
2011 CONSOLIDATED FINANCIAL STATEMENTS

FONDIARIA-SAI S.P.A.

FONDIARIA-SAI S.P.A. - TURIN HEADQUARTERS – CORSO G. GALILEI, 12 - FLORENCE
HEADQUARTERS – VIA LORENZO IL MAGNifico - SHARE CAPITAL EURO 494,731,136 FULLY
PAID-IN – -TAX, VAT AND TURIN COMPANY REGISTRATION NO. 00818570012 - COMPANY
AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO.
966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925



5 YEAR OVERVIEW CONSOLIDATED

Euro/thousand

	2007	%	2008	%	2009	%	2010	%	2011	%
TOTAL PREMIUMS										
MOTOR TPL	4,190,572	35.27	4,048,099	35.18	3,910,836	31.78	3,986,412	30.78	3,995,261	36.95
NON-LIFE DIVISION	3,127,573	26.32	3,249,984	28.25	3,258,780	26.48	3,217,617	24.84	3,064,661	28.34
LIFE DIVISION	4,564,123	38.41	4,208,340	36.57	5,137,011	41.74	5,749,276	44.38	3,753,573	34.71
TOTAL	11,882,268	100.00	11,506,423	100.00	12,306,627	100.00	12,953,305	100.00	10,813,495	100.00
Annual Report Equivalent	402,757		379,158		464,863		544,149		348,413	
premiums relating to investment policies	171,982		297,452		51,814		54,711		54,344	
CLAIMS PAID and related charges	8,166,014		9,894,498		8,317,931		9,067,247		9,881,689	
GROSS TECHNICAL RESERVES										
UNEARNED PREMIUM RESERVE	2,621,820		2,696,189		2,730,646		2,777,937		2,741,846	
CLAIMS RESERVE	8,969,398		8,570,978		8,924,047		9,097,595		9,858,123	
OTHER TECHNICAL RESERVES	14,463		14,444		13,542		12,317		10,353	
LIFE TECHNICAL RESERVES	19,737,383		18,039,925		20,049,815		22,940,123		22,497,183	
TOTAL	31,343,064		29,321,536		31,718,050		34,827,972		35,107,505	
TECHNICAL RESERVES/PREMIUMS	263.8%		254.8%		257.7%		268.9%		324.7%	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	4,550,883		3,804,044		4,102,164		3,478,966		2,591,346	
NET PROFIT/(LOSS)	620,050		90,764		-391,513		-928,861		-1,034,638	
	5,170,933		3,894,808		3,710,651		2,550,105		1,556,708	
INVESTMENTS										
	38,020,751		33,437,833		34,646,442		36,013,873		33,789,332	
AVERAGE NUMBER OF EMPLOYEES IN THE GROUP	6,154		7,714		8,284		8,191		7,797	

MAIN EVENTS IN 2011

- **26/01/2011:** The Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. approved – subject to authorisation by ISVAP – the conferment to the Board of Directors of the Company, in accordance with article 2443 of the Civil Code, of the power to undertake a paid-in divisible share capital increase by December 31, 2011 for a total maximum amount, including any share premium, of Euro 460,000,000.00, 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.
- **27/01/2011:** The Board of Directors of Fondiaria-SAI and Milano Assicurazioni S.p.A. accepted the resignation of Fausto Marchionni as Chief Executive Officer of Fondiaria-SAI and Chairman and Chief Executive Officer of Milano Assicurazioni S.p.A.; Fausto Marchionni will remain as a member of the Board of Directors until the conclusion of the Board mandate and will remain Chairman of Pronto Assistance and Siat, subsidiaries of Fondiaria-SAI S.p.A. At the same date, the Board of Directors of Fondiaria-SAI S.p.A. also approved the new Group organisational structure which merges departments and responsibilities in order to establish greater efficiency.
- **23/03/2011:** Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. announced on 22/03/2011 that Premafin Finanziaria S.p.A. – Holding di Partecipazioni communicated to them the reaching of an agreement with Unicredit concerning a capital strengthening plan for the Fondiaria SAI Group.
- **30/05/2011:** The Board of Directors of Fondiaria-SAI approved the full subscription to its share in the capital increase of the subsidiary Milano Assicurazioni, following the exercise by the Board of Directors of this latter on May 14, 2011 of the power conferred by the Shareholders' Meeting of April 27, 2011, for a maximum amount of Euro 350 million. It is recalled that Fondiaria-SAI at this date held 62.8% of the share capital of Milano Assicurazioni, consisting of ordinary shares, and had previously committed to subscribe to the share capital increase of this latter so as to maintain, on the completion of the capital increase, a holding of at least 55% of the ordinary share capital.
- **22/06/2011:** CONSOB authorised the publication of the Prospectus concerning the rights issue offered respectively to ordinary and savings shareholders and admission to trading on the Italian Stock Exchange, organised and managed by Borsa Italiana S.p.A., of ordinary and savings shares of Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. deriving from the capital increases for a maximum amount of Euro 450 million and Euro 350 million respectively, approved by the respective Board of Directors on May 14, 2011 in accordance with the powers mandated by the Extraordinary Shareholders' Meeting of January 26, 2011 for Fondiaria-SAI S.p.A. and the Extraordinary Shareholders' Meeting of April 27, 2011 for Milano Assicurazioni S.p.A.
- **23/06/2011:** ISVAP granted the authorisations required by applicable regulations concerning By-Law amendments following the resolutions taken by the Boards of Directors on May 22, 2011 of the two insurance companies in relation to their respective share capital increases.
- **07/07/2011:** The Antitrust Authority (“AA”) communicated that the amendments to the Agreement submitted to examination by the Parties comply with the measures contained in provision C8660 adopted by the AA on the merger of Unicredit and Capitalia. This concerns the agreement reached on March 22, 2011 between Premafin Finanziaria S.p.A. - Holding di Partecipazioni and UniCredit S.p.A. and in particular, the shareholder agreement undertaken within the recapitalisation of the group which holds Fondiaria-SAI S.p.A.. Following that stated above, the Parties finalised the Agreement in completion of the Investment Agreement.

-
- **15/07/2011:** The shareholder rights offer subscription period concluded for a maximum 242,564,980 newly issued Fondiaria-SAI S.p.A. ordinary shares and a maximum 85,122,444 savings shares (a maximum 1,284,898,797 newly issued Milano Assicurazioni S.p.A. ordinary shares and a maximum 71,726,389 savings shares) relating to the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14, 2011 and June 26, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of Fondiaria-SAI (power delegated to Milano Assicurazioni by the Extraordinary Shareholders' Meeting of April 27, 2011).
 - **20/07/2011:** At the end of the Offer Period for Fondiaria-SAI, 518,669 rights options (8,103,537 for Milano Assicurazioni) valid for the subscription of 1,037,338 ordinary shares (18,908,253 for Milano Assicurazioni) and 537,894 rights options (1,718,325 for Milano Assicurazioni) valid for the subscription of 1,075,788 savings shares (4,009,425 for Milano Assicurazioni) were therefore left unexercised, respectively equating to 0.428% (1.469% for Milano Assicurazioni) of the total of the newly issued ordinary shares and 1.264% (5.590% for Milano Assicurazioni) of the total of the newly issued savings shares offered, for a total value of Euro 2,631,795.00 (Euro 5,918,566.48 for Milano Assicurazioni). The above-mentioned rights were all sold on the same day, on the first trading day of the offer on the Stock Exchange, through Unicredit Bank AG, Milan Branch, pursuant to Article 2441, third paragraph, of the Civil Code.
 - **21/07/2011:** At the Board of Directors' meeting of Fondiaria-SAI the Chairperson Ms. Jonella Ligresti announced the revocation of all executive powers reserved to her, in addition to those as Chief Executive Officer, conferred separately by the Board most recently on April 24, 2009, although such powers had been exercised only in limited circumstances of necessity and urgency. Following this decision, Ms. Jonella Ligresti, in addition to the position of Chairman, qualifies as a non executive, non independent Director. In addition, during the meeting, the Director Mr. Gioacchino Paolo Ligresti expressed his intention to communicate to the Board of Directors of the subsidiary Immobiliare Lombarda S.p.A. the revocation of the separate exercise of the executive powers attributed to him by the Board of Immobiliare Lombarda, in order to guarantee greater independence in the undertaking of operational decisions in relation to the company by the Group management responsible for the activity of the subsidiary.
 - **27/07/2011:** The share rights offer subscription period concluded with full subscription of all newly issued Fondiaria-SAI ordinary and savings shares concerning the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14, 2011 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of January 26, 2011. The share rights offer subscription period concluded on the same date for all newly issued Milano Assicurazioni ordinary shares and savings shares concerning the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14, 2011 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of April 27, 2011.

-
- **2/08/2011:** The Board of Directors of Fondiaria-SAI appointed the new directors designated by Unicredit, resolving to increase the number of members of the Executive Committee from 7 to 9 and of the Internal Control Committee from 3 to 4.
 - **3/08/2011:** The sale was completed by the subsidiary Immobiliare Milano Assicurazioni S.r.l. to Generali Properties S.p.A. of the entire holding in Citylife S.r.l., comprising 27.20% of the share capital.
 - **6/10/2011:** On the request of CONSOB, Fondiaria-SAI reviewed the forecasts for the year 2011, considering it reasonable (based on the available information and the financial market performance) that the 2011 Group net profit budget target would not be met.
 - **23/12/2011:** The Board of Directors of Fondiaria-SAI SpA reviewed the results of the work carried out by the Chief Executive Officer and the General Manager, assisted by the advisor Goldman Sachs, regarding a range of initiatives which may be implemented in the short-term to strengthen the capital base and bring the consolidated solvency margin above the 120% threshold. The Board also examined the preliminary estimates for the current year results. Due to the non-recurring components, principally the strengthening of the Non-Life reserves - and impairments on investments - the consolidated solvency margin dropped below the regulatory minimum of 100% and was estimated, although subject to verification and based on preliminary data elaborated by management, at around 90%. The Board of Directors thereafter, having considered the opinion of the advisor Goldman Sachs, mandated the Chairman to call an Extraordinary Shareholders' Meeting of the Company to propose to shareholders a share capital rights issue, for a total maximum amount of Euro 750 million, to be executed by June 30, 2012. For further information on the Extraordinary Shareholders' Meeting, held on March 19, 2012, reference should be made to the section "Significant events after the year-end".
 - **27/12/2011:** Argo Finanziaria S.p.A., Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed the acquisition by Argo Finanziaria S.p.A. of 8,040,000 ordinary shares of IGLI S.p.A., held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. and comprising 33.33% of the share capital of IGLI S.p.A.. As previously reported, IGLI S.p.A. in turn holds 120,576,293 Impregilo S.p.A. ordinary shares – 29.96% of the share capital with voting rights. The operation, subject to the required authorisation of the anti-trust authorities and compliance with the pre-emption procedure established in the By-Laws of IGLI S.p.A. was signed at the beginning of March 2012.

NEW INSURANCE PRODUCTS

Non-Life Division

- During the year, it was necessary to continue the actions already implemented to improve the average Motor TPL premium through changes to the Motor TPL tariff, in order to turn around the technical performance of the Class. Within this objective, the Group focused its attention on specific actions (relating both to the base tariff rate and geographical area), with particular emphasis on the protection of the client.
- In May, it was necessary to implement some modifications to the photovoltaic plant SOLE AMICO global policy and the relative underwriting rules, in order to maintain a competitive and efficient policy.
- In August, the policy DIFESA PIÙ IMPRESA, the new product aimed at artisan businesses (up to 10 employees) or small enterprises (up to 25 employees) was made available. DIFESA PIÙ IMPRESA is a

complete insurance package, offering great variability to the specific needs of the business insured, both concerning premium levels and options.

- In August, the restyled RETAIL PIÙ COMMERCIO CLASSIC was launched, the product for retail owners (up to 10 employees) or small enterprises (up to 25 employees), updated in accordance with ISVAP Regulation 35/2010, recalibrating some regulatory and tariff aspects for Fire and Robbery and renewing some conditions of the new product IMPRESA illustrated above.
- Finally we report the relaunch of the “intelligent motor” policy (a tariff related to satellite technology together with the “Nuova 1 Global più Assistenza” Motor TPL policy) in October and November, marketed in the press and on the internet, in addition to material published by the sales networks.

Life Division

- From March 14, the new mixed policy VITA PROTETTA SASA was launched, as replacement of the Risparmio Assicurato product. The product insures: the payment of a capital sum to the beneficiaries in the event of death of the policyholder during the contractual period; the payment of a sum to the designated beneficiaries of the policyholder at the end of the contract maturity.
- In April, the Group launched the new OPEN DINAMICO product in two versions: the first, a Single Premium, to which a Periodic Premium (OPEN DINAMICO PAC) was added in May. OPEN DINAMICO is a multi-class product, which combines a unit-linked component (which can offer high medium-long term returns, based on international equity markets) with revalued products related to separated management (stability and consolidation of annual returns, minimum guaranteed return on contract maturity).

2011 CONSOLID. FINANCIAL STATEMENTS

CORPORATE BOARDS FONDIARIA-SAI S.p.A.	8
--	---

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER SIGNIFICANT HOLDINGS	11
--	----

2011 Directors' Report

- Operational performance	17
- Economic overview and insurance market in 2011	23

- 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	59
---------------------	----

- REAL ESTATE SECTOR	63
- Operational performance	66
- Immobiliare Fondiaria-SAI S.r.l.	68
- Immobiliare Milano Assicurazioni S.r.l.	69
- Fondo Immobiliare Athens R.E. Fund	69
- Fondo Immobiliare Tikal R.E. Fund	69
- Property development projects and Real Estate Holdings	70

- OTHER SECTORS	77
- Operational performance	80
- BancaSai S.p.A.	81
- Finitalia S.p.A.	82
- Atahotels S.p.A.	83

- ASSET AND FINANCIAL MANAGEMENT	87
- Investments and liquidity	88
- Fondiaria SAI Group debt	95
- Treasury shares, of the holding comp and its subsidiaries	97
- Performance of the listed shares of the Group	98
- Relations with the market and institutional investors	99
- Other information	101

- SOCIAL RESPONSIBILITY	107
- Human resources	108
- Agents	114
- Customers	116
- Suppliers	117
- Collectivity	118
- Communication	120

- Litigation	121
- Annual Corporate Governance Report	123
- Corporate governance and shareholder structure report as per to art. 123 <i>bis</i> of the CFA	168
- Significant events after the year-end	179
- Outlook	184

CONSOLIDATED FINANCIAL STATEMENTS

- STATEMENT OF FINANCIAL POSITION - ASSETS	188
- INCOME STATEMENT	190
- CHANGES IN SHAREHOLDERS' EQUITY	192
- CASH FLOW STATEMENT	195

NOTES TO THE FINANCIAL STATEMENTS

- PART A - accounting principles	197
- PART B - Information on the Consolidated of financial position	232
Statement of financial position - Assets	237
Statement of financial position - Shareholders' Equity & Liabilities	268
- PART C - Information on the Consolidated Income Statement	287
- PART D - Segment Information	301
- PART E - Information on risks and on uncertainties	304
- PART F - Transactions with related parties	341
- PART G - Other information	353
Additional disclosure to the annual report for the year ended December 31, 2011, requested by CONSOB pursuant to article 114, paragraph 5, of leg. decree No. 58 of February 24, 1998.	356
- Declaration of the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent modifications and integrations	367

INDEPENDENT BOARDS REPORTS

- BOARD OF STATUTORY AUDITORS' REPORT	369
- INDEPENDENT AUDITORS' REPORT	383

ATTACHMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS	387
---	-----

CORPORATE BOARDS FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Jonella Ligresti*

Chairman

Massimo Pini *

Vice Chairman

Antonio Talarico *

Vice Chairman

Emanuele Erbetta*

Chief Executive Officer - General Manager

Andrea Brogгинi

Roberto Cappelli

Maurizio Comoli

Carlo d'Urso

Ranieri de Marchis*

Vincenzo La Russa*

Gioacchino Paolo Ligresti *

Fausto Marchionni

Valentina Marocco

Enzo Mei

Salvatore Militello*

Cosimo Rucellai

Salvatore Spiniello

Graziano Visentin

Fausto Rapisarda

Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino

Chairman

Marco Spadacini

Statutory Auditor

Antonino D'Ambrosio

Statutory Auditor

Maria Luisa Mosconi

Alternate Auditor

Alessandro Malerba

Alternate Auditor

Rossella Porfido

Alternate Auditor

INDEPENDENT AUDIT FIRM

RECONTA ERNST & YOUNG S.P.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Emanuele Erbetta
Piergiorgio Peluso

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Massimo Dalfelli

** Members of the Executive Committee*

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

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

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

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

Mr. Erbetta continues as General Manager.

