-SAI) and Piergiorgio Bedogni (in his capacity as Executive in charge of preparing the corporate financial reports of Fondiaria-SAI) confirm, taking also in account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the adequacy with respect to the Company's structure and
   - the effective application of the administrative and accounting procedures for preparing the consolidated financial statements for the –year ended December 31, 2010.

2. The valuation of the adequacy of the accounting and administrative procedures for preparing the consolidated financial statements at December 31, 2010 is based on a Model defined by Fondiaria-SAI in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. The undersigned also declare that:

3.1. the consolidated financial statements as at December 31, 2010:
   a) are prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
   b) corresponds to the related accounting books and records;
   c) provide a true and fair view of the financial position, the results of operations and the cash flows of the issuer and of the companies included in the consolidation.

3.2. The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 23, 2010

The Chief Executive Officer

Mr. Emanuele ERBETTA

The Executive in charge
of preparing the corporate financial reports

Mr. Pier Giorgio BEDOGNI

Independent board reports

Board of Statutory Auditors’ Report

Dear Shareholders,

Your Company has prepared the Consolidated Financial Statements at 31/12/2010 applying international accounting standards (IAS/IFRS) and applying the format for the accounts and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007.

The Consolidated Financial Statements therefore consist of the Statement of financial position, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the notes to the financial statements.
These financial statements are presented together with the Directors' Report, containing information on the operational performance of the Group.

The Consolidated Financial Statements and the Directors' Report also contain exhaustive and detailed information on the operational performance of the Parent Company and of the consolidated companies, on the principal sectors of activities of the Group (non-life and life insurance, real estate and other activities), on the asset and financial management, on the litigation in course, on the significant events after year-end and on the outlook.

The Financial Statements also take account of the Bank of Italy/CONSOB/ISVAP document published on March 4, 2010 - the "Joint Table in application of IAS/IFRS criteria" - on information to be disclosed in financial reports on the verifications to be made on impairment tests, on the contractual clauses of financial debt, on the restructuring of debt and on the "fair value hierarchy".

We have undertaken adequate controls on the Consolidated Financial Statements at 31/12/2010 of the Fondiaria-SAI Group and we verified:

- the correct application of the accounting principles and of the valuation criteria. In particular compliance with the consolidation principles and regulations in relation to the formation of the consolidation area and the reference date of the data;

- the adequacy of the organisational-procedural structure of the Parent Company in order to manage the information flows and the consolidation operations and therefore the correctness of the accounting results of the subsidiary companies and the information transmitted from the companies included in the consolidation;

- the adequacy and conformity of the presentation and disclosures required by the IAS/IFRS standards issued by the IASB and approved by the European Union, and in turn integrated with specific regulations issued by the Supervision Authority.

Based on meetings undertaken and assurances received from the audit firm Reconta Ernst & Young S.p.A., the auditors report on the consolidated financial statements of December 31, 2010 of the Fondiaria SAI Group does not report any exceptions but calls the reader's attention to the recapitalisation of the Group.
The Board also reports that the audit opinions on the subsidiary companies are in accordance with the provisions of Legislative Decree No. 58/1998 and CONSOB Resolution No. 11971 of May 14, 1999. We also attest that the voluntary audits of the subsidiary companies, not subject to compulsory audit in accordance with local regulations, are in accordance with the above-mentioned provisions.

The Consolidated Financial Statements prepared in thousands of Euro, report a net loss and Group net equity respectively of Euro -714,022 and Euro 1,885,687 thousand. For the determination of the components contributing to these results, the Consolidated Financial Statements, in the Explanatory Notes, provide exhaustive comments on the principal accounts.
We highlight the weight of the impairments of equity financial instruments belonging to the “available-for-sale” category, as well as on the goodwill recorded on the consolidated result: respectively Euro 389 million and Euro 71 million. As reported by the Company in the financial statements, in relation to the adjusted solvency margin, the coverage is over 97%, despite this the faculty permitted by ISVAP Regulation No. 37 of March 15, 2011 was exercised which resulted in an improvement of approx. 4%. Consequently, against the current adjusted solvency, it will be necessary, also pursuant to Article 227 of the Private Insurance Code, to draw up an intervention plan to eliminate the deficiency noted. The proposed share capital increase should be viewed in this context.

Finally, we attest that the structure of the consolidated financial statements are considered correct and conform with legislative requirements.

Turin, April 4, 2011

The Board of Statutory Auditors

Mr. Benito MARINO
Mr. Marco SPADACINI
Mr. Antonino D’AMBROSIO

Auditors' Report

Attachments to the Consolidated Financial Statements

Consolidation scope

Order number	Company	State	Method (1)	Activity (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	% consolidated
1	PRONTO ASSISTANCE SPA	086	G	1	100,00	100,00	100,00	100,00
2	SIAT SOCIETA' ITALIANA ASS E RIASS SPA	086	G	1	0,00	94,69	94,69	100,00
3	BIM VITA SPA	086	G	1	50,00	50,00	50,00	100,00
4	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL	086	G	11	100,00	100,00	100,00	100,00
5	FINSAI INTERNATIONAL SA	092	G	11	19,92	99,99	100,00	100,00
6	SAIAGRICOLA SPA	086	G	11	92,01	97,48	100,00	100,00
7	SAIFIN - SAIFINANZIARIA SPA	086	G	11	100,00	100,00	100,00	100,00
8	SAINTERNATIONAL SA	092	G	11	99,99	99,99	99,99	100,00
9	SAI HOLDING ITALIA SPA	086	G	11	100,00	100,00	100,00	100,00
10	SAILUX SA	092	G	11	0,00	100,00	100,00	100,00
11	SIM ETOILE SA	029	G	10	99,99	99,99	99,99	100,00
12	SRP SERVICES SA	071	G	11	0,00	99,99	100,00	100,00
13	COLPETRONE SRL	086	G	11	0,00	97,48	100,00	100,00
14	CONSORZIO CASTELLO	086	G	10	0,00	98,50	99,66	100,00
15	DIALOGO ASSICURAZIONI SPA	086	G	1	0,00	62,76	99,85	100,00
16	DOMINION INSURANCE HOLDING LTD	031	G	11	0,00	99,99	100,00	100,00
17	EUROPA TUTELA GIUDIZIARIA SPA	086	G	1	100,00	100,00	100,00	100,00
18	FONDIARIA-SAI NEDERLAND B.V.	050	G	11	100,00	100,00	100,00	100,00
19	SERVICE GRUPPO FONDIARIA SRL	086	G	11	70,00	88,86	100,00	100,00
20	MILANO ASSICURAZIONI SPA	086	G	1	60,58	62,85	62,86	100,00
21	NUOVE INIZIATIVE TOSCANE SRL	086	G	10	96,88	98,84	100,00	100,00
22	STIMMA SRL	086	G	10	100,00	100,00	100,00	100,00
23	SYSTEMA COMPAGNIA DI ASS.NI SPA	086	G	1	0,00	62,85	100,00	100,00
24	THE LAWRENCE RE IRELAND LTD	040	G	5	0,00	100,00	100,00	100,00
25	THE LAWRENCE LIFE ASSURANCE CO. LTD	040	G	2	0,00	50,00	100,00	100,00
26	GRUPPO FONDIARIA-SAI SERVIZI SCRL	086	G	11	64,16	87,10	100,00	100,00
27	VILLA RAGIONERI SRL	086	G	10	100,00	100,00	100,00	100,00
28	CASCINE TRENNO SRL	086	G	10	0,00	100,00	100,00	100,00
29	TRENNO OVEST SRL	086	G	10	0,00	100,00	100,00	100,00
30	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	086	G	10	0,00	100,00	100,00	100,00
31	MERIDIANO BELLARMINO SRL	086	G	10	0,00	100,00	100,00	100,00
32	MERIDIANO BRUZZANO SRL	086	G	10	0,00	100,00	100,00	100,00
33	MERIDIANO PRIMO SRL	086	G	10	0,00	100,00	100,00	100,00
34	MERIDIANO SECONDO SRL	086	G	10	0,00	100,00	100,00	100,00
35	BANCA SAI SPA	086	G	7	100,00	100,00	100,00	100,00
36	BRAMANTE SRL	086	G	10	0,00	100,00	100,00	100,00
37	CAMPO CARLO MAGNO SPA	086	G	10	0,00	62,85	100,00	100,00
38	CARPACCIO SRL	086	G	10	0,00	100,00	100,00	100,00