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

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

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

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

Following such revocation the Chief Executive Officer Mr. Emanuele Erbetta, as latterly approved by the Board of Directors on September 21, 2011, until the expiry of the mandate of the entire Board and therefore until the approval of the 2011 annual accounts, in addition to acting as Legal Representative in accordance with the By-Laws, is the representative of the company pursuant to Article 21 of the Company By-Laws and has all ordinary and extraordinary administrative powers with all rights thereto, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:

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

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

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

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

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

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

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

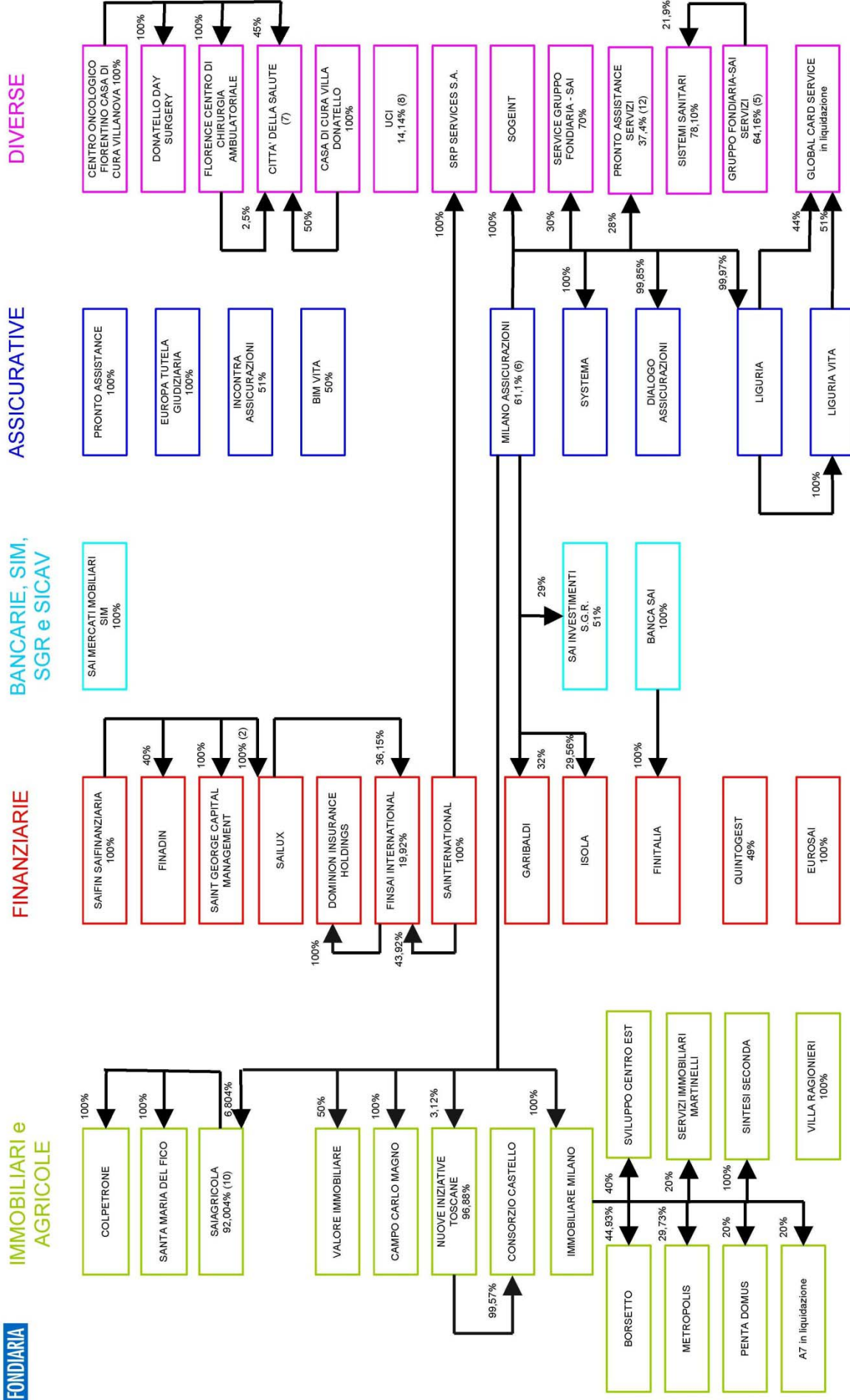
The above limits are also applied where the operation is completed within a single operation by a number of companies of the Group of the Parent Company, in that for the purposes of these thresholds, the amounts of the individual operations must be considered together.

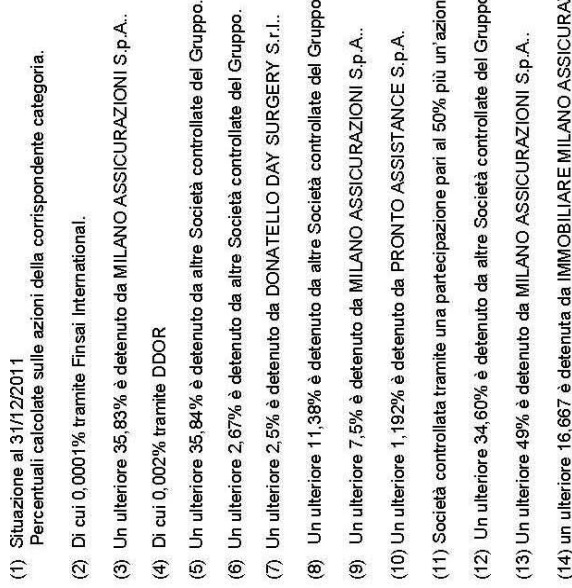
Taking into account the shareholders' agreement signed between PREMAFIN and UNICREDIT the following matters are the exclusive remit of the Board of Directors:

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

SUBSIDIARY AND ASSOCIATED COMPANIES
AND OTHER SIGNIFICANT HOLDINGS

SOCIETA' CONTROLLATE E COLLEGATE(1)





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)

ALERION
4,908 % (7)

INDUSTRIA E
INNOVAZIONE
4,548 % (8)

- (1) Situazione al 31/12/2011
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%

2011 Directors' Report

Introduction

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

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

However, the strong technical performance of current generation Motor TPL contracts continues, with the restructuring of operations and which should quickly restore a normalised state of affairs to the Fondiaria-SAI Group. The stabilisation of the financial markets is also noted which, although temporary and still not consolidated, will certainly contribute to strengthen the capital solvency ratios.

OPERATIONAL PERFORMANCE

The Consolidated Net Result for 2011 was a loss of Euro 1,035 million compared to a loss of Euro 929 million in 2010.

Extraordinary events contributed to the Group losses, such as:

- The necessity of a significant revaluation of the residual load of the technical reserves in the Motor TPL Class. It should be noted that this type of revaluation is a normal annual occurrence for the whole motor insurance market as related to the trend in average expected claim settlement costs.
- With reference to the present year, and specifically to the Fondiaria-SAI Group, the significant strengthening of the residual load of the Motor TPL claims reserves (Euro 810 million relating to prior year claims made) was significant, and largely due to the gradual extension of the use of the non property damage settlement table also in light of the Cassation Court judgment of June 2011, which adopted as a basis the Milan Court tables.

In addition we report the internal review of the settlement control activities with the consequent centralisation at head office of claims of a significant period or significant amounts relating to death or with several counterparties. For a complete analysis of the final results of the Motor TPL reserve adjustment process which the Group undertook in 2011, reference should be made to the section “Part A – Accounting Policies”.

- The impact relating to the crisis on the financial markets, in particular in the second part of the year, offset by prudent trading undertaken in the equity and bond segments, which resulted in the recording of impairments on AFS financial instruments for Euro 373 million, a decrease on the previous year (Euro 389 in 2010, of which Euro 377 million on equity securities and Euro 12 million on investment funds), of which Euro 217 million relating to the equity segment and Euro 156 million relating to the bond segment attributable to the impact deriving from the impairment on debt securities issued by Greece. In addition, impairments were recognised on financial instruments valued at cost (Cashes Unicredit) amounting to Euro 18 million. The valuation methods of the AFS financial instruments portfolio and the relative impairment policies have not changed in 2011 and are therefore the same as those used in 2010. Reference should be made to the section “**Part A – Accounting Principles**” and the account “Financial instruments at fair value”.
- Write-downs on property, including depreciation for the year, was Euro 342 million (Euro 108 million in 2010) in addition to Euro 18 million write-down on associated investments involved in real estate projects for which, considering the difficult access to credit by real estate operators and the strong slowdown in demand, the Group adopted a more prudent approach, in order to obtain a fair market value of the assets held.

- The need to recognise impairments on goodwill of the subsidiary company Popolare Vita. In 2011, the premiums written and the related profitability of the subsidiary was significantly below initial budget plans, which were determining factors in the price paid. Therefore a different valuation approach was required which resulted in a write-down of approx. Euro 101 million. In relation to the valuation methods on the impairment tests, reference should be made to the “Life insurance sector” and to the account “Recoverable value of the CGU’s” in the notes to the financial statements.
- The continued poor performance of the diversified sector companies.

Consolidated Income Statement

(in Euro thousands)	2011	2010	Change
Net premiums	10,527,344	12,585,297	(2,057,953)
Net charges relating to claims	10,240,770	12,152,941	(1,912,171)
Net commissions	8,578	28,896	(20,318)
Net income from investments	172,706	466,602	(293,896)
Net Income from financial instruments at fair value through profit or loss	321,699	395,283	(73,584)
Management expenses	1,875,313	1,920,182	(44,869)
Other income and charges	(371,879)	(410,680)	38,801
Loss before taxes	(1,457,635)	(1,007,725)	(449,910)
Income taxes	392,147	77,102	315,045
Net Loss	(1,065,488)	(930,623)	(134,865)
Profit from discontinued operations	30,850	1,762	29,088
Consolidated loss	(1,034,638)	(928,861)	(105,777)
Minority interest loss	(181,919)	(211,279)	29,360
Group loss	(852,719)	(717,582)	(135,137)

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 2011 were as follows:

- The **consolidated result** was a loss of Euro 1,035 million (a loss of Euro 929 million in 2010), of which Euro 853 million attributable to the Group and Euro 182 million attributable to minority interests.
- The overall **technical performance** of the insurance sectors report a decrease in premiums written in the Non-Life sector (-2%) and a decrease of 34.7% in the Life sector, due to the turbulence on the financial markets, and in particular, the reduction in the prices of the Italian Sovereign Debt Securities, in addition to the reduction in the contribution of the bancassurance channel.

- The **Non-Life sector** recorded a pre-tax loss of Euro 1,079 million, a deterioration on the pre-tax loss of Euro 961 million in 2010.
As illustrated in detail in the introduction, this result, against a good performance of the current year operations in the Motor TPL Class, reflects the revaluation of the residual load of prior year claims in the Motor TPL Class, made following notices received from ISVAP by the Group, following inspections undertaken in the “Motor TPL claims cycle” and following the inventory undertaken by the Settlement Network, in order to precisely review the residual technical reserves for each claim outstanding, in addition to lastly a refinement of the statistical-actuarial processes in accordance with recent regulatory and jurisprudence updates in 2011. Impairments on AFS financial instruments increased from Euro 304 million in 2010 to Euro 159 million at December 31, 2011.
- The **Life sector** reports a pre-tax loss of Euro 105 million (profit of Euro 72 million in 2010). The sector reported a significant reduction in premiums of 34.7%.
Premiums written were affected by the difficult economic environment, while the investment policy was focused on containing volatility in an extremely difficult marketplace.
This impacted financial instrument valuations with impairments recorded in the income statement of Euro 214 million (Euro 84 million in 2010) in addition to changes in the valuations relating to foreseeable future returns. However the technical margins of the portfolio are adequate, and therefore once the current market uncertainty has passed the sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products aimed at engendering client loyalty.
The result for the sector was also impacted by the write-down of goodwill recorded in the subsidiary Popolare Vita.
- The **real estate sector** reports a pre-tax loss of Euro 202 million (loss of Euro 51 million in 2010), principally due to the impairments. In fact, impairments and depreciation totalled approx. Euro 220 million (of which over Euro 18 million relating to write downs in investments in associated companies in real estate development projects) compared to Euro 42 million in the previous year. This is due in particular to the nature of the assets in the sector (development initiatives, land, buildings for vacation resorts) for which, considering also the difficulty in the access of credit by the real estate operators and the significant slowdown in demand, the Group adopted a more prudent approach.
The result does not include the gain of Euro 30.9 million from the sale of the investment in CityLife, which despite occurring within the real estate sector was classified to the “profit from discontinued operations” account as established by IRRS 5.
- The **Other Activities sector**, which includes the companies operating in the financial, asset management and hotel sectors, reports a pre-tax loss of Euro 71 million (loss of Euro 68 million in 2010). The loss is principally related to Atahotels and the Healthcare businesses which, in spite of the current restructuring programme, still reports overheads which exceed revenues.
The result also includes a charge of Euro 16 million for the valuation at equity of the associated company Finadin.
- The implementation of the cost containment policy has resulted in a decrease in total **management expenses** from Euro 1,920 million in 2010 to Euro 1,875 million in 2011. In the Non-Life sector these expenses, net of those strictly related to the management of the investments, amounted to Euro 1,568 million and represent 22% of the premiums (Euro 1,586 million in 2010, equal to 22%), while in the Life sector the total amount of the expenses was Euro 193 million and accounted for 5.1% of premiums (Euro 203 million in 2010, equal to 3.5%). The reduction in management expenses was even more significant in consideration of the non-recurring charges for leaving indemnities and Euro 10 million to the settlement concerning the former Chief Executive Officer.

- The **net commissions** for financial services amounted to Euro 9 million (Euro 29 million in 2010) and almost exclusively refers to the diversified sector in which the subsidiary BancaSai operates.
- **Net income from financial instruments recorded at fair value through profit and loss** amounted to Euro 322 million (Euro 395 million in 2010). This account includes the net income from financial assets where the risk is borne by the policyholders (positive for Euro 328 million although extensively offset by the correlated increase in net charges relating to Life Division claims) and residually the adjustment to the fair value of financial instruments belonging to the sector.
- **Net charges deriving from investments in subsidiaries, associates and joint ventures**, amount to Euro 21 million and includes the charges deriving from the equity valuation of the associated company Finadin (Euro 16 million), whose net equity was calculated in line with the Group accounting policies in order to calculate the impairment of the underlying financial instruments.
- 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 21 million, amounted to Euro 173 million (Euro 467 million in 2010). Interest income contributed Euro 827 million, other net income Euro 80 million, net gains to be realised Euro 70 million and valuation losses, net of the relative revaluations, approx. Euro 706 million. For these latter, we highlight the above-stated Euro 373 million of impairments on AFS financial instruments and Euro 316 million of impairments and depreciation of property investments.
- **Interest expense** amounting to Euro 77 million (Euro 80 million in 2010) refers almost entirely to financial debt.
- **Other revenues and costs** amounted to a net charge of Euro 372 million (Euro -411 million in 2010). The account includes amortisation and depreciation on fixed assets totalling Euro 58 million (Euro 82 million in 2010), Euro 101 million relating to impairments on goodwill in the subsidiary Popolare Vita and Euro 23 million relating to impairments on tangible fixed assets (Euro 22 million relating to commercial buildings).
- **Profit from discontinued operations** relates to the above-mentioned gain of Euro 30.9 million on the sale of CityLife.
- The **income tax charge** includes the positive effect deriving from, on the one hand, the recording of future tax savings on the fiscal losses recorded by Fondiaria-SAI and its principal subsidiaries and, on the other, the choice undertaken by the Parent Company to recognise goodwill recorded in the consolidated financial statements – following the acquisition of the majority holding in Popolare Vita, Liguria Assicurazioni, DDOR Novi Sad and Incontra Assicurazioni – through the payment of an income and regional substitute tax at the rate of 16%, and simultaneously recording deferred tax assets related to the future deductibility of the related gains with an overall positive impact of Euro 117 million.
On the other hand, the worsening of the fiscal charge compared to the nominal theoretical charge, is principally related to the non deductibility of impairments on AFS shares recorded in the income statement for the year.

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)	2011	2010
Consolidated loss	(1,034,638)	(928,861)
Other Comprehensive Income Statement items	(645,038)	(64,207)
Total Comprehensive Income Statement	(1,679,676)	(993,068)
of which:		
Group	(1,318,642)	(786,971)
Minority interest	(361,034)	(206,097)

The 2011 data, compared with 2010, highlights a higher variance between the Consolidated Result and the Comprehensive Income Statement. This follows the recognition in net equity of the negative component of the AFS reserve on debt securities held, in particular on Italian government debt.

Premiums Written

The consolidated premiums written amounted to Euro 10,814 million compared to Euro 12,953 million in 2010, a decrease of 16.51%, principally relating to the Life sector performance.