39	CASA DI CURA VILLA DONATELLO SPA	086	G	11	100,00	100,00	100,00	100,00
40	CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL	086	G	11	100,00	100,00	100,00	100,00
41	PONTORMO SRL	086	G	10	0,00	100,00	100,00	100,00
42	FINITALIA SPA	086	G	11	0,00	100,00	100,00	100,00
43	IMMOBILIARE LITORELLA SRL	086	G	10	0,00	100,00	100,00	100,00
44	IMMOBILIARE LOMBARDA SPA	086	G	10	64,17	86,69	100,00	100,00
45	INIZIATIVE VALORIZZAZ.NI EDILI IN.V.ED. SRL	086	G	10	0,00	100,00	100,00	100,00
46	MASACCIO SRL	086	G	10	0,00	100,00	100,00	100,00
47	APB CAR SERVICE SRL	086	G	10	0,00	100,00	100,00	100,00
48	ATAVALUE SRL	086	G	11	0,00	100,00	100,00	100,00
49	MIZAR SRL	086	G	10	0,00	100,00	100,00	100,00
50	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	086	G	10	0,00	100,00	100,00	100,00
51	MARINA DI LOANO SPA	086	G	10	0,00	100,00	100,00	100,00
52	PROGETTO BICOCCA LA PIAZZA SRL in liquidazione	086	G	10	0,00	74,00	74,00	100,00
53	PRONTO ASSISTANCE SERVIZI SPA	086	G	11	37,40	79,63	100,00	100,00
54	RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL	086	G	10	0,00	100,00	100,00	100,00
55	SAI INVESTIMENTI SGR SPA	086	G	8	51,00	69,23	80,00	100,00
56	SAI MERCATI MOBILIARI SIM SPA	086	G	11	100,00	100,00	100,00	100,00
57	SANTA MARIA DEL FICO SRL	086	G	11	0,00	97,48	100,00	100,00
58	SOGEINT SRL	086	G	11	0,00	62,85	100,00	100,00
59	TIKAL R.E. FUND	086	G	10	59,65	81,87	95,01	100,00
60	FLORENCE CENTRO DI CHILURGIA AMBULATORIALE SRL	086	G	11	0,00	100,00	100,00	100,00
61	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	086	G	1	0,00	62,83	99,97	100,00
62	LIGURIA VITA SPA	086	G	1	0,00	62,83	100,00	100,00
63	MERIDIANO AURORA	086	G	10	100,00	100,00	100,00	100,00
64	INCONTRA ASSICURAZIONI SPA	086	G	1	51,00	51,00	51,00	100,00
65	POPOLARE VITA SPA	086	G	1	24,39	50,00	50,00	100,00
66	SINTESI SECONDA SRL	086	G	10	0,00	62,85	100,00	100,00
67	SOCIETA' EDILIZIA IMMOBILIARE SARDA S.E.I.S SPA	086	G	10	0,00	51,67	51,67	100,00
68	DDOR NOVI SAD ADO	289	G	3	99,99	99,99	99,99	100,00
69	SISTEMI SANITARI SCRL	086	G	11	78,31	92,21	99,99	100,00
70	AUTO PRESTO & BENE SRL	086	G	11	100,00	100,00	100,00	100,00
71	SAINT GEORGE CAPITAL MANAGEMENT SA	071	G	11	0,00	100,00	100,00	100,00
72	ATHENS RE FUND - FONDO SPECULATIVO	086	G	10	0,00	62,85	100,00	100,00
73	CITTA' DELLA SALUTE SCRL	086	G	11	0,00	100,00	100,00	100,00
74	ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIE	086	G	11	51,00	81,80	100,00	100,00
75	DDOR RE JOINT STOCK REINSURANCE COMPANY	289	G	6	0,00	100,00	100,00	100,00
76	DONATELLO DAY SURGERY SRL	086	G	11	0,00	100,00	100,00	100,00
77	IMMOBILIARE FONDIARIA-SAI SRL	086	G	10	100,00	100,00	100,00	100,00
78	IMMOBILIARE MILANO ASSICURAZIONI SRL	086	G	10	0,00	62,85	100,00	100,00
79	ITALRESIDENCE SRL	086	G	11	0,00	81,80	100,00	100,00
80	SAI NETWORK SPA	086	G	11	18,00	93,31	100,00	100,00
81	ADMIRAL FINANCE SRL	086	G	11	*			