The results are summarised in the table below:

(in Euro millions)	31/12/2011	31/12/2010	Change %
<u>DIRECT PREMIUMS</u>			
Non-Life Division	7,055	7,195	(1.95)
Life Division	3,753	5,748	(34.71)
Total direct premiums	10,808	12,943	(16.50)
<u>INDIRECT PREMIUMS</u>			
Non-Life Division	5	9	(44.44)
Life Division	1	1	-
Total indirect premiums	6	10	(40.00)
TOTAL	10,814	12,953	(16.51)
of which:			
Non-Life Division	7,060	7,204	(2.00)
Life Division	3,754	5,749	(34.70)

Segment Income Statement

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1.1	Net premiums	6,792,056	6,854,805	3,735,288	5,730,492	0	0	0	0	0	0	10,527,344	12,585,297
1.1.1	Gross premiums	7,096,685	7,162,227	3,753,573	5,749,276							10,850,258	12,911,503
1.1.2	Premiums ceded to re-insurers	-304,629	-307,422	-18,285	-18,784							-322,914	-326,206
1.2	Commission income	0		9,922	16,526			23,070	43,180	-8,559	-2,389	24,433	57,317
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-3,825	-7,028	326,782	399,632	-307	-601	-926	3,310	-25	-30	321,699	395,283
1.4	Income from investments in subsidiaries, associates and joint ventures	800	371	0	1	26	16,007	0	39,501	0	-85	826	55,795
1.5	Income from other financial instruments and property investments	343,510	401,001	777,318	805,903	47,060	39,180	70,191	78,297	-48,420	-42,984	1,189,659	1,281,397
1.6	Other revenues	509,210	463,529	89,675	42,556	88,705	126,128	648,691	618,145	-669,561	-693,855	666,720	556,503
1	TOTAL REVENUES AND INCOME	7,641,751	7,712,678	4,938,985	6,995,110	135,484	180,714	741,026	782,433	-726,565	-739,343	12,730,681	14,931,592
2.1	Net charges relating to claims	-5,924,817	-5,786,462	-4,315,953	-6,366,479	0	0	0	0	0	0	-10,240,770	-12,152,941
2.1.2	Amounts paid and changes in technical reserves	-6,072,005	-5,955,951	-4,334,852	-6,385,961							-10,406,857	-12,341,912
2.1.3	Reinsurers' share	147,188	169,489	18,899	19,482							166,087	188,971
2.2	Commission expenses	0		-7,822	-14,007			-8,033	-14,414			-15,855	-28,421
2.3	Charges from investments in subsidiaries, associates and joint ventures	-1,792	-12,842			-4,305	-7,062	-16,035	-35,375			-22,132	-55,279
2.4	Charges from other financial instruments and property investments	-462,799	-486,392	-308,942	-233,343	-217,384	-83,667	-26,842	-33,811	20,320	21,902	-995,647	-815,311
2.5	Management expenses	-1,578,501	-1,592,180	-198,744	-210,690	-193	-299	-312,881	-335,887	215,006	218,874	-1,875,313	-1,920,182
2.6	Other costs	-753,014	-795,889	-212,915	-98,373	-115,318	-140,554	-448,591	-430,850	491,239	498,483	-1,038,599	-967,183
2	TOTAL COSTS AND CHARGES	-8,720,923	-8,673,765	-5,044,376	-6,922,892	-337,200	-231,582	-812,382	-850,337	726,565	739,259	-14,188,316	-15,939,317
	PROFIT/(LOSS) BEFORE TAXES	-1,079,172	-961,087	-105,391	72,218	-201,716	-50,868	-71,356	-67,904	0	-84	-1,457,635	-1,007,725

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2011

International economic overview

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

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

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

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

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

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

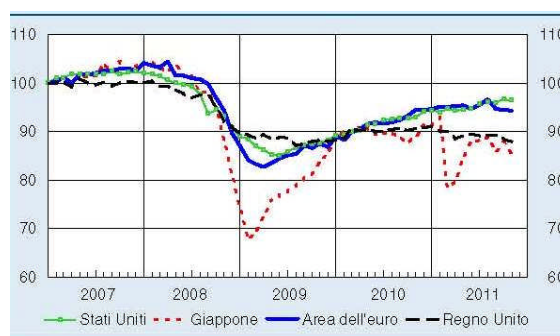
Source: OECD, Economic Outlook No. 90, November 2011.

Consensus Economics, January 2012 for the emerging countries, China and India, December 2011 for Brazil and Russia; national statistics

(1) the figures refer to the fiscal year.

(3) goods and services.

Graph 1 – Industrial production in principal advanced economies ⁽¹⁾



Source: Thomson Reuters Datastream.

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

USA

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

Asia, China and Japan

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

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

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

The Eurozone

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

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

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

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

The Italian economy

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

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

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

Tab. 2 – GDP and principal components

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

	2010 Q4	2010 (1)	Q 1	2011 Q2	Q3
GDP	-	1.5	0.1	0.3	(0.2)
Total imports	4.1	12.7	(2.6)	(1.2)	(1.1)
Domestic demand ⁽²⁾	0.4	1.7	(0.7)	(0.3)	(0.9)
National consumption	-	0.6	0.1	0.1	(0.3)
Household spending	0.1	1.0	-	0.1	(0.2)
Other spending ⁽³⁾	(0.4)	(0.5)	0.4	-	(0.6)
Gross capital investments	(0.8)	2.4	(0.5)	0.1	(0.8)
Construction	(0.6)	(4.0)	(0.4)	(1.1)	(1.2)
other investment assets	(0.9)	10.2	(0.6)	1.3	(0.5)
Change in inventories and goods of value ⁽⁴⁾	0.5	0.7	(0.8)	(0.4)	(0.5)
Total exports	2.7	12.2	0.4	1.0	1.6

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

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

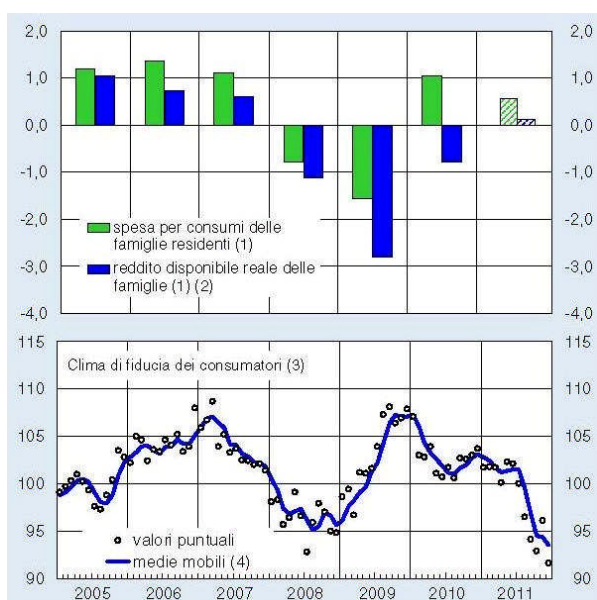
(2) Includes the change in inventories and goods of value.

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

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

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

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



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

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

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

The insurance sector

Total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies in the first nine months of 2011 amounted to Euro 81.9 billion (Euro 94.9 billion in 9M 2010), a decrease of approx. 13% on the same period of 2010.

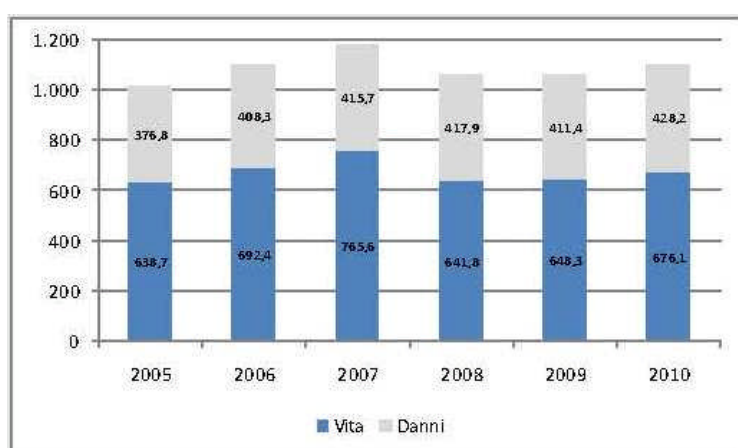
The Non-Life portfolio, which totalled approx. Euro 25.7 billion, grew by approx. 2.8%, accounting for 31.4% of the total portfolio (26.6% in the same period of 2010). Life insurance premiums amounted to approx. Euro 56.2 billion, a decrease of 18.7%, with a percentage of the overall Non-Life and Life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

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

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

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

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



Source: CEA (*European insurance in figures 2011*)

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

Regulatory framework

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

Claims Data Bank

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

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

New ISVAP Regulations

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

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

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

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

Regulation No. 38 of June 3, 2011 establishes requirements in relation to the incorporation and the administration of the separated management of companies exercising life insurance business, including limits and restrictions concerning investment activity and regarding the statements to be adopted for the valuation of assets in which equity has been invested. The above-stated Regulation introduced measures which ensure greater protection of the policyholder, in addition to the introduction of investment policies which guarantee a fair return on the financial results, ensuring consistent returns across the various institutional investors. Regulation No. 38 also introduces new provisions concerning governance, the accounting of separated management, in addition to issues concerning the disclosure obligations to the Supervisory Board.

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

New consumer credit provisions

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

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

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

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

Direct compensation

From January 1, 2012 the direct compensation flat rates were amended, established by the technical committee based on the differentiation criteria identified by the Economic Development Ministerial Decree of December 11, 2009.

The flat-rate system, which has remained unchanged compared to 2011, is as follows:

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

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

1. CID motor vehicles flat-rate:

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

2. CID motorbikes flat-rate:

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

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

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

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

New flat-rate regime for direct compensation

From January 1, 2012 the direct compensation flat rates were amended, established by the technical committee based on the differentiation criteria identified by the Economic Development Ministerial Decree of 12/11/09. For greater information reference should be made to the section “Regulatory developments”.

Policies related to mortgages

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

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

Equality in the treatment of tariffs

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

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, 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, in order to facilitate a gradual transition to the new Solvency regime. Approval of the new Directive is expected in the coming months. 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. The date established for the entry into force of the new prudent Solvency II regime is January 1, 2013, although the “OMBIBUS II” proposal refers to a possible soft launch.

Finally it is recalled that in 2011, EIOPA undertook an analysis on the major European insurance companies in order to obtain information on the current vulnerability in the European insurance sector to adverse changes in the market; ISVAP extended this test to all Italian companies.

The request was prepared in two subsequent phases in which a set of scenarios of the principal financial and economic variables underwent stress tests. On this occasion, the companies of the Group jointly presented the calculation of the Solvency II utilising the methodologies developed for the internal model.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

In relation to the gross premiums for the first three quarters of 2011, the total premiums of the Non-Life and Life Divisions of the Italian Companies and of the Italian agencies of companies outside the EU amounted to Euro 81.9 billion, with an increase of 13% on the same period of 2010.

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

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

The largest amount of premiums written in the other Non-Life classes were Land Vehicles with 8.1% (8.6% in 9M 2010), Accident with 7.9% (8.1% in 2010), General TPL with 7.4% (7.7% in 2010), Other Property Damage with 6.8% (same as 2010), Health with 5.6% (5.8% in 2010), and Fire and Natural Elements with 5.5% (5.7% in 2010).

The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 82.3% of the Non-Life portfolio (83.1% in 2010) and 88.4% of the Motor TPL division (89.7% in 2010).

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

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

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

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

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

Operational performance

The total premiums of the Fondiaria-SAI Group amounted to Euro 7,060 million compared to Euro 7,204 million in 2010, a decrease of 2%.

The direct premiums written amounted to Euro 7,055 million compared to Euro 7,195 million in 2010, a decrease of 1.95%.

Premiums written

The breakdown of the gross premiums written is shown below:

(in Euro thousands)	31/12/2011	31/12/2010	Cge. %	Percentage	
				2011	2010
Accident & Health	642,931	690,329	(6.9)	9.1	9.6
Marine, aviation and transport insurance	165,495	181,832	(9.0)	2.3	2.5
Fire and other property damage	849,403	876,451	(3.1)	12.0	12.2
General TPL	527,424	558,231	(5.5)	7.5	7.7
Credit & Bonds	88,144	88,781	(0.7)	1.2	1.2
General pecuniary losses	60,134	37,838	58.9	0.9	0.5
Legal expenses	18,650	19,999	(6.7)	0.3	0.3
Assistance	60,497	54,785	10.4	0.9	0.8
TOTAL OTHER NON-LIFE DIVISION	2,412,678	2,508,246	(3.8)	34.2	34.8
Motor vehicle TPL	3,995,222	3,986,315	0.2	56.5	55.4
Motor vehicles – other classes	647,446	700,421	(7.6)	9.2	9.7
TOTAL MOTOR	4,642,668	4,686,736	(0.9)	65.7	65.1
TOTAL DIRECT PREMIUMS	7,055,346	7,194,982	(1.9)	99.9	99.9
INDIRECT PREMIUMS	4,578	9,047	(49.4)	0.1	0.1
TOTAL NON-LIFE DIVISION	7,059,924	7,204,029	(2.0)	100	100.0

The slight increase in the Motor TPL premiums written of 0.2% results from the restructuring actions undertaken to increase the average premium and reduce claims. The growth objective of the average premium focuses both on tariff policies and a reduction in flexibility achieved through increased controls on the agreements and on the discounts provided to clients. This strategy has therefore reduced the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk.

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

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

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

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

There were no new product launches or restylings in the final quarter of 2011.

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

Premiums written in the Land Vehicle classes contracted once again (-7.6%) due to the general weakness in internal demand and the drop in new vehicle registrations following the ending of government incentives, in addition to the lower contribution of agreements with vehicle manufacturers.

The increased underwriting restrictions for some guarantees such as those related to socio-political and natural events are also considered.

In relation to the General Class the decrease was 3.8% following the cancelation actions within the portfolio and on the classes with non-profitable performances, particularly within the corporate risks sector.

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

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

The premiums ceded amounted to Euro 312 million (Euro 319 million in 2010).

The gross technical reserves amounted to Euro 12,610 million (Euro 11,888 million in 2010) and the ratio to premiums written was 178.6% (165.0% in 2010).

Management expenses, excluding those strictly related to the management of the investments, totalled Euro 1,568 million (Euro 1,586 million in 2010), a decrease of approx. 1%. The percentage on premiums remains substantially unchanged at 22.2% compared to 22.0% in 2010.

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 relating to the settlement structure are shown below:

	Claims paid (in Euro thousands)			Claims reported by year Number		
	2011	2010	Cge. %	2011	2010	Cge. %
Accident	225,564	237,023	(4.83)	81,544	88,768	(8.14)
Health	187,659	189,595	(1.02)	264,791	254,863	3.90
Railway	2	8	(68.95)	-	-	-
Aviation	4,431	3,421	29.53	51	26	96.15
Maritime	25,589	108,634	(76.44)	711	741	(4.05)
Merchandise transport	23,582	34,333	(31.31)	4,230	4,673	(9.48)
Fire and other natural elements	228,094	252,111	(9.53)	64,065	79,555	(19.47)
Other property damage	254,821	275,707	(7.58)	152,271	164,177	(7.25)
Aviation TPL	1,175	2,533	(53.62)	15	31	(51.61)
Maritime TPL	4,545	3,382	34.40	419	419	0.00
General TPL	392,839	389,298	0.91	103,133	110,093	(6.32)
Credit	704	124	n.s.	7	3	133.33
Bonds	47,434	51,545	(7.98)	1,988	1,948	2.05
Pecuniary losses	7,842	10,979	(28.57)	3,409	3,617	(5.75)
Legal expenses	2,244	2,054	9.27	1,512	1,705	(11.32)
Assistance	21,325	21,036	1.37	118,403	120,954	(2.11)
TOTAL OTHER NON-LIFE	1,427,851	1,581,783	(9.73)	796,549	831,573	(4.21)
Motor TPL	3,256,947	3,595,717	(9.42)	748,909	882,851	(15.17)
Land Vehicles	418,958	475,711	(11.93)	295,737	332,640	(11.09)
TOTAL MOTOR	3,675,905	4,071,428	(9.71)	1,044,646	1,215,491	(14.06)
TOTAL NON-LIFE DIVISION	5,103,756	5,653,211	(9.72)	1,841,195	2,047,064	(10.06)

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 722,307 (-15.92%).

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

TECHNICAL RATIOS (%)	2011	2010
Loss ratio	87.23	84.41
Expense ratio	22.32	22.30
Combined operating ratio	109.55	106.71
OTI ratio (*)	2.59	2.69
Combined ratio	112.14	109.40
Reserve ratio (**)	178.62	165.02

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

(**) Gross technical reserves

As already illustrated in the introduction, the very poor combined ratio performance resulted from the deterioration in the prior year claims/premiums ratio, in particular in the Motor TPL class. The valuation approach was more stringent in the revaluation of the residual load due to current operating performance (including redemptions) and the reorganisation of the settlement network and consequent improvement of the quantitative models in forecasting the last cost.

The following is also considered:

- 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 again strongly countered the trend, consolidating a significant recovery in profitability, due to the interventions taken which began in 2009.

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

(in Euro thousands)	2011	2010	Change
Motor TPL	(742,775)	(493,654)	(249,121)
Land vehicles	96,100	66,293	29,807
Other Non-Life Classes	(106,482)	(220,016)	113,534
TOTAL DIRECT NON-LIFE	(753,157)	(647,378)	(105,779)

In relation to the **Motor TPL Class**, the current management performance was strong with a satisfactory decrease in claims reported (-15.2% for claims caused and -15.9% 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 positive.