(1) Consolidation method: Line-by-line =G, Proportional=P, Line-by-line for man. unit =U

(2) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Details of non-consolidated investments

Number	Company	State	Activity (1)	Type (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	Book value
1	FIN. PRIV. SRL	086	11	b	28,57	28,57	28,57	27 725 751,07
2	SOFIGEA SRL in liquidazione	086	11	b	14,91	19,62	22,41	0,00
3	UFFICIO CENTRALE ITALIANO SRL	086	11	b	14,14	21,31	25,52	130 135,80
4	MB VENTURE CAPITAL FUND	050	11	b	30,00	30,00	30,00	615 000,00
5	FINADIN SPA	086	11	b	0,00	40,00	40,00	10 036 261,60
6	SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA	086	11	b	0,00	27,38	27,38	3 611 826,26
7	BORSETTO SPA	086	10	b	0,00	28,24	44,93	3 170 000,00
8	CITY LIFE SRL	086	10	b	0,00	17,09	27,20	78 087 000,00
9	GARIBALDI SCA	092	11	b	0,00	20,11	32,00	45 902 000,00
10	METROPOLIS SPA	086	10	b	0,00	18,69	29,73	1 665 000,00
11	PROGETTO ALFIERE SPA	086	10	b	0,00	19,00	19,00	1 540 624,68
12	SERVIZI IMMOBILIARI MARTINELLI SPA	086	10	b	0,00	12,57	20,00	103 000,00
13	A7 SRL	086	10	b	0,00	12,57	20,00	266 000,00
14	SOAIMPIANTI- ORGANISMI DI ATTESTAZIONE SPA in liquidaz.	086	11	b	21,64	21,64	21,64	317 114,00
15	GLOBAL CARD SERVICE SRL	086	11	a	0,00	59,69	95,00	0,00
16	PENTA DOMUS SPA	086	10	b	0,00	12,57	20,00	2 417 000,00
17	FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	086	11	b	51,00	51,00	51,00	3 378 669,00
18	SVILUPPO CENTRO EST SRL	086	10	b	0,00	25,14	40,00	386 000,00
19	IGLI SPA	086	11	b	0,00	27,14	33,33	56 731 735,20
20	QUINTOGEST SPA	086	11	b	49,00	49,00	49,00	2 059 200,00
21	DDOR AUTO DOO	289	3	a	0,00	99,99	100,00	13 464,15
22	DDOR GARANT	289	11	b	0,00	32,46	32,46	1 050 423,82
23	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	086	11	b	30,07	30,07	30,07	1 499 246,90
24	BUTTERFLY AM SARL	092	11	b	0,00	28,57	28,57	7 096 302,26
25	VALORE IMMOBILIARE SRL	086	10	b	0,00	31,43	50,00	8 100 000,00
26	TRE TORRI CONTRACTOR SCRL	086	10	b	0,00	43,34	50,00	5 000,00
27	HOTEL TERME SI SAINT VINCENT SRL	086	11	a	0,00	81,80	100,00	1 262 268,19
28	ITAL H&R SRL	086	11	a	0,00	81,80	100,00	33 608,00
29	TOUR EXCECUTIVE SPA	086	11	a	0,00	81,80	100,00	118 299,00
30	ATA BENESSERE SRL in liquidazione	086	11	a	0,00	81,80	100,00	1,00
31	ATAHOTELS SUISSE SA in liquidazione	071	11	a	0,00	80,16	98,00	37 333,00
32	FONDO RHO IMMOBILIARE	086	10	b	30,54	38,32	42,92	57 103 821,52
33	ISOLA SCA	092	11	b	0,00	18,58	29,56	10 907 000,00

(1) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5 and shown in the key below

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Details of tangible and intangible assets

(in thousands of Euro)

	Book value	Revalued amount or fair value	Total book value
Investment property	2 894 209	0	2 894 209
Other buildings	500 691	0	500 691
Other tangible assets	93 643	0	93 643
Other intangible assets	119 164	0	119 164

Details of financial assets

(in thousands of Euro)

	Investments held to maturity		Loans and receivables		Financial assets Available for sale		Financial assets at fair value through P&L: Financial assets held for trading		Financial assets at fair value through P&L: Financial assets at fair value through profit & loss		Total book value	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Equity securities and derivatives at cost	0	0									0	0
Equity securities at fair value	0	0			1 528 791	1 695 610	574	2 222	31 928	95 637	1 561 293	1 793 469
of which listed securities	0	0			1 322 705	1 558 299	574	2 175	31 928	95 637	1 355 207	1 656 111
Debt securities	592 138	808 473	1 825 970	1 020 996	17 952 179	16 261 242	80 030	156 161	7 678 402	7 314 034	28 128 719	25 560 906
of which listed securities	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
Fund units	0	0		0	819 961	937 833	7	30 110	459 893	379 978	1 279 861	1 347 921
Bank Loans and receivables	0	0	685 582	506 848	0	0	0	0	0	0	685 582	506 848
Interbank loans and receivables	0	0	78 590	470 085	0	0	0	0	0	0	78 590	470 085
Deposits with reinsurers	0	0	27 417	28 570	0	0	0	0	0	0	27 417	28 570
Financial asset components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	538 678	876 596	0	0	0	0	0	0	538 678	876 596
Non-hedging derivatives	0	0	0	0	0	0	41	3 509	417 917	602 582	417 958	606 091
Hedging derivatives	0	0	0	0	0	0	0	0	0	5 639	0	5 639
Other financial investments	0	0	2 974	4 915	1 951	1 973	0	0	71 272	65 236	76 197	72 124
Total	**592 138**	**808 473**	**3 159 211**	**2 908 010**	**20 302 882**	**18 896 658**	**80 652**	**192 002**	**8 659 412**	**8 463 106**	**32 794 295**	**31 268 249**

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and from pension fund management

(Euro thousand)

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	2010	2009	2010	2009	2010	2009
Assets in accounts	8,289,275	8,096,589	263,993	226,918	8,553,268	8,323,507
Inter-group assets*	6,320	0	0	0	6,320	0
Total Assets	**8,295,595**	**8,096,589**	**263,993**	**226,918**	**8,559,588**	**8,323,507**
Financial liabilities in accounts	1,344,519	1,831,117	263,993	226,918	1,608,512	2,058,035
Technical reserves in accounts	6,950,978	6,265,181	0	0	6,950,978	6,265,181
Inter-group liabilities*	0	0	0	0	0	0
Total Liabilities	**8,295,497**	**8,096,298**	**263,993**	**226,918**	**8,559,490**	**8,323,216**

* Assets and liabilities eliminated in consolidation

Details of the technical provisions - reinsurance amount

(in thousands of Euro)

	Direct business		Indirect business		Total book value	
	2010	2009	2010	2009	2010	2009
Non-Life provisions	***425 251***	***473 649***	***231 468***	***216 520***	***656 719***	***690 169***
Unearned 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	0	0	0	0	*0*	*0*
Life provisions	***117 657***	***128 421***	***48 808***	***51 710***	***166 465***	***180 131***
Provision 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 is borne by policyholders and from pension fund management	0	0	0	0	*0*	*0*
Other provisions	0	1	0	0	*0*	*1*
Technical provisions attributed to reinsurers	***542 908***	***602 070***	***280 276***	***268 230***	***823 184***	***870 300***

Details of technical provisions

(in thousands of Euro)