The significant increase in the claims reserve was made on the completion of the updating of the actuarial-statistical models utilised taking into account regulatory and legislative amendments during the year.

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

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

In addition we report the internal restructuring of the settlement control activities with the consequent centralisation at head office of claims of a significant period or significant amounts relating to death or with several counterparties.

The **Land Vehicle** Class reports a positive technical balance and an improvement on the previous year, consolidating the efficiency actions implemented in terms of underwriting policy, among which the combined sales of certain guarantees, which offset the claims recorded on certain types of coverage, and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

In relation to the **Other Non-Life** classes, the negative technical performance is due to the high level of claims in the General TPL and Health classes, which although improving on 2010, remained at high levels and had a negative impact from claims in previous years, especially following the adoption of more prudent reserve criteria.

New products

Within the redefinition of the Group products, during 2011 some significant product initiatives were launched, which are summarised below:

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

In relation to the major insurance companies of the Group, key financial information relating to the year 2011 is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE %	INVESTMENTS	GROSS TECHNICAL RESERVES	RESULT
NON-LIFE INSURANCE SECTOR					
INCONTRA ASSICURAZIONI	61,974	45.01	79,415	106,475	706
DDOR NOVI SAD ADO	85,428	(6.16)	36,429	75,278	4,004
DIALOGO ASSICURAZIONI	39,640	17.88	48,901	54,961	(10,467)
EUROPA TUTELA GIUDIZIARIA	1,707	2.22	10,705	5,985	693
LIGURIA ASSICURAZIONI	237,032	(9.85)	297,973	370,493	(40,412)
MILANO ASSICURAZIONI (*)	2,978,926	(4.03)	4,389,254	5,530,274	(467,011)
PRONTO ASSISTANCE	51,980	9.79	12,552	1,086	2,336
SIAT	166,670	(1.94)	101,955	305,268	2,639
THE LAWRENCE RE LTD	160,871	1.72	290,523	294,541	10,538

(*) 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 gross premiums written amounted to Euro 39.6 million, an increase of 17.9% compared to 2010 (Euro 33.6 million).

The contribution of the company to the consolidated result was a loss of Euro 10.5 million (loss of Euro 15.1 million in 2010).

The technical performance continues to be negative, although an improvement on the previous year. In particular, the technical balance of the non-motor classes was positive and an improvement on 2010, while the Motor TPL class, while remaining negative, began to see the benefits of the actions undertaken to recover profitability, among which the creation of a special dedicated claims department to combat the fraud and irregularities seen in the recent past. As a consequence of the above-mentioned actions and the improved performance seen at market level, the claims frequency for the current year decreased from 117.8% in 2010 to 105.1%. In relation to prior year claims, the settlement activity resulted in a negative impact principally due to the strengthening of the residual claims reserves, following the increase recorded in the average cost of claims accepted.

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 approx. RSD 440 million (RSD 1,072 million in 2010), are listed below.

In 2011, DDOR Novi Sad ADO was once again confirmed as one of the leading companies on the Serbian insurance market. Its market share is estimated at approx. 17%, measured based on gross direct and indirect premiums written, which decreased by 5.7% and 6.5% respectively.

From a financial point of view, the indicators are strong, particularly considering that they were achieved within difficult market circumstances. The year 2011 was also characterised by a prudent approach relating to claims reserves (increase of 0.9%).

The technical performance indicators of the Company report the combined ratio (below 100%) as a clear expression of the stability of the core business of the company. In the Non-Life Classes, the loss ratio was 59.7%, the expense ratio 31.0% and the combined ratio 90.7%.

Following increased competition in the Motor TPL class and a reduction in the number of registrations, premiums written reduced by 7.9%. The segment represents 44.1% of total net premiums.

In the Life Classes a strong increase in the number of policies sold was reported (approx. + 5.2%) with an increase in actuarial reserves of 18.4%. The contribution of the Life Classes to overall premiums remains contained, with a net profit compared to gross premiums written of 1.1%.

LIGURIA ASSICURAZIONI S.p.A.

Share Capital Euro 36,800,000.

(Indirect Holding 99.97%)

The company has a predominantly multi-mandate sales network and reported premiums of Euro 237 million, a decrease of 9.8% compared to Euro 262.9 million in 2010, following the discontinuation of sales points with negative technical results.

The 2011 income statement, prepared in accordance with IAS/IFRS standards, reports a loss of Euro 40.4 million - loss of Euro 95.1 million in 2010. This result is due to the negative technical result which, although improving significantly on 2010, was affected by a drop in premiums and the need to further strengthen prior year claims reserves, in particular in the Motor TPL class. The result was also negatively impacted by the financial markets which resulted in an impairment in the investment portfolio.

In 2011, the actions focused on cost containment continued, in particular in the claims area, in addition to actions to improve the speed of settlements and to reduce and combat fraud.

In order to further contain overhead costs and to establish greater integration with the Group, in May 2011, the company transferred its head offices to the buildings of the Fondiaria-SAI Group, in Via Senigallia No. 18/2 at Milan.

The commercial initiatives undertaken in 2011 focused on improving the coordination of the regional structures and the network agencies through specific initiatives. Similarly in the Motor TPL class, the level of discounts granted to agencies was reduced and a constant monitoring of the portfolio was implemented which permitted timely intervention with targeted solutions, especially with fleets and contracts with non profitable technical performances.

The analysis and the discontinuation of sales points with unsatisfactory performances continued, partially compensated with the opening of the new carefully selected sales points by region and portfolio type.

MILANO ASSICURAZIONI S.P.A.

Share Capital Euro 373,682,600.

(Direct Holding 61.10%, Total Group Holding 63.39%)

The Group net loss for 2011 was Euro 487.5 million compared to a loss of Euro 668.7 million in the previous year.

The key events in 2011 which contributed to this result are summarised below:

- The Non-Life Division reports a pre-tax loss of Euro 586.8 million (loss of Euro 730.7 million in 2010), due to the poor performance of the Third Party Liability Class (Motor TPL and General TPL) and the significant impairments on investments (Euro 181.5 million of which Euro 117.6 million on AFS financial assets, Euro 7.1 million on loans and receivables and Euro 56.8 million on property).
In relation to the technical performance, the total combined ratio, excluding reinsurance, was 114.1% compared to 114.8% in 2010.
In particular, in the Motor TPL class in spite of the good performance of contracts acquired in the current year (claims reported report a fall of 17.9%), the result was a loss due to the prior year claims reserves, principally following the adjustment of the claims reserves. This adjustment was made following the completion of actuarial model processes based on the principal parameters of the claims portfolio historical data, also taking into account regulatory and legislative amendments during the year.
The General TPL class reported a significant loss both in relation to claims/premiums ratio in the current year - which although improving on 2010 remains at unsatisfactory levels - and the strengthening of the prior year claims reserves.
The overall result of the other Non-Life Classes was positive, benefitting from the initiatives adopted to recover profitability.
- The Real Estate sector reports a pre-tax loss of Euro 57 million (loss of Euro 23.7 million in 2010) principally due to impairments on investment property amounting to Euro 35.3 million.
The result does not include the gain of Euro 30.9 million from the sale of the investment in CityLife, which despite occurring within the real estate sector was classified to the “profit from discontinued operation account” in accordance with IFRS 5.
- The Financial and Asset Management reports overall net charges of Euro 52.7 million compared to Euro 103.7 million in the previous year.
- The management expenses in the non-life insurance sector amounted to Euro 606.9 million, with a percentage on net premiums of 21% (21.7% in 2010). In the Life division, management expenses totalled Euro 25.7 million, increasing as a percentage of net premiums from 5.7% in 2010 to 6.7%, essentially as a result of the contraction in premiums written.

With reference to the financial statements of the Parent Company, prepared in accordance with Italian GAAP, 2011 reported a net loss of Euro 783.3 million compared to a loss of Euro 512.7 million in 2010.

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

- In the Life Division the technical result reports a loss of Euro 57.6 million (loss of Euro 50.5 million in 2010) following significant impairments on Life sector investments resulting from the financial market turbulence and in particular the fall in Italian bond prices. Based on current regulations, the impairments are entirely absorbed by the company even if relating 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 are recognised following the sale on the market of the relative financial assets.
- The technical margins of the portfolio acquired are however adequate. 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 principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term, taking account also that the new business reports a higher percentage of annual or recurring premium products;
- The technical result in the Non-Life Division reported a loss of Euro 373.3 million compared to a loss of Euro 319.7 million in 2010. The Combined Operating Ratio increased from 111.8% to 114.1%. The result is largely due to the losses in the Motor TPL and General TPL classes.
- The Motor TPL class reports a loss on the technical balance of direct premiums of Euro 324.5 million (loss of Euro 276.4 million in 2010). Against a good performance in contracts acquired in 2011, with a claims/premiums ratio of approx. 72% (compared to 78% in 2010) for the prior year claims, a significant loss was recorded related principally to the adjustment, for approx. Euro 310 million, of the managed claims reserves, made on the completion of the refinement to the statistical-actuarial models based on historic claims parameters, which also took into account regulatory and legislative amendments during the year.
- The General TPL class also reported a significantly negative performance (technical loss of Euro 126.9 million, compared to loss of Euro 88.9 million in 2010), principally due to the need to strengthen the prior year claims reserves. The current year claims/premiums ratio improved slightly on 2010 (93.1% compared to 96.5%) but remains at unsatisfactory levels, requiring the implementation of further actions concerning underwriting policy and multi-risk contracts;
- The administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 89.1 million, a decrease of 6.6% compared to Euro 95.3 million in the previous year.
- The number of employees at December 31, 2011 amounts to 1,501, a decrease of 96 compared to 2010, with 14 new hires and 110 departures. Employee leaving indemnities amounted to Euro 110.8 million, compared to Euro 114.9 million (-3.5%).

Premiums in 2011 totalled Euro 3,085.5 million, a contraction of 7.1% on the previous year.

With reference only to the direct premiums written – comprising almost the total portfolio, premiums written amounted to Euro 3,046.8 million, of which Euro 2,659.1 million were in the Non-Life Division (-4.3% compared to 2010) and Euro 387.7 million in the Life Division, recording a decrease of 24.3%.

Within the Non-Life Classes, motor premiums amounted to Euro 1,850.8 million (-2.8% on 2010). In particular, premiums written in the Motor TPL class (-1.5%, with premiums written of Euro 1608.7 million) was impacted by the reduction of contracts in portfolio following the actions taken against agencies with particularly poor performances and the cancelation of individual multi-risk contracts, only partially offset by the increase in the average policy premium due to recent price rises. The poor economic situation also had an impact and remains difficult, particularly in relation to the continued weakness in new vehicle registrations. The Land Vehicle class with premiums of Euro 242.1 million (-10.2%) was also impacted by the difficult economic environment which limits household disposable income with a consequent reduction in accessory guarantees to new motor policies. The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees.

Premiums written in other Non-life classes amounted to Euro 809.9 million, a decrease of 7.6% on the previous year. The sector also continues to be affected by the difficult economic context, which on the one hand curtails the need for corporate insurance coverage and on the other limits the resources available for underwriting retail coverage.

Direct premiums written in the Life Division amounted to Euro 387.7 million, a decrease of 24.3% on 2010.

The reduction in premiums is within an overall weak domestic insurance market - as reported also by ANIA statistics relating to new premiums in the individual segment in 2011 (-27.8%).

The current generalised liquidity crisis has also provoked a significant contraction in securitisation contracts in the institutional client sector, within Class V (-47.9%).

In relation to Class I products, although premiums contracted, the quality of the new business from the distribution networks significantly improved in terms of portfolio mix. In particular, the percentage of new periodic premium business (annual and recurring) increased to 12.3% of the total – up on the previous year-end. This shift is in line with the objectives to increase profitability from the Agency networks.

Life Insurance Sector

THE LIFE INSURANCE MARKET

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

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

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

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

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

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

Complementary pensions in Italy

In Europe, Italians enjoy the longest lifespan. From a recent study (ref. "Longevity: between real and imaginary life, AXA Forum 2011) it emerges that in our country, in the last 3 decades, the average lifespan has increased by approx. 10 years: from 69 to 79 years for men and 75 to 84 years for women. In addition, one person in five today is over 65, while in the '1950's this was one in ten, and in 2050 will be one in three. Italy will be the first country in the world with more elderly people than children: in less than 20 years, for every child below 15 years, there will be two persons over 65 years of age.

The above statistics outline the urgent need for greater attention in the future to highlight that, in the presence of a population whose life expectancy is growing, the problem of sustainability and adequacy of the pension system not only requires specific and possibly shared interventions, but should also form part of policies which will allow for better standards of living for the elderly.

It is undoubtedly unfortunate the obligatory pensions are, already today, in many cases insufficient for a minimum standard of living. Having an uncertain pension should drive interested parties towards complementary forms of pension. However at the end of September 2011, just over 5.4 million Italians had subscribed to some form of complementary pension with total investments in pensions of approx. Euro 86 billion.

In 2011, the traded fund recorded average yields of 0.1% and open funds reported a negative average yield (-2.4%).

Table 3 - Complementary pensions in Italy. Subscription to complementary pensions.
(year-end data; provisional for 2011)

	December 2011 ⁽¹⁾	September 2011 ⁽¹⁾	June 2011 ⁽¹⁾	March 2011 ⁽¹⁾	December 2010	December 2011/2010 Cge %
Traded pension funds	1,994,215	2,000,778	2,003,579	2,010,784	2,010,904	(0.8)
of which: LDSP	1,844,053	1,851,025	1,854,270	1,864,453	1,870,723	(1.4)
Open pension funds	881,073	869,553	864,165	857,282	848,415	3.8
of which: LDSP ⁽²⁾	420,683	416,159	413,131	414,224	410,130	2.6
"New" IPP's	1,451,665	1,346,089	1,292,518	1,221,032	1,160,187	25.1
of which: LDSP ⁽²⁾	894,174	830,904	794,762	750,387	710,879	25.8
"Old" IPP's	610,000	610,000	610,000	610,000	610,098	
of which: LDSP ⁽²⁾	201,000	201,000	201,000	201,000	201,589	
Pre-existing pension funds	667,000	667,000	667,000	667,000	667,930	
of which: LDSP	639,000	639,000	639,000	639,000	639,838	
Total pensions ⁽³⁾	5,572,839	5,461,775	5,413,924	5,341,561	5,271,884	5.7
of which: LDSP ⁽³⁾	3,996,051	3,934,698	3,907,080	3,872,782	3,835,764	4.2

Source: COVIP - Complimentary pensions. Principal statistical data (January 2012)

LDSP: private sector employees

⁽¹⁾ The "old" IPP's and the pre-existing pension funds are not subject to reporting during the year. 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⁾ The total include the FONDINPS data. This excludes the duplications due to subscribers who adhere to both the "new" and "old" IPPs amounting to 67,000 individuals at the end of 2010, of which 38,000 are employees.

Operational performance

The pre-tax result of the sector was a loss of approx. Euro 105 million (profit of Euro 72 million in 2010). The decrease in the result is mainly due to a significant contraction in investment income, following the financial market turbulences and, in particular, the lowering of the prices of Italian debt in addition to, in general, the impact of write downs which, as noted, are not immediately represented in the commitments to policyholders. The results also include the write-down of goodwill of Euro 101 million recorded in the subsidiary Popolare Vita.

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

Total premiums amounted to Euro 3,754 million compared to Euro 5,749 million in 2010, a decrease of 34.7%. The direct premiums written amount to Euro 3,753 million, a decrease of 34.7%.

The total premiums in the sector also includes Euro 54 million (Euro 55 million in 2010), 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)	31/12/2011	31/12/2010	Change %
II – Insurance on human life expectancy	1,417,963	3,963,972	(64.2)
III - Insurance as per points I and II linked to investment funds	2,027,420	1,326,922	52.8
IV - Health insurance	365	284	28.5
V – Securitisation operations	306,908	457,155	(32.9)
TOTAL DIRECT PREMIUMS	3,752,656	5,748,333	(34.7)
INDIRECT PREMIUMS	917	943	(2.8)
TOTAL LIFE DIVISION	3,753,573	5,749,276	(34.7)

Total premiums written by bank branches amounted to Euro 2,345 million and represents 62.47% of the total direct premiums written. The premiums ceded amounted to Euro 18 million (Euro 19 million in 2010).

Gross technical reserves amounted to Euro 22,497 million (Euro 22,940 million at 31/12/2010).

The Life sums paid amount to Euro 4,393 million (Euro 3,135 million in 2010).

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 2011	Total 2010
II – Insurance on human life expectancy	114.2	1,475.1	753.3	2,342.6	1,807.8
III - Insurance to which classes I and II are linked to investment funds	45.6	1,167.1	371.0	1,583.7	991.1
IV - Health insurance	-	-	0.1	0.1	-
V – Securitisation operations	1.3	300.0	163.8	465.1	333.1
	161.1	2,942.2	1,288.2	4,391.5	3,132.0

Total management costs in 2011, excluding the investment management expenses, amounted to Euro 193 million, a decrease of 4.9% (Euro 203 million in 2010). The percentage on premiums therefore increased from 3.5% in 2010 to 5.14% in 2011.