	Direct business		Indirect business		Total book value	
	2010	2009	2010	2009	2010	2009
Non-Life provisions	***11 784 061***	***11 562 636***	***103 788***	***105 599***	***11 887 849***	***11 668 235***
Unearned 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	0	0	*12 317*	*13 542*
of which provisions set aside following the liability adequacy test	*0*	*0*	*0*	*0*	*0*	*0*
Life provisions	***22 920 460***	***20 029 981***	***19 663***	***19 834***	***22 940 123***	***20 049 815***
provision for claims to be paid	277 038	154 568	759	486	*277 797*	*155 054*
Actuarial provisions	16 054 508	13 498 912	18 904	19 348	*16 073 412*	*13 518 260*
Technical provisions where investment risk is borne by policyholders and from pension fund management	6 950 978	6 265 181	0	0	6 950 978	6 265 181
Other provisions	-362 064	111 320	0	0	*-362 064*	*111 320*
of which provisions set aside following the liability adequacy test	*0*	*0*	*0*	*0*	*0*	*0*
of which deferred liabilities to policyholders	*-454 658*	*7 739*	*0*	*0*	*-454 658*	*7 739*
Total Technical provisions	***34 704 521***	***31 592 617***	***123 451***	***125 433***	***34 827 972***	***31 718 050***

Details of financial liabilities

(in thousands of Euro)

	Financial liabilities at fair value through profit & loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities at fair value through profit & loss					
	2010	2009	2010	2009	2010	2009	2010	2009
Equity financial instruments		0		0		0	0	0
Sub-ordinated liabilities		0		0	1 041 446	1 040 425	1 041 446	1 040 425
Liabilities from financial contracts issued by insurance companies deriving	0	0	1 608 512	2 058 035	0	0	1 608 512	2 058 035
Liabilities from contracts for which the investment risk is borne by policyholders		0	1 344 519	1 831 117		0	1 344 519	1 831 117
Liabilities from the management of pension funds		0	263 993	226 918		0	263 993	226 918
Liabilities from other contracts		0	0	0		0	0	0
Deposits received from reinsurers		0	0	0	248 006	266 089	248 006	266 089
Financial liability components of insurance contracts		0	0	0	0	0	0	0
Debt securities issued		0	0	0	108 305	221 120	108 305	221 120
Payables to bank clients		0	0	0	303 753	579 289	303 753	579 289
Interbank payables		0	0	0	0	25 049	0	25 049
Other loans obtained		0	0	0	145 611	147 647	145 611	147 647
Non-hedging derivatives	820	4 825	0	0	0	0	820	4 825
Hedging derivatives	2 023	10 954	33 863	10 279	0	0	35 886	21 233
Other financial liabilities		0	1 717	1 322	356 050	385 426	357 767	386 748
Total	**2 843**	**15 779**	**1 644 092**	**2 069 636**	**2 203 171**	**2 665 045**	**3 850 106**	**4 750 460**

Details of insurance technical provisions

(in thousands of Euro)

		2010			2009		
		Gross amount	**reinsurers' share**	**Net amount**	**Gross amount**	**reinsurers' share**	**Net amount**
Non-Life Division							
NET PREMIUMS		**7 162 227**	**-307 422**	**6 854 805**	**7 131 032**	**-351 093**	**6 779 939**
a	Premiums written	7 204 029	-319 148	6 884 881	7 169 616	-367 640	6 801 976
b	Change in unearned premium provision	-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	Amount paid	-5 931 946	200 859	-5 731 087	-5 697 312	213 004	-5 484 308
b	Change in claims provision	-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 provisions	-584	0	-584	-799	0	-799
Life Division							
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 provision for sums to be paid	-60 338	1 257	-59 081	44 669	-558	44 111
c	Change in actuarial provision	-2 531 842	-13 869	-2 545 711	-1 347 209	-10 864	-1 358 073
d	Change technical provisions where investment risk borne by policyholders and from pension fund management	-677 000	0	-677 000	-2 330 677	0	-2 330 677
e	Change in other technical provisions	18 520	-1	18 519	27 877	-1	27 876

Financial income and expenses and from investments

(in thousands of Euro)