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:

	2011	2010
Press	3.19	3.52
Nuova Press 2000	3.64	3.52
Fonsai RE	4.05	4.02
Fondivita	1.83	3.72
Fondicoll (*)	4.34	4.21
VIVA	3.54	4.24
Milass RE	4.04	4.03
3A	3.55	3.51
Popolare Vita (*)	3.25	3.85
Fondo Liguria	3.64	3.72

(*) For these Separated Management the year ended at September 30, 2011: therefore the return reported in the table has already been certified.

Annual Premium Equivalent and New business

For example purposes, some values relating 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	2010	Cge. %
Bim Vita S.p.A.	30,165	103,064	-	-	969	134,198	126,980	5.68
Fondiarria-Sai S.p.A.	394,774	3,275	15	51,816	2,181	452,061	637,994	(29.14)
Liguria Vita S.p.A.	12,937	-	-	204	-	13,141	16,735	(21.48)
Milano Assicurazioni S.p.A.	159,590	3,477	1	8,407	856	172,331	290,034	(40.58)
Popolare Vita S.p.A.	200,373	2,957	-	6,009	-	209,339	2,425,845	(91.37)
The Lawrence Life	-	1,888,030	-	-	-	1,888,030	1,209,129	56.15
TOTAL	797,839	2,000,803	16	66,436	4,006	2,869,100	4,706,717	(39.04)

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)	31/12/2011	31/12/2010	Cge %
IAS/IFRS standards	348.4	544.1	(35.97)
Traditional Insurance Companies	120.8	155.9	(22.50)
Bancassurance	227.6	388.2	(41.38)
Local GAAP	352.0	546.9	(35.63)
Traditional Insurance Companies	124.1	158.0	(21.46)
Bancassurance	227.9	388.9	(41.39)

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 relating 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)	2011					
	Fondiaria-SAI	Milano Ass.ni	Popolare Vita	BIM Vita	Other companies	Total by Type
Insurance contracts	241	167	11	129	1,888	2,436
Investment contracts with discretionary profit participation	766	210	281	35	25	1,317
Investment contracts without discretionary profit participation	36	11	1	7	0	55
Service contracts (IAS 18)	-	-	-	-	-	-
Total for Company	1,043	388	293	171	1,913	3,808

(in Euro millions)

	2010					
	Fondiarria-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 profit participation	953	368	2,657	27	6	4,011
Investment contracts without discretionary profit participation	36	9	1	9	0	55
Service contracts (IAS 18)	-	-	-	-	-	-
Total for Company	1,231	537	2,686	135	1,215	5,804

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.

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)	2011	2010
Traditional Insurance Companies	153.2	252.2
Bancassurance and other	20.0	30.6
Total	173.2	282.8

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 31/12/2011, this was assumed at approx. 10.5% (7.85% in 2010) due to, among other issues, to 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 2011, the Individual Life premiums written by the distribution network were focused for 97% on the Separated Management products, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment, although the single and recurring premium minimum yield was reduced to 1.5%, in line with market trends.

More specifically:

- for the single premium forms, although with the continued attention on the important capital maturity segment, new business contracted significantly on the previous year, which was offset by premiums written concerning a collective agreement operational from the end of the previous year for the payment of winnings on a 'Scratch and Win' lottery;
- recurring premiums recorded a significant decrease on the previous year due to the low contribution of volumes from the new product OPEN GOLD, launched in the previous year with satisfactory results, but without the same success in volume terms from the marketing of other products in the same category;
- for the constant annual premium forms, the premiums relating to new contracts report good growth (+86%), thanks to the results of OPEN PIÙ.

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

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

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

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

Collective Life Insurance and Pension Funds

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

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

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

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

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

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

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

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

The performance in 2011 of the subsidiaries is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE.%	INVESTMENTS	RESERVES	RESULT
LIFE INSURANCE SECTOR					
BIM VITA	164,201	30.47	386,815	333,562	(127)
DDOR NOVI SAD ADO	5,163	6.47	13,060	15,139	55
LIGURIA VITA	19,732	(18.96)	107,072	114,369	(6,782)
MILANO ASSICURAZIONI (*)	396,951	(24.79)	3,610,055	3,541,924	3,784
POPOLARE VITA	292,422	(89.11)	6,917,641	6,489,552	(12,620)
THE LAWRENCE LIFE ASSURANCE CO	1,888,023	56.15	4,983,675	4,526,113	14,282

(**) consolidated data of the Life sector

MILANO ASSICURAZIONI S.p.A.

Share Capital Euro 373,682,600.

(Direct Holding 61.10%, Total Group Holding 63.39%)

The Group Life sector reports a pre-tax profit of Euro 18.9 million, compared to a pre-tax profit of Euro 0.9 million in 2010, after impairment on AFS financial assets of Euro 62.4 million (Euro 60.3 million in 2010). The improvement is principally due to the financial management and in particular the greater differential between the total income and the portion attributable to the policyholders in terms of technical reserve revaluation. In fact it should be noted that the investment policy focused on containment of volatility rather than on an aggressive pursuit of short-term gains with an objective of, among others, greater stability on returns of the separated management with positive effects which will become fully apparent once the difficulties have passed which have for some time affected the financial markets and deteriorated during the year with the explosion of the sovereign debt crisis in some Eurozone countries.

The new policy portfolio however features a large portion of traditional type products with an ability to satisfy the entire client base through the quality level and extensive range of products offered, providing strong profitability.

With particular reference to the Parent Company, premiums written in the Life Division amounted to Euro 387.8 million, a decrease of 24.27% on 2010.

In the Life Division the technical result reports a loss of Euro 57.6 million (loss of Euro 50.5 million in 2010) following significant impairments on Life sector investments resulting from the financial market turbulence and in particular the fall in Italian bond prices. Based on current regulations, the impairments are entirely absorbed by the company even if relating 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 are recognised following the sale on the market of the relative financial assets.

The technical margins of the portfolio acquired are however adequate. 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 principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term, taking account also that the new business reports a higher percentage of annual or recurring premium products.

The technical reserves of the direct business at the year-end amounted to Euro 3,593.2 million and substantially stable compared to the previous year. The technical reserves relating to the "Class C portfolio" (which excludes the contracts with investment risk borne by the policyholders) amount to Euro 3,403.4 million (Euro 3,604.7 million in the previous year) and almost entirely relates to Separate Management contracts. The class D reserves, concerning financial risk products borne by the policyholders, amounts to Euro 189.8 million, of which Euro 128.1 million relating to index-linked products, Euro 43.6 million unit-linked products related to internal fund and mutual investment funds and Euro 18.1 million relating to the Open Pension Fund of Milano Assicurazioni.

POPOLARE VITA S.p.A.

Share Capital Euro 219,600,005.

(Direct Holding 24.39%, Group Holding 50%)

The IAS compliant accounts in 2011 report a loss of approx. Euro 12.6 million (loss of Euro 5.9 million in 2010).

On February 8, 2011, the Share Capital of the Company was increased by Euro 40 million through transfer of a similar amount from the Shareholders capital increase payment on account reserve.

In February and December, the Shareholders made two shareholder payments on account to cover losses of Euro 100 and Euro 120 million respectively.

Premiums were principally concentrated in single premium re-valuable saving products of Class I and V (“BelDomani Futuro Garantito 2009”, “BelDomani Futuro Garantito Soci e Dipendenti”, “BelDomani PRIVATE 2010”, “BelDomani Futuro Garantito FLEX 2011” and “Orizzonte Sicuro”) in separated management (Euro 283.5 million) and in Unit Linked single premium products (Euro 9.1 million); the premiums in the year also included periodic premiums deriving from the portfolio in force, relating to pure risk policies and individual and collective saving policies.

In 2011, new Life business was concentrated principally in Class I products, related to Separated Management, both single premiums and, to a marginal degree, recurring premiums, with guaranteed minimum return and investment protection which represents 93% of the total, with a decrease of over 89% on the previous year.

The Orizzonte Sicuro policy was launched in the year which invests a fixed percentage of the premium (80% and 20%) in two Separated Management, one of which newly created. In 2011, Orizzonte Sicuro reported premiums of approx. Euro 61 million since its launch (12/09/2011),

The gross technical reserves amounted to Euro 6,490 million (Euro 7,758 million in 2010) and relate for approx. 42% to Class D reserves (approx. 43% at 31/12/2010). The decrease of the technical reserves compared to December 31, 2010 is principally due to the decrease of the Life Classes Technical Reserves recorded in the income statement and the increase of the sums to pay reserve, this latter principally relating to the settlement of Class I policies under Separated Management and Class III Index and Unit-Linked policies.

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 activity of identification, evaluation and control of the business risks of Popolare Vita utilised the services of the Parent Company Risk Management department. These activities develop and complete the Risk Capital models functional to the implementation of an efficient and effective Enterprise Risk Management system.

The Fondiaria SAI Group has for some time implemented and adopted specific guidelines for the management of risks and for the carrying out of the decisional process relating to new investments (so-called Group Risk Policy). For further information, reference should be made to “Part E – Information on risks and uncertainties” of the present consolidated financial statements.

The distribution network of the company consists of 1,982 bank branches belonging to the Banco Popolare Group and, in relation to only post-sales, 31 branches of Credito Emiliano and 46 branches of Caripe.

The Company continues its objective of strengthening its market position on the accumulated and complementary pension products, identifying specific action, including of a commercial nature, to evaluate the development of new traditional products in order to relaunch the Class.

THE LAWRENCE LIFE ASSURANCE CO. LTD

Share Capital Euro 802,886.
(Indirect Holding 100%)

In 2011, the Company reported an IAS compliant net profit for consolidated purposes of Euro 14.3 million, an increase of 93% on the IAS compliant result in 2010 (Euro 7.4 million).

In 2011, the Company recorded premiums written of Euro 1,888 million: premiums written principally refer to five unit-linked products, for a duration of 5 years (premiums written in 2010 of Euro 1,209.1 million).

At December 31, 2011 total investments of the Insurance Company amounted to Euro 4,983 million (Euro 3,661 million in 2010), of which Euro 4,905 million (Euro 3,570 million in 2010) were Class D investments.

During the year, the Company strengthened its management team with a Legal and Product Development Manager and a risk Compliance Officer, this latter sharing their duties with The Lawrence Re, in which the officer is an employee.

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 Protected Assistance class placed directly by Pronto Assistance.

The reinsurance policy continues to be principally 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 relating 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 31/12/11 all the optional business and the acceptances by the insurance companies of the Group and at 31/12/10 for all the other types of agreements. 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 relating to reinsurers

Despite the continuing severe financial crisis, which continues to create a number of defaults in the financial sector, as well as rating downgrades, 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 relating to reinsurers by category according to the Standard & Poor's rating. 97.27% of the reserves and 94.65% of receivables were allocated with AA and A ("strong") rated reinsures while there was an increase in the reserves (1.50% compared to 0.32% in the previous year) and receivables (2.37% compared to 1.88% in the previous year), allocated with B rated reinsures for the reasons illustrated above.

Total Technical Reserves and Current Account Receivables

(in Euro thousands)

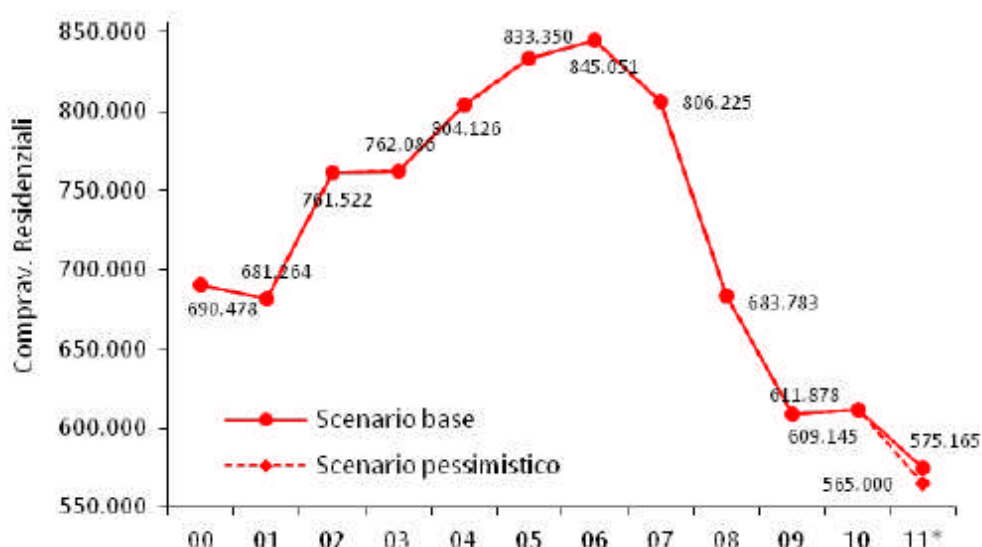
RATING	2011				2010			
	Reserves		Receivables		Reserves		Receivables	
	Amounts	Percent. %	Amounts	Percent. %	Amounts	Percent. %	Amounts	Percent. %
AAA	-	-	-	-	4,612	0.56	1,213	1.19
AA	333,087	47.46	37,318	39.28	255,986	31.10	23,014	22.63
A	349,600	49.81	39,168	55.37	544,029	66.09	72,988	71.80
BBB	9,361	1.33	1,049	1.66	2,353	0.29	1,793	1.76
BB	213	0.03	24	0.05	219	0.03	123	0.12
B	996	0.14	112	0.66	7	-	-	-
NR	8,623	1.23	966	2.98	15,978	1.93	2,642	2.50
Total	701,880	100.00	78,637	100.00	823,184	100.00	101,773	100.00

Real Estate Sector

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

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

Graph 4 – Number of annual residential sales in Italy



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

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

Table 4 - Half-year changes in property prices
(average of 13 largest cities)

(in Euro thousands)	H1 09	H1 09	H1 10	H1 10	H1 11	H1 11
Residential	(2.5)	(1.6)	(1.0)	(0.6)	(0.7)	(1.6)
Offices	(2.3)	(1.6)	(1.2)	(0.7)	(0.9)	(2.3)
Retail	(1.7)	(1.5)	(0.8)	(0.6)	(0.7)	(1.9)

Source: Nomisma (2011 Real Estate Market Report)

Overall average liquidity also deteriorated, based on average sales times and discounts on prices. The average discount in the residential sector was 12.5%, as illustrated in the table below.

Table 5 – Average period for sale and rent, difference between price requested and actual price
(average 13 largest cities)

	Residential second-hand	Offices	Retail
Sales times (months)	6.6	8.8	7.9
Rental times (months)	3.4	6.2	5.7
Average gaps (%)	12.5	13.7	13.0

With these initial conditions, it is difficult to predict when a return to sustainable values will take place, from which the real estate market may finally recover, but it is possible to identify some elements which may accelerate the transition, allowing the repressed demand, principally of young couples and replacement demand to access the housing market. The need to dispose of publicly held real estate portfolios, expected increase in foreclosure procedures by the banks against insolvencies, in addition to the gradual lessening of price rigidity which is affecting the sale of new builds, are the principal factors which could reduce the significant gap between availability and expectation.

OPERATIONAL PERFORMANCE

The results of the real estate sector include **Immobiliare Fondiaria-SAI** and **Immobiliare Milano**, the subsidiary **Nit S.r.l.** and other minor 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)	2011	2010
Profits realised	36	38
Total revenues	135,484	180,714
Interest expense	8,137	8,929
Total costs	337,200	231,582
Loss before taxes	(201,716)	(50,868)
(in Euro thousands)	2011	2010
Investment property	1,267,976	1,276,207
Financial liabilities	211,958	293,354

The pre-tax result was a loss of Euro 202 million (loss of Euro 51 million in 2010).

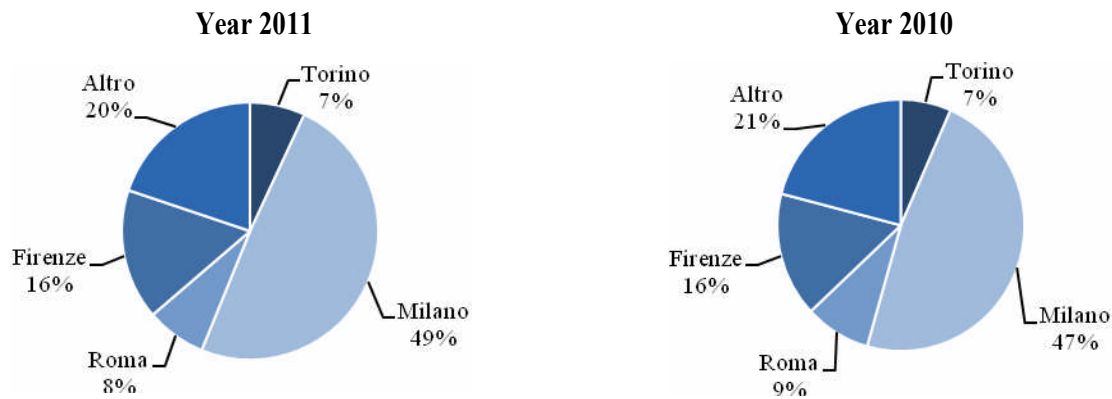
The factors which impacted on the result are impairments and depreciation of approx. Euro 220 million (Euro 42 million in 2010), in addition to Euro 18 million write-down on associated company investments involved in real estate projects for which, considering the difficult access to credit by real estate operators and the strong slowdown in demand, the Group adopted a more prudent approach. The increase in yields penalised the recovery of real estate investments, in particular projects under development or assets in the hotel sector, whose completion – and also utilisation – is impacted by the economic crisis.