		Interest	Other Income	Other Expenses	Gains realised	Losses realised	Total income and expenses realised	Valuation gains		Valuation losses		Total income and expenses not realised	Total income and expenses 2010	Total income and expenses 2009
								Valuation gains	Write-back of value	Valuation losses	Impairment			
Investment results		**927 350**	**284 624**	**-133 367**	**513 912**	**-200 063**	**1 392 456**	**147 449**	**476**	**-202 775**	**-417 959**	**-472 809**	**919 647**	**1 511 460**
a	from property investments	0	91 666	-67 210	59 856	-1	**84 311**	0	0	-72 688	-28 645	**-101 333**	**-17 022**	**36 566**
b	from investments in subsidiaries, associates and joint ventures	0	1 933	-44 284	53 862	0	**11 511**	0	0	-10 995	0	**-10 995**	**516**	**-69 328**
c	from investments held-to-maturity:	40 405	88	-5	28 096	0	**68 584**	0	0	0	0	**0**	**68 584**	**48 098**
d	from loans and receivables	110 635	305	0	1 969	-7 103	**105 806**	0	215	-9	0	**206**	**106 012**	**99 602**
e	from financial assets available for sale	550 643	75 529	-9 311	297 265	-158 991	**755 135**	0	261	0	-389 314	**-389 053**	**366 082**	**498 496**
f	from financial assets held for trading	6 502	1 506	-104	6 859	-1 208	**13 555**	10 700	0	-31 634	0	**-20 934**	**-7 379**	**44 032**
g	from financial assets at fair value through profit & loss	219 165	113 597	-12 453	66 005	-32 760	**353 554**	136 749	0	-87 449	0	**49 300**	**402 854**	**853 994**
Other receivables results		12 682	49	-2 302	3 753	0	**14 182**	0	0	0	0	**0**	**14 182**	**38 237**
Cash and cash equivalents result		7 980	0	-557	0	0	**7 423**	0	0	0	0	**0**	**7 423**	**15 190**
Financial liabilities result		**-75 400**	**0**	**1 239**	**0**	**0**	**-74 161**	**595**	**0**	**-787**	**0**	**-192**	**-74 353**	**-83 474**
a	from financial liabilities held for trading	0	0		0	0	**0**	595	0	-787	0	**-192**	**-192**	**8 099**
b	from financial liabilities at fair value through profit & loss	0	0	0	0	0	**0**	0	0	0	0	**0**	**0**	**0**
c	from other financial liabilities	-75 400	0	1 239	0	0	**-74 161**	0	0	0	0	**0**	**-74 161**	**-91 573**
Payables result		-5 014		0	0	**0**	**-5 014**	**0**	**0**	**0**	**0**	**0**	**-5 014**	**-12 044**
Total		**867 598**	**284 673**	**-134 987**	**517 665**	**-200 063**	**1 334 886**	**148 044**	**476**	**-203 562**	**-417 959**	**-473 001**	**861 885**	**1 469 369**

Details of insurance management expenses

(in thousands of Euro)

		Non-Life Division		Life Division	
		2010	2009	2010	2009
Gross commissions and other		-1 365 667	-1 357 713	-142 845	-197 010
a	Acquisition commissions	-1 055 123	-1 035 766	-111 916	-140 110
b	Other acquisition expenses	-213 942	-207 359	-22 846	-46 026
c	Change in deferred acquisition costs	-57 494	-75 409	790	-742
d	Collection commissions	-39 108	-39 179	-8 873	-10 132
Commissions and profit participation		80 131	92 715	1 394	3 881
Investment management charges		-6 274	-8 293	-7 804	-5 129
Other administration expenses		-300 370	-286 783	-61 435	-59 726
Total		**-1 592 180**	**-1 560 074**	**-210 690**	**-257 984**

Details of other Comprehensive consolidated income items

	Allocation		Adjustments from reclassifications to Income Statement		Other changes		Total changes		Income tax		Balance	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Currency transaltion reserve	-48 631	-7 900			-4 110		-52 741	-7 900			-56 598	-3 857
Gain or loss from financial assets available for sale	-162 902	286 874	186 939	79 416			24 037	366 290	97 173	-42 920	-55 813	-79 850
Gain or loss on cash flow hedging instruments	-16 524	-1 573					-16 524	-1 573	6 318	460	-24 195	-7 671
Gain or loss on a net foreign investment hedge		0					0	0			0	0
Change in net equity of holdings	-1 208	4 042					-1 208	4 042			4 362	5 570
Change in revaluation reserve of intangible assets		0					0	0			0	0
Change in revaluation reserve of tangible assets	-8 763	-668					-8 763	-668	974	-30	0	8 763
Income/(charges) on non-current assets or disposal group classified as held for sale		-675			675		675	-675			0	-675
Actuarial gains and losses and adjustments to employee defined benefit plans	-2 511	-224					-2 511	-224	532	601	-11 975	-9 464
Other	-7 172	-55					-7 172	-55			45 209	52 381
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-247 711**	**279 821**	**186 939**	**79 416**	**-3 435**	**0**	**-64 207**	**359 237**	**104 997**	**-41 889**	**-99 010**	**-34 803**

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2010	2009	2010	2009	2010	2009	2010	2009
Financial assets available for sale		19 229 332	17 732 409	867 464	1 026 938	76 560		20 173 356	18 759 347
Financial assets at fair value through profit & loss	Financial assets held for trading	30 207	97 765	50 445	94 237			80 652	192 002
	Financial assets at fair value through profit & loss	23 509	84 105	8 635 903	8 379 001			8 659 412	8 463 106
Total		19 283 048	17 914 279	9 553 812	9 500 176	76 560	0	28 913 420	27 414 455
Financial liabilities at fair value through profit & loss	Financial liabilities held for trading		15 779	2 843				2 843	15 779
	Financial liabilities at fair value through profit & loss		11 601	1 644 092	2 058 035			1 644 092	2 069 636
Total		0	27 380	1 646 935	2 058 035	0	0	1 646 935	2 085 415

Details of Level 3 financial assets and liabilities

	Financial assets			Financial liabilities at fair value through profit & loss	
		Financial assets at fair value through the profit & loss			
	Financial assets available for sale	Financial assets held for trading	Financial assets at fair value through profit & loss	Financial liabilities held for trading	Financial liabilities at fair value through profit & loss
Opening balance	**0**				
Purchases/Issues					
Sales/Re-purchase					
Reimbursements					
Gain or loss recorded to income statement					
Gain or loss recorded to other comprehensive income					
Transfer to level 3	76 560				
Transfers to other levels					
Other changes					
Closing balance	**76 560**	**0**	**0**	**0**	**0**

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of FONDIARIA-SAI S.p.A.

1. We have audited the consolidated financial statements of FONDIARIA-SAI S.p.A. and its subsidiaries (the "FONDIARIA-SAI Group") as of December 31, 2010 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 90 of Legislative Decree n. 209/2005 is the responsibility of FONDIARIA-SAI S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the year 2009 and certain data of the year 2008 are presented for comparative purposes. As described in the explanatory notes, the Directors have restated certain comparative data of the statement of financial position as of December 31, 2009 and as of January 1, 2009 with respect to the data previously presented, on which other auditors issued their auditors' reports dated April 6, 2010, with respect to the financial statements as of December 31, 2009 and for the year then ended, and dated April 6, 2009, with respect to the financial statements as of December 31, 2008 and for the year then ended. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2010 and for the year then ended.

3. In our opinion, the consolidated financial statements of the FONDIARIA-SAI Group at December, 31 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 90 of Legislative Decree n. 209/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the FONDIARIA-SAI Group for the year then ended.

4. We draw your attention to the disclosures contained in the Directors' Report and in the explanatory notes with respect to the initiatives aimed to comply with the capital adequacy requirements.

5. The Directors of FONDIARIA-SAI S.p.A. are responsible for the preparation of the Directors' Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the FONDIARIA-SAI Group at December 31, 2010.[1]

Turin, April 5, 2011

Reconta Ernst & Young S.p.A.
Signed by: Ambrogio Virgilio, Partner

This report has been translated into the English language solely for the convenience of international readers.

---

[1] The Directos' Report and the and the specific section on Corporate Governance and the Company's Ownership Structure are not included in this Offering Circular.