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	50,302	(8.82)	51,714	(1,824)
IMMOBILIARE FONDIARIA-SAI	21,008	(74.10)	99,389	(78,486)
IMMOBILIARE MILANO	18,211	35.70	56,135	(7,029)
NUOVE INIZIATIVE TOSCANE	72	61.47	1,148	(1,076)
TIKAL R.E. FUND	36,233	42.27	67,249	(26,187)
ATHENS	3,523	(14.94)	8,231	(4,708)

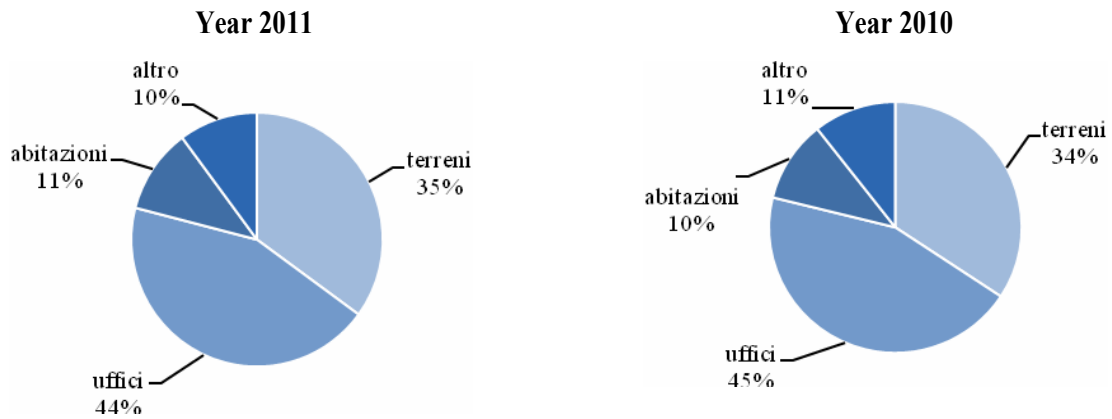
The breakdown of Group real estate by geographic area is shown below.

% 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



Real estate operations

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

- In order to concentrate the real estate portfolio of the Fondiaria-SAI Group in wholly-owned assets, Fondiaria-SAI and some Group companies during 2011 decided to sell a number of vacant properties, located in condominium buildings owned by third parties and throughout Italy. In relation to this operation, during the year Fondiaria-SAI signed contracts for approx. Euro 11.8 million, while for Milano Assicurazioni the relative figure was approx. Euro 3.8 million and for Immobiliare Fondiaria-SAI approx. Euro 0.3 million, for a total of Euro 15.9 million (Euro 12 million in 2010);
- Fondiaria-SAI also sold two residential units in Rome, viale Beethoven, 63, totalling Euro 1.3 million, an industrial building at Castelmaggiore (BO) for Euro 5.2 million and a residential building at Rome, Castel Giubileo for Euro 39.6 million. In relation to the sale of units in the residential building at Milan, via Fiori Chiari, sales totalling Euro 1.9 million were completed;
- Milano Assicurazioni sold an industrial building in Rozzano for Euro 1.5 million;
- Liguria Assicurazioni sold 3 apartments for Euro 0.6 million in a building located at Segrate, via Delle Regioni;
- On October 6, 2011, the preliminary contract was signed for a commercial building at Selargius (CA) for a price of Euro 1.2 million, with a deposit paid of Euro 60,000. The sale will take place by September 30, 2012.

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 2011, 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, the company reports a loss of approx. Euro 85.5 million (loss of Euro 15.9 million in 2010).

The principal cost items concerned:

- service costs of approx. Euro 1.4 million, of which Euro 0.2 million relating to maintenance costs on buildings owned, in line with 2010, in addition to consultancy fees of Euro 0.7 million;
- impairments on some buildings owned of approx. Euro 27.7 million (Euro 2 million in 2010);
- impairments on some investments of approx. Euro 53.7 million (Euro 21 million in 2010).

At December 31, 2011, the real estate recorded in the accounts as “land and buildings” amounted to approx. Euro 80 million (Euro 97.9 million at December 31, 2010). 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.

2011 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 35.2 million (loss of Euro 15.9 million in 2010).

The Company appointed independent experts to estimate the current value of the buildings owned. From the expert's valuations the Company recognised write downs on buildings whose market value was lower than book value, considering the reduction in value permanent. The reduction amounts to approx. Euro 19.5 million.

In addition, in order to adjust the book value of the investments to their recoverable value, the Company recognised the following impairments:

- write-down of the investment in the subsidiary Sintesi Seconda S.r.l. of approx. Euro 5.2 million;
- write-down of the investment and non-interest bearing loan to the associated company Sviluppo Centro Est of approx. Euro 2.8 million and Euro 8 million respectively;
- write-down of the investment and non-interest bearing loan to the associated company Metropolis of approx. Euro 0.6 million and Euro 4.1 million respectively;

At December 31, 2011, the real estate assets totalled Euro 244 million (Euro 267 million at 31/12/2010) and were in the residential, office, commercial and land sectors.

FONDO IMMOBILIARE ATHENS R.E. FUND

(Indirect Holding 100%)

This property fund was created in 2009 and is managed by the subsidiary SAI Investimenti SGR S.p.A.. The fund owns two property complexes, both rented to Atahotels S.p.A..

The contribution to the consolidated income statement in 2011 was a loss of Euro 4.7 million, particularly due to impairments on property complexes owned.

FONDO IMMOBILIARE TIKAL R.E. FUND

(Direct Holding 59.65%, Group Holding 82.06%)

This property fund was created in 2004 and is managed by the subsidiary SAI Investimenti SGR S.p.A.. The fund owns 14 real estate complexes.

The contribution to the consolidated income statement in 2011 was a loss of Euro 26.2 million, particularly due to impairments on property complexes owned.

PROPERTY DEVELOPMENT PROJECTS AND REAL ESTATE HOLDINGS

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 subsidiary Immobiliare Milano Assicurazioni) and **Porta Nuova Isola** (in which Fondiaria-SAI participates through its subsidiary Milano Assicurazioni).

The area of the **Garibaldi project** is located in Milan, between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia 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. In 2011, the construction work continued which resulted in the substantial completion of the buildings A, B and C for office and commercial use, already leased in 2010 to Unicredit, and the near completion of the urbanisation works on the street on the south side and the ramp on the Corso Como entry as well as the commencement of the work on the public park and the Podio. The Podio building with parking and public areas is also almost completed, while the office building E1E2 will be completed by 2012. In April 2011, sales commenced of the residential units at Corso Como, and the works, at an advanced stage, will be completed in the first half of 2012. To date 29 units of the 50 have been sold for prices in line with the financial plans. Numerous negotiations are underway for the lease of the commercial units at the ground floor of the buildings and also the residential units, two of which have been leased in building A to Unicredit. In December 2011, the Urban Variant presented in 2010 was approved by the City Council and on January 19, 2012 was approved by the Council Board.

The area of the **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 2011, the construction work continued on the office complex, which is in an advanced stage and is expected to be completed in 2012; in relation to the residential complex, the urban villas were completed while the 3 towers are well advanced and the completion of construction is expected in 2013 in accordance with the scheduled construction programme. The sales activity continued in the year and at the end of the year 83 apartments were sold of Torre Solaria and Torre Aria for a total value of approx. Euro 137.6 million, in line with the financial projections.

The area of the **Porta Nuova Isola** is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use. During 2011, the construction work continued with the completion of the basement floors and the other floors with the sole exception of Tower E where the final floor is yet to be completed. The basement floors are in the completion phase for both the building plant installations and the underground garages and cellar areas.

Also in 2011, tenders were awarded, through public tender processes, for the construction of the primary and secondary civil urban works in accordance with the general timetable and budget.

In relation to the “Art Incubator” building, the construction was completed in the first part of the year in accordance with the scheduled programme, while in the second half of 2011 the work on the external areas recommenced after the suspension following the request by the Council Administration to modify the project in line with the public park “Porta Nuova gardens”.

Finally, in relation to the building Casa della Memoria, in May 2011, the competition undertaken together with the Milan Town Council for the selection of the architect for the architectural project of the building was completed.

Sales of the residential units continued in 2011 and currently 36 units have been sold for a value of approx. Euro 47 million.

Progetto Alfiere 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, Met Development S.a.P. (formerly 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 investigation undertaken by the council offices on the project presented by the Company on July 30, 2009 to the IX department of the Rome City Council, on March 29, 2011, the Rome City Council sent a letter to the Company in relation to the Construction Permit indicating the charges, which may be paid on an instalment basis. The total charges amount to approx. Euro 33 million. The existing building will be demolished following the first payment of the charges (approx. Euro 4 million).

During the year, Immobiliare Fondiaria-SAI S.r.l. paid approx. Euro 0.3 million as a shareholder loan.

Following the deterioration of the underlying economic prospects of the project, the loan to Progetto Alfiere S.p.A. of Euro 3.7 million was written down.

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 was incorporated with shareholders Lamaro Appalti S.p.A. (40%) and Co.Ge.San S.p.A. (formerly 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 payment terms of the consideration for the investment agreed in December 2009, the shareholders must still pay the residual Euro 48.25 million by 31/12/2012, the year in which the urbanisation process is expected to be concluded.

During the year, Immobiliare Milano Assicurazioni S.r.l. paid approx. Euro 2.3 million as a shareholder loan.

During the year, Immobiliare Milano Assicurazioni S.r.l. paid approx. Euro 2.2 million as a shareholder loan, while following the deterioration of the economic prospects of the project, the investment of Euro 2.8 million and the loan of Euro 8 million were fully written down.

Metropolis S.p.A.

The Company, 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 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).

The Administration Council, in office since June 2009, has so far expressed a favourable opinion to the rapid development of the complex, to be undertaken within a new Structural Plan. On June 22, 2011, the new Structural Plan was approved 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 provides 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.

The plan submitted to the Municipality and the Historical Works Board concerns the adoption of a Recovery Plan with related modifications to the existing town planning scheme.

On September 28, the City Council adopted the commencement of the procedure to the current PRG (General Regulatory Plan) relating to the former “Manifattura” and simultaneously the verification of the VAS (Strategic Environmental Evaluation). The variant undertaken by the City Council, in addition to eliminating the public destination of the plan and subjecting the entire area to the Recovery Plan, provides for a reclassification of the buildings which permits, for the warehousing part, the possible demolition and reconstruction.

In November 2011, the City Council commenced the variant on the integrated evaluation required by the regional legislature, in other words the evaluation of the effects deriving from the realisation of the project extended not only to the environmental aspects, but also those of a social-economic aspect and related to the health of the residents, with the real involvement of the citizens, undertaken during 3 meetings.

On December 21, 2011, the first service conference took place to verify the VAS with all the relevant Bodies, including the Superintendent, to formally decide on the variant (and therefore also on the project). The outcome of this meeting, not yet formally concluded, saw opinions from all entities involved.

The opinion surely the most preoccupying and to some extent unexpected was that of the Superintendent, who deferred his decision on the demolition of the buildings to a later more detailed design phase.

This opinion, after over one year in close collaboration with the Superintendent, will require further detailed work for the completion of a new project strategy, which satisfies the expectations of protection, and could result in a further reduction in the floor area; this must therefore be accompanied by an economic feasibility study.

The most evident consequence in any case will be a delay in the project: based on the timetable already discussed with the City Council officers, Manifattura Tabacchi should have presented the Recovery Plan – together with the final urbanisation projects and estimates of the urbanisation costs – at the beginning of 2012; this forecast is now projected to be in the second half of the year, provided of course a feasible project can be obtained quickly from both a financial viewpoint and to the satisfaction of the Superintendent.

The adoption of the Board Council could take place at the beginning of 2013 while the final approval towards the end of the same year.

On December 2, 2011, the extraordinary shareholders' meeting of Metropolis approved the share capital increase of Euro 1.2 million.

On December 19, Immobiliare Milano Assicurazioni sent a letter to the Chairman of the Board of Directors to include in the agenda of the next shareholders' meeting the sale of the investment held in Manifattura Tabacchi.

On January 27, 2012, the Board of Directors of Metropolis called the Extraordinary Shareholders' Meeting for the Liquidation of the Company to be held on February 24, 2012 in first call and March 2, 2012 in second call. To date, only Euro 720 of the share capital increase approved on December 2 has been paid in and the directors consider that the non payment by the majority of the shareholders indicates their wish not to further support the company from a financial viewpoint, thereby generating a situation of management impasse.

During the year, Immobiliare Milano Assicurazioni S.r.l. paid approx. Euro 0.2 million as a shareholder loan, while following the deterioration of the economic prospects of the project, the investment of Euro 0.5 million and the loan of Euro 4 million were fully written down.

Marina di Loano S.p.A.

The Company completed the expansion work at the Loano port in December. Currently 95% of the works have been approved by the local administration. The remainder of the works are expected to be approved by March 2012. By that date, contracts can be completed for 102 of the 374 long-term berths and 244 of the 454 annual berths. The value of these contracts is approx. Euro 9.5 million for the long-term rental and approx. Euro 1.7 million for the annual rental. Currently, the Naval Yard, the bar disco area and the beach are fully completed. Currently the marketing continues of the commercial areas and the managerial appointment of the Yacht Club is taking place. The current economic environment and new legislation have depressed the demand for berths resulting in a climate of uncertainty, which postpones all investment decisions. This situation was taken into account in the valuation of the asset in the financial statements and, with the assistance of an independent expert, a write-down was recorded at consolidated level of approx. Euro 22 million and a new book value recorded of approx. Euro 150 million.

The completion of the work resulted in the reclassification of the investment from inventories for work in progress to tangible fixed assets and which will include depreciation in 2012 of approx. Euro 4 million. Considering that the write-down in 2011 wrote down the net equity, the Board of Directors of the Company, in order to adjust the net equity in line with the operational needs, will request the parent company to change the loans of Euro 108 million at December 31, 2011, of which approx. Euro 10 million interest, into share capital.

CityLife S.r.l.

The company CityLife S.r.l., whose original shareholders included, as well as Immobiliare Milano Assicurazioni S.r.l., Generali Immobiliare S.p.A (formerly Generali Properties S.p.A), Allianz (formerly Ras S.p.A.) and Lamaro Appalti S.p.A., in 2004 was awarded the international tender by the Fiera Milano Foundation for the redevelopment of the historic former Milan trade fair area. The project by CityLife S.r.l. 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 their 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.

Within the context of this revocation and new agreements between the Shareholders, based on a company no longer equally held, Immobiliare Milano Assicurazioni agreed a put option on its shareholding with Generali Properties, in order for the Fondiaria SAI Group to reduce the risk of the investment, given the significant size of the investment and its future development. The sales option could be exercised by Immobiliare Milano Assicurazioni until September 30, 2011, in a single transaction and exclusively concerning the entire holding and therefore not comprising a smaller part.

The Boards of Directors' meetings of Milano Assicurazioni and Fondiaria-SAI, held on March 22, 2011 and March 23, 2011 respectively, approved the initiation by Immobiliare Milano Assicurazioni S.r.l. of the process concerning the exercise of the sales option in favour of Generali Properties S.p.A. of the entire holding in CityLife S.r.l., comprising 27.20% of the share capital.

On April 4, Immobiliare Milano Assicurazioni S.r.l. communicated to Generali Properties – and, for information purposes Allianz S.p.A. – the exercise of the option within the terms and conditions of the agreement of June 11, 2010.

On April 14, 2011, Generali Properties responded to the letter concerning the exercise of the option from Immobiliare Milano Assicurazioni, confirming their commitment to fulfil it.

The price of the investment was established as the higher between:

- all of the amounts paid into CityLife since its incorporation by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter company to the Fondazione Fiera as consideration for the area identified in the deed, all amounts net of the income distributed and capitalised at the Euribor rate at 3 months plus 1.5 percentage points from the date of payment until the date of sale of the investment; and
- the percentage of the net equity of CityLife equivalent to the percentage of capital represented by the investment. For these purposes the net equity of CityLife was established by an independent Arbitrator commonly agreed between Generali Properties and Immobiliare Milano Assicurazioni.

Leonardo & Co. S.p.A. was appointed as arbitrator by common agreement between Generali Properties and Immobiliare Milano Assicurazioni, in turn approved by the Parent Company FONDIARIA-SAI. The fee of Leonardo & Co. S.p.A. for the assignment was Euro 400 thousand, divided equally between Generali Properties and Immobiliare Milano Assicurazioni. In establishing the price of the investment, the arbitrator calculated the net equity value of CityLife, adjusting the unrealised gains and losses and the tax impact.

The transfer of the holding is subject to the granting by ISVAP and by the Anti-trust Authority of the authorisation of Generali Assicurazioni to acquire indirect control of CityLife.

Following the conclusion of the procedure with the granting of the authorisations required by ISVAP and the Anti-trust Authority, the appointed Arbitrator prepared the final valuation document, which stated the following values:

- Euro 109,257,548 comprising all the amounts paid into Citylife since its incorporation to the present date by Immobiliare Milano Assicurazioni, in addition to the amount proportionally paid in by this latter to the Fondazione Fiera as consideration for the Transformation Zone identified in the deed, all amounts net of the income distributed and capitalised at the 3-month Euribor rate plus 1.5 percentage points from the date of payment until the date of sale of the investment;
- Euro 106,285,874, equal to the Net Book Value of the holding at June 30, 2011.

Therefore, based on the agreement, the price of the holding is equal to the higher between the two results and therefore Euro 109,257,548 million.

Generali Properties assumed all commitments undertaken over the years by Immobiliare Milano Assicurazioni in relation to both the loan contract and the credit lines with the Lending Banks (equal to a maximum of Euro 270 million, including contingent commitments), with the Municipality of Milan and the Fiera Foundation (for a total of Euro 4.76 million) and with the shareholder banks for the junior working capital finance line (for a total of Euro 8.16 million), relating to the Holding in CityLife, and also providing a commitment to fully indemnify Immobiliare Milano Assicurazioni against any further obligations relating to these commitments, with effect from the closing date.

The Board of Directors' meeting of August 2 of the Parent Company Fondiaria-SAI S.p.A. expressed their approval of the operation, and therefore on August 3 the closing of the operation took place, with the receipt of the entire sales price agreed.

Sale of IGLI S.p.A. shares

Argo Finanziaria S.p.A., Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. on December 27, 2011 signed a contract for the acquisition by Argo Finanziaria S.p.A. of 8,040,000 ordinary shares of IGLI S.p.A., held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. and comprising 33.33% of the share capital of IGLI S.p.A.. As previously reported, IGLI S.p.A. in turn holds 120,576,293 Impregilo S.p.A. ordinary shares – 29.96% of the share capital with voting rights.

The acquisition price of each IGLI S.p.A. share subject to the agreement was established at Euro 10.89572, based on the forecast balance sheet of IGLI S.p.A. at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65.

Argo Finanziaria S.p.A. may designate its subsidiary Autostrada Torino Milano S.p.A. to acquire the IGLI S.p.A. shares held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. .

Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. have committed, on their own behalf and on behalf of their affiliates, to abstain from acquiring directly or indirectly, shares, rights and equity instruments of Impregilo S.p.A., financial instruments or debt securities convertible into shares or equity instruments of Impregilo S.p.A., in addition to any option rights concerning the subscription and/or the acquisition of any of the above-stated instruments for a period of 12 months from the execution of the operation.

The operation, subject to the required authorisation of the Anti-trust Authorities and compliance with the pre-emption procedure established in the By-Laws of IGLI S.p.A. was signed at the beginning of March 2012.

Other Activities Sector

Asset Management

2011 reported a positive year for the financial promoter networks, with total net premiums of Euro 10.7 billion, a decrease in the previous year (Euro 12.2 billion). The investment choices in the year resulted in premiums of Euro 2.9 billion on managed savings and Euro 7.8 billion on savings administration.

The figures of Assoreti for the month of December 2011 report a positive net premiums for the financial promoters of Euro 1.8 billion, tripling that recorded in November (Euro 589 million). The growth is due to both products from funds managed, returning to positive territory (Euro 300 million) after the negative results in the previous three months and a significant flow of funds to savings administration (Euro 1.5 billion). The direct distribution of investment funds saw a small outflow (Euro 4.1 million). The redemptions principally involved Italian funds (Euro 128 million), while the foreign funds report positive inflows of Euro 161 million. In relation to the other managed savings products, there was also a significant inflow in insurance products and pension funds (Euro 438 million) thanks to greater volume of gross premiums paid on traditional life policies and on unit-linked and contributions in individual pension plans.

Table 6 – Distribution of financial products and investment services

(in Euro millions)	December 2011	November 2011	From beginning of year
NET PREMIUMS	1,829.8	588.8	10,659.2
Managed savings	299.5	(186.7)	2,897.9
Investment funds	(4.1)	(221.3)	3,391.9
Asset management	(134.8)	(130.1)	(1,892.2)
Insurance and pension products	438.4	164.7	1,398.3
Administered savings	1,530.2	775.5	7,761.3
Securities	(50.9)	1,707.7	5,481.8
Cash and cash equivalents	1,581.2	(932.3)	2,279.5

Source: ASSORETI Press Release – December 2011

Consumer credit

During 2011, household credit weakened: adding to the persistent weakness of the economic growth on household finance was the progressive tensions arising on sovereign debt of some countries from the summer period, exerting strong pressure on Italian Government debt. The period of strong uncertainty on our debt quickly transformed itself into a further deterioration in confidence between brokers and households, with a consequent very cautious approach in relation to credit demand and restrictive lending policies.

These difficulties related to the majority of products, with the exception of personal loans, which rose by 5.8% in the first nine months of the year.

The Retail Credit Observatory, undertaken by Assofin, CRIF and Prometeia, reports an overall drop in total credit provided in the first nine months of 2011 (-1.4%): although an improvement on the previous two years (-5.2% in 2010 and -11.2% in 2009), the trend reflects the reticence of Italian households in undertaking financial commitments.

Negative performance also for property mortgages up to September 30, 2011 (-7.5%), which saw a strong slowdown in the summer period, in spite of stability at the beginning of the year, representing an important alternative investment for households against high volatility on financial markets and low interest rates. In the period January-September, there was a sharp decline in both property mortgages (-5.7%) and “other mortgages” (-11.7%).

The difficult macroeconomic environment and increasing uncertainty on the period for recovery will result in continued slowdown in the household credit market also for the coming year. The expectations for 2012 are in fact for a further contraction in consumption, and only in 2013 will the consumer credit segment return to growth - although modest (+1%) - thanks to a slow recovery in household spending.

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 71 million (loss of Euro 68 million in 2010).

The poor performance is due to:

- the continued losses of Atahotels - which reports a loss of Euro 23 million compared to Euro 52 million in the previous year.
Although the company reports an increase in revenues and containment in operating costs, some hotels are still not capable of covering overhead costs.
- the loss of BancaSai, which is undergoing a significant restructuring in order to redefine its business model.
This resulted in restructuring and reorganisational costs and therefore a more prudent valuation approach in the exposure to the corporate sector.
- the valuation at equity of the associated company Finadin S.p.A., with an impact of approx. Euro 16 million on the sector result. In particular, this holding possesses financial instruments represented by equity securities whose market performance saw a continual reduction in stock market values for over 24 months.
Consequently, also in the current year, it was necessary, in the valuation of the net equity of Finadin to carry out an impairment of these financial instruments, writing down the value of the investment.
- the loss of the Fiorentino Casa di Cura Villanova S.r.l. Cancer Centre for Euro 13.6 million compared to a loss of Euro 6 million in 2010, principally due to the start-up phase not yet completed, which will result in the change in activities from multi-disciplined to specialisation in cancer treatments.
This resulted in costs and investments undertaken concerning the new corporate mission.

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 SECTOR			
BANCASAI	33,386	26.43	(9,848)
SAINVESTIMENTI SGR	3,700	(8.47)	1,107

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

(in Euro thousands)	2011	2010	Change
OTHER ACTIVITIES SECTOR			
ATAHOTELS	(22,947)	(51,820)	28,873
CENTRO ONCOLOGICO FIORENTINO	(13,446)	(5,878)	7,567
FINITALIA	1,910	1,535	375
FINSAI INTERNATIONAL	2,977	5,446	(2,469)
FONDIARIA NEDERLAND	745	1,742	(997)
SAIAGRICOLA	(679)	28,349	(29,028)
SAI HOLDING ITALIA	(24,854)	420	(25,274)
SAIFIN – SAIFINANZIARIA	(22,335)	(1,311)	(21,024)
SAILUX	415	566	(151)
SAINTERNATIONAL	(2,088)	(564)	(1,524)

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

In 2011, a loss of approx. Euro 9.8 million was reported, in comparison to a loss of Euro 15 million in 2010. The key factors in the result were as follows:

- the net financial management result, a profit of Euro 16.3 million, increased compared to the previous year (Euro 11.9 million);
- the increase in operating costs, from Euro 24.9 million in 2010 to approx. Euro 33 million in 2011.

The net financial management result, a profit of Euro 16.3 million, increased by over 36% on the previous year (Euro 11.9 million in 2010). This account, which includes the total effect of the increase in the interest margin (from approx. Euro 16.5 million in 2010 to approx. Euro 22.4 million in 2011) and services, net of the write-down costs of the loan portfolio, increased substantially on the previous year. The increase in the interest margin is principally due to interest income generated on the closure of swap contracts related to securitisation (Euro 4.8 million).

In 2011, the average yield from interest bearing assets was 3.79% compared to 2.38% in 2010 while the cost of interest bearing liabilities was 1.45% (0.70% in 2010).

The result also included profits realised on in-house trading activity of Euro 0.5 million.

Net service income, represented by net commission income, amounted to Euro 9.1 million (Euro 8.1 million in 2010) and accounts for 56% of the net financial result. The increase is due to the improvement in volumes and prices in the services offered.

In relation to operating costs, personnel expenses amounted to approx. Euro 13 million (Euro 12.5 million in 2010) and includes Directors' fees, the personnel costs of 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, in addition to "corporate restructuring" costs during 2011.

Other administration expenses decreased by 2.5% on the previous year.

The lending activity of the Bank is primarily focused on the retail market, with products principally relating to loans and mortgages. The new strategic directives aim to reduce the credit exposure in particular towards businesses which, in the current market environment, represent an onerous risk both in terms of capital absorbed and human resources involved.

The lending services are therefore based on an integrated instrument within a complex relationship with the client both private and retail.

Loan assets (mortgages and credit lines utilised, net of impairments) at year-end amount to Euro 850 million (Euro 837 million at December 31, 2010). The level of mortgages at 46.2% of total loans remains high, while there is reduction in the loans to businesses.

The commercial policy is directed through differentiated distribution channels based on the target client and in particular:

- the direct and indirect brokerage network of the Fondiaria SAI Group
- the branches.

Particular importance is placed on the optimisation of the credit risk cost undertaken through the credit processes (issuance, monitoring and recovery) and the integration of the risk measures (Default Probability, Risk Exposure, Correlation to risk factors).

Bank capital requirements amounted to Euro 102.5 million (Euro 102.1 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 16.90%.

FINITALIA S.p.A.

Share Capital Euro 15,376,285.

(Indirect Holding 100%)

Finitalia recorded a net profit of approx. Euro 1.9 million in 2011 compared to approx. Euro 1.5 million in 2010.

The loan/receivables of the Company at the end of 2011 amounts to Euro 270,916 thousand, compared to Euro 222,716 thousand at the end of 2010, an increase of 21.6%. Credit granted resulted in an increase in the number of operations of 19.6% compared to 2010.

A total of 2,559 insurance agencies had agreements in place with Finitalia at December 31, 2011 compared to 2,611 at the end of 2010, following the closure of some agencies.

Administrative expenses in 2011 amounted to Euro 10.9 million, higher by approx. Euro 1 million on 2010 (Euro 9.9 million). This rise is principally due to an increase in personnel costs and other administrative expenses (for the development of new products and services, credit recovery and management costs etc.).

Among the most important events in 2011, we recall:

- in December, the training of internal personnel continued on new regulations relating to consumer credit, transparency of conditions, anti-money laundering, client and network relationships etc.;
- the premium finance product at zero interest rate with possibility of payment in two instalments, similar to the premiums paid in instalments, was updated. A complete service for insurance clients which can thus obtain an immediate annual guarantee and for the networks of an improvement in the collection of premiums in one single payment with the relative commissions, avoiding receipt in cash, as well as for the insurance company which makes the collections in a secure manner, with improvement in operating costs;
- all the actions were implemented to adjust, from January 1, 2012, the interest rates to finance the insurance premiums.

ATAHOTELS S.p.A.

Share Capital Euro 15,000,000.

(Direct Holding 51%, Group Holding 82.06%)

In 2011 the company reports a loss of Euro 23.3 million compared to a loss of Euro 52.1 million in 2010.

The above result includes amortisation and depreciation of Euro 10 million (essentially for restructuring works and improvements of managed structures) and write-downs of receivables and fixed assets for Euro 2.1 million, particularly against the estimated impossibility of recovery, with future operating cash flows, of part of the investments carried out. The result includes net financial charges of Euro 0.6 million, investment impairments of Euro 0.8 million and net extraordinary income of approx. Euro 1 million.

Total hotel revenues amounted to Euro 126.7 million, an increase of approx. 14.5% on Euro 110.4 million in the previous year.

Despite the worsening economy in the Eurozone, especially in the second half of 2011, the company achieved its revenue objectives fixed at the beginning of the year. 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. All the revenue indicators increased on the previous years, both in the Milan area, which continues to report difficulties in the congress sector, and in the summer vacation resorts, which contributed strongly to the revenues of the Company, benefitting from a small recovery in the tourist market in Italy.

In this context, the more flexible operating costs resulting from the restructuring actions undertaken in the last two years fully benefitted from the increased revenues. In particular, the overall effect of the actions implemented resulted in a less than proportional increase in overheads to revenues; personnel costs, direct operating costs and outsourcing. They remained almost unchanged compared to 2010 (including also the Ripamonti Residence – previously owned by Italresidence S.r.l. with a reduction of 2.6%).

Consolidated gross operating profit was around 29% of revenues (25% in 2010 and 19% in 2009), amounting to Euro 37 million (up 32% on Euro 26.9 million in 2010).

CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.

Share Capital Euro 182,000.

(Direct Holding 100%)

The Cancer Centre was created to provide Tuscany with healthcare facilities able to develop care and research in the cancer field within a clinical environment open to the surrounding area and medical-scientific community offering efficient and effective clinical services. The driving force behind the project is the parent company, which took the first steps in 2001 and confirmed in the industrial plan approved in November 2011 by the Board of Directors of the Parent Company Fondiaria-SAI.

The Company reported a loss of Euro 13.6 million compared to a loss of Euro 6 million in the previous year. This result is principally due to the start-up phase and the change of the multi-discipline activities (prevalently orthopaedic activities) to activities centred on cancer and thus incurred overhead costs and investments in relation to the new mission. The industrial plan of the company for the 2011-2014 period provides for a capitalisation of Euro 30.5 million. At the end of the period of the plan, revenues are forecast to achieve a break-even result and profits in the following years.

Revenues from normal operations increased from approx. Euro 12 million in 2010 to approx. Euro 15 million with a strong increase in private patients (from Euro 1.1 million to Euro 1.6 million) and private outpatients' revenues (from Euro 0.13 million to Euro 1.002 million). Revenues from Health Boards increased due to the increase in the ceiling by the Tuscany region for the year 2011 (from Euro 8.2 million to Euro 8.7 million) and a significant increase of patients from other regions (from Euro 2 million to Euro 3 million).

Operating costs increased from Euro 19.3 million to Euro 28.7 million. The comparison with the previous year is not very significant: the start-up of the Cancer Centre in the new Villa Ragioneri centre commenced only in June 2010 and only with existing clinical authorisations held.

New investments in the year totalled Euro 1.2 million: in particular, restructuring costs on the Villanova building related to the modifications requested for the rental to the subsidiary Donatello Day Surgery.

Receivables (Euro 7.6 million in 2011 and Euro 6.4 million in 2010) refer almost exclusively to the Health Board and include the extra ceilings in the previous years and overdue interest. Payables to holding companies (Euro 2 million, in line with 2010) refer to interest bearing loans.

We recall that the parent company made capital payment on accounts of Euro 10 million in 2011. In line with the capitalisation programme contained in the industrial plan, on January 20, 2012 a further capital payment on account was made by the Parent Company of Euro 2.5 million. The industrial plan provides for a net equity of the company not below Euro 3 million.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At December 31, 2011, the volume of investments amounted to Euro 33,789 million, compared to Euro 36,014 million in the previous year (-6.18%).

The decrease is principally due to the impact of the financial markets on the assets available-for-sale.

The investments, tangible fixed assets and liquidity at 31/12/2011 compared to the previous year are shown below.

Compared to 2010, the overall composition of investments changed as follows:

(in Euro thousands)	31/12/2011	Percent. %	31/12/2010	Percent. %	Cge. %
INVESTMENTS					
Investment property	2,759,245	7.85	2,894,209	7.77	(4,66)
Investments in subsidiaries, associates and joint ventures	116,558	0.33	325,369	0.87	(64,18)
Loans and receivables	3,688,865	10.49	3,159,211	8.48	16,77
Investments held to maturity	599,713	1.71	592,138	1.59	1,28
AFS financial assets	17,598,287	50.03	20,302,882	54.54	(13,32)
Financial assets at fair value through the profit or loss account	9,026,664	25.67	8,740,064	23.47	3,28
Total investments	33,789,332	96.08	36,013,873	96.72	(6,18)
Tangible fixed assets: buildings and other fixed assets	401,744	1.14	594,334	1.60	(32,40)
Total non-current assets	34,191,076	97.22	36,608,207	98.32	(6,60)
Cash and cash equivalents	976,582	2.78	625,940	1.68	56,02
Total non-current assets and cash equivalents	35,167,658	100.00	37,234,147	100.00	(5,55)

The investment property includes the assets in the closed and reserved Tikal R.E. and Athens R.E. funds. These funds are fully consolidated and the relative property is valued at cost with a total contribution of Euro 422 million (Euro 467 million at 31/12/2010) for Tikal R.E. and Euro 42 million for Athens R.E. (Euro 54 million at 31/12/2010).

In relation to the financial assets at fair value through the profit and loss, they include Euro 8,900 million (Euro 8,553 million in 2010) relating 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 as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Cge. %
AFS financial assets	17,598,287	20,302,882	(13.32)
Equity securities	1,171,370	1,528,791	(23.38)
Fund units	788,143	819,961	(3.88)
Debt securities	15,636,678	17,952,179	(12.90)
Other financial investments	2,096	1,951	7.43
Financial assets at fair value through the profit or loss account	9,026,664	8,740,064	3.28
Equity securities	30,599	32,502	(5.86)
Fund units	636,124	459,900	38.32
Debt securities	8,072,935	7,758,432	4.05
Other financial investments	287,006	489,230	(41.32)

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 79.34% of the total investments of the Group (78.1% at 31/12/2010).

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

(in Euro thousands)	31/12/2011	31/12/2010	Change
Net income from financial instruments recorded at fair value through profit or loss	321,699	395,283	(73,584)
Net income from investments in subsidiaries, associates and joint ventures	(21,306)	516	(21,822)
Income from other financial instruments and property investments			
of which:			
Interest income	827,269	722,345	104,924
Other income	149,550	167,637	(18,087)
Profits realized	212,535	390,939	(178,404)
Valuation gains	305	476	(171)
Total income	1,490,052	1,677,196	(187,144)
Charges from other financial instruments and property investments			
of which:			
Interest expense	76,941	80,414	(3,473)
Other charges	69,450	78,146	(8,696)
Losses realized	142,293	166,095	(23,802)
Valuation losses	706,963	490,656	216,307
Total interest expense and charges	995,647	815,311	180,336
TOTAL NET INCOME	494,405	861,885	(367,480)
Net income from financial instruments recorded at fair value through profit or loss whose risk is born by policyholders (Class D).	328,097	401,691	(73,594)
TOTAL NET INCOME EXCLUDING CLASS D	166,308	460,194	(293,886)

The net income from financial instruments recorded at fair value through the profit and loss includes income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 328 thousand (net income of Euro 402 million in 2010). This increase is offset by the corresponding decrease in the technical reserves of the Life sector relating to this class of activity.

As already illustrated in the introduction, the significant increase in the impairment follows the recognition in the income statement of the negative component of the AFS reserve relating to securities held in accordance with the impairment policies and bonds issued by the Greek state, whose book value is aligned to the market value with recognition of the losses in the income statement considering the default of the issuer. 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)	2011	2010
Unicredit	57.0	118.6
Generali	48.2	167.6
Premafin	31.6	-
Government Greek bonds	156.3	-
Other	79.9	103.1
Total	373.0	389.3

Financial management

Equity sector operations

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

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

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

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

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

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

Bond sector operations

In relation to the financial management in 2011 at Fixed Income level, all of the macroeconomic variables were considered which are in constant flux, with a continual focus on the containment of potential effects from the sovereign debt crisis.

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

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

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

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

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

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

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

In relation to the securities sector issued by private companies (corporate), given the strong performance of some sectors and issuers, it was considered appropriate to realise some of the gains matured, with subsequent reinvestment in the less volatile asset classes.

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

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

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

The Life Division has an asset allocation based primarily on fixed rates (83.3%) while the variable portion comprises 16.7%. The total duration of the Portfolio is 5.12.

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

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

Milano Assicurazioni

The Bond sector represents, at the end of 2011, 87.4% of the total portfolio, with a total duration of 3.41 years.

The Non-Life Division is composed of 52.9% of fixed income bonds, 37.1% at variable rate and a residual 10% in money market instruments. The total duration of the Portfolio is 1.80.

The Life Division has an asset allocation based primarily on fixed rates (85.2%) while the variable portion comprises 14.8%. The total duration of the Portfolio is 5.06.

At strategic level, preference was given to investments in Government Securities in the Eurozone which represent 77.6% of the bond portfolio, investment in corporate securities amounted to 17.3%, while the investment in time deposits and cash amounted to 5.1%.

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

Market performances

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

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

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

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

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

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

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;

- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on old Greek government issues at the date of the agreement.

The plan, which establishes March 8 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. The companies of the Group subscribed for all securities held.

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 following table, which highlights a reduction in the debt of over Euro 222 million.

(in Euro millions)	31/12/2011	31/12/2010	Change
Sub-ordinated loans	1,049.5	1,041.4	8.1
Banks and other lenders	300.4	530.9	(230.5)
Total debt	1,349.9	1,572.3	(222.4)

The reduction in the debt is principally due to the repayment of Euro 75 million in January on the senior loan issued by Mediobanca to the Parent Company, and the repayment by Immobiliare Milano of the bank loan signed with BPM and a portion of that signed with Efibanca for a total of approx. Euro 57 million.

In addition the short-term loans granted to Finitalia and Atahotels respectively for Euro 44 million and Euro 20 million were reduced.

The Tikal Closed Real Estate Fund in the first half of the year repaid the final instalment of the loan signed in 2005 with Banca Intesa Sanpaolo as the agent bank for Euro 15 million.

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 1,050 million, in order to neutralise the risk related to the above mentioned loans.

With reference to **Bank and other lenders**, amounting to Euro 300.4 million, the most significant amounts are reported below:

- Euro 116.5 million relates to the loan signed by the Tikal Closed Real Estate Fund with Mediobanca as the Agent Bank. The loan, of Euro 119 million, was issued for the purchase of property and improvements and at 31/12/2011 approx. Euro 2 million had been repaid. The cost of the loan is Euribor plus a variable credit spread between 60 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 99.0 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 2012 to 2014;
- Euro 71.7 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally 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 12.7 million refers entirely to the debt of the subsidiary Immobiliare Milano Assicurazioni. This relates to a bank loan signed with Efibanca with maturity on 23/02/2012 at an interest rate of Euribor at 6 months increased by 83 basis points. The reduction on December 31, 2010 of the net debt of the subsidiary of approx. Euro 57 million is due to the repayment on 31/05/2011 of the bank loan signed with BPM and the repayment in February 2011 of a portion of the loan undertaken with Efibanca;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 31/12/2011 and at 31/12/2010, the Parent Company held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	31/12/2011		31/12/2010	
	Number	Book value	Number	Book value
Treasury shares held by:				
Fondiarria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	132,323	9,982,557	229,261
Sai Holding	1,200,000	16,337	1,200,000	28,306
Total	14,382,557	213,026	14,382,557	321,933
Shares of the holding company held by:				
Fondiarria-SAI	18,340,027	2,289	18,340,027	14,107
Milano Assicurazioni	9,157,710	1,143	9,157,710	7,044
Saifin – Saifinanziaria	66,588	8	66,588	51
Total	27,564,325	3,440	27,564,325	21,202

Treasury shares

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

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

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

Shares of the holding company

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

At December 31, 2011, the Parent Company held 18,340,027 shares amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni held a further 9,157,710 ordinary shares totalling 2.232% of the share capital.

PERFORMANCE OF THE LISTED SHARES OF THE GROUP

The share capital of the Company amounted at the year-end to Euro 494,731,136, divided into an equivalent number of shares of a nominal value of Euro 1 (367,047,470 ordinary shares and 127,683,666 saving shares).

In 2011, the share price was between a minimum of Euro 0.604 (at 30/11/2011) and a maximum of Euro 4.2938 (at 03/02/2011) for the ordinary shares, and between a minimum of Euro 0.3355 (at 30/11/2011) and a maximum of Euro 2.8662 (at 03/02/2011) for the saving shares.

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

<i>(values in Euro)</i>	30/12/2011	30/12/2010	Change %
Fondiarria-SAI ord.	0.6195	3.6516	(83.03)
Fondiarria-SAI sav.	0.3405	2.5576	(86.69)

The corresponding stock exchange capitalisation at the year-end was Euro 271 million (Euro 956 million at 31/12/2010).

The share prices of Milano Assicurazioni were as follows:

<i>(values in Euro)</i>	30/12/2011	30/12/2010	Change %
Milano Assicurazioni ord.	0.2285	0.7611	(69.98)
Milano Assicurazioni sav.	0.1864	0.7731	(75.89)

The corresponding stock exchange capitalisation at the year-end was Euro 440 million (Euro 707 million at 31/12/2010).

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 Fondiarria-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 relating to the account *Goodwill*.

RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

Rating

On March 9, 2011, the rating agency Standard & Poor's revised the rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB to BBB-. Standard & Poor's considered that communicated by CONSOB in relation to the query from Groupama and reported to the market may increase uncertainties concerning the successful completion of the share capital increase of PremafinHP S.p.A. and consequently of Fondiaria-SAI S.p.A.. In addition, Standard & Poor's considered that the further possible deterioration of the financial flexibility of Fondiaria-SAI S.p.A. caused by the 2010 operating performance and investment impairments will erode the capital base to a level no longer supportive of the rating enjoyed to this point. Standard & Poor's maintained a negative CreditWatch for Fondiaria-SAI and Milano Assicurazioni in light of the continued uncertainties surrounding the successful completion of the share capital increase announced.

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

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

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

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

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

On November 15, 2011, the rating agency Standard & Poor's revised the rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB- to BB+. Standard & Poor's confirmed the decision followed the losses of the Group in the first nine months of the year and the effect of these losses on the capitalisation of the company and the solvency margin.

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

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

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

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

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

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 expired on April 28, 2011.

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

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

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

Information Technology and IT integration

The Group information technology department in 2011 was involved in various insurance business initiatives, both in relation to transformation and upgrading of IT platforms and in the governance area.

In addition to the realisation of new products launched by the Group, the most important initiatives/upgrading activities involved:

- the consolidation of the Enterprise DataWareHouse platform, also with a view to Solvency II;

- the upgrading of the Group Claims system also with a view to Anti-fraud and Accounting;
- the updating of new agency procedures in support of commercial and operational development;
- the issue of new Agent procedures for the Agency networks;
- the provision of new services in the Life Division through internet;
- the updating and consolidation of the governance and control internal model.

The Group online platform was further developed during 2011, in accordance with the plan. In particular:

- consolidating as a platform for the direct channel and the non life bancassurance joint venture;
- implementing new services online (head office assistance and portfolio management) to replace some existing procedures, with the double objective of technological upgrades and implementation of new operating models.

The Information Technology department provides Group companies IT application and infrastructural services in accordance with corporate objectives of the Group consortium company Fondiaria SAI Servizi S.c.r.l.

Adoption of minimum security measures for the handling of personal electronic data

The handling of electronic data is undertaken in accordance with the provisions of Legislative Decree 196/03 and subsequent modifications and supplementations and the minimum security measures as per Articles 31, 33, 34 and 35 of the aforementioned Decree and relative Attachment B were adopted.

Execution of the Fondiaria-SAI rights issue

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

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

For further information in relation to the rights issue, to the subscription commitments undertaken, to the intermediaries and rights options, reference should be made to the section “Share capital Increase” on the website of the Group www.fondiaria-sai.it under “Shareholder Office”.

Execution of the Milano Assicurazioni rights issue

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

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

For further information in relation to the rights issue, to the subscription commitments undertaken, to the intermediaries and rights options, reference should be made to the section “Share capital Increase” on the website of the Group www.fondiaria-sai.it under “Shareholder Office”.

ISVAP inspections

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

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

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

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

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

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

- in relation to the significant issues highlighted by the Institute concerning the position of the control departments within the organisational structure (Audit, Risk Management and Compliance) department, to modify the structure approved at the meeting of January 27, 2011, placing the Audit, Compliance and Risk Management department under the direct and exclusive control of the Board of Directors. The Chief Executive Officer will approve salaries (excluding all variable components), vacations, expenses and career advancements;
- to make amendments in relation to the control department heads, with the appointment of persons possessing the specific skills required, and more in general, all regulatory requirements to the Audit and Risk Management departments in the persons respectively of Mr. Giorgio Borghino and Mr. Giorgio Bedogni and committing to appoint the new Compliance Department head at a subsequent meeting, ensuring the centralisation of all the control departments at Parent Company level, in order to carry out the respective activities for all of the insurance companies within the Fondiaria-SAI insurance group, in accordance with specific outsourcing contracts individually authorised by ISVAP;
- to incorporate, with the prior discontinuation of the Compliance Committee and the governance departments previously constituted by the Board, of a new committee involving, in addition to the Audit, Compliance and Risk Management Department heads, also the Board of Statutory Auditors (through its Chairman), the Internal Control Committee (through its lead coordinator), the Supervisory Body as per Legislative Decree No. 231/01 (through its coordinator) and the appointed actuary, in addition to the head of the newly created “Inter-group Activity Unit” (described below), with the possible involvement also of the audit firm, in order to allow all the bodies or departments which have been allocated a specific control function to collaborate together as per ISVAP Regulation No. 20/2008, exchanging all useful information for the completion of their relative duties;
- to create a specific organisational body called the “Inter-group Activity Unit”, headed by the Chief Executive Officer, in order to, among other issues, evaluate the best method to fulfil the requirements concerning transactions with related parties, clearly establishing the relative duties and appointing Ms. Angela Pasetti as head of the committee.

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

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

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

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

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

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

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 relating to the specific activities exercised, including information relating 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 2011, the Fondiaria-SAI Group employed 7,591 people (7,917 at 31/12/2010) of which 2,564 employees of the Parent Company (2,594 in 2010) and is broken down as follows:

Number	31/12/2011	31/12/2010	Change
Italian companies	5,929	6,093	(164)
Foreign entities	1,662	1,824	(162)
Fondiaria SAI S.p.A. Group	7,591	7,917	(326)

The above table does not include the seasonal personnel of Atahotels, comprising 88 persons at 31/12/11 (128 at 31/12/2010).

For the foreign companies, the employee numbers reduced in the company DDOR due to the restructuring actions undertaken at the Serbian company which involved particular focus on administrative and non productive sales force personnel.

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 Mobility Lay-Off Scheme;
- the retraining of some Group employees aimed at the rationalisation of processes, the containment of operating costs through a more stringent resource allocation plan and the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

In addition, the employees of the foreign companies include 620 brokers.

At 31/12/11

At 31/12/10

Fondiaria-SAI
Altre società assicurative
Società agricolo-immobiliari

■ Milano Assicurazioni
■ Società finanziarie-bancarie
■ Altre società

Company **Personnel in %**

Fondiaria-SAI	33
Milano Ass.ni	20
Other insurance companies	25
Financial/banking companies	3
Agricultural/real estate companies	3
Other companies	16

Fondiaria-SAI
Altre società assicurative
Società agricolo-immobiliari

■ Milano Assicurazioni
■ Società finanziarie-bancarie
■ Altre società

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

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 2011, the evaluation process was enriched through the mapping of the technical know-how by professional category, which refined the evaluation process to the specifics of the business units and professional know-how. The mapping of the technical know-how has the following objectives:

- to inform employees of expectations;

- to provide evaluators appropriate evaluation instruments to identify strengths and improvements of employees;
- define the know-how capital within the Company to pursue development and evaluate the availability of staff in relation to the requirement of the principal organisational positions.

In 2011, an initiative began for the hiring and professional development of high potential new graduates. New graduates have the possibility to undertake an important interfunctional development path through a 2-year Graduate Programme which provides for:

- Job rotation, with operating experience in different company departments;
- Master in Insurance, specifically structured to provide interdisciplinary knowledge on the principal themes in the sector;
- Technical training, in order to have a complete and efficient conceptual instrument within the Company;
- Mentoring, to supervise training on the job and provide support to create a network within the organisation.

The Job Evaluation system was updated also in 2011, through a focused analysis and an evaluation of the principal company positions according to an international standard which includes parameters relating 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 2011, 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

During 2011, total training amounted to approx. 6,000 student days and 7,300 staff involved, compared to a small decrease in the total number of employees (approx. 120 departures) and a significant decrease in costs (down approx. 40%, from Euro 596,000 to Euro 360,000).

Among the principal initiatives, we report:

- in the first quarter the continuation of the knowledge development course for Managers and Professional staff;
- the commencement of new training activities included in the Catalogue of Internal Courses distributed at the beginning of the year, featuring Interdepartmental Division Laboratories, and the preparation of the 2012 Catalogue with 6 new initiatives;
- the preparation of a Master in Insurance for newly qualified graduates in partnership with SDA Bocconi;
- the development of Distance Training on Solvency.

In 2011, over 4,300 persons participated in at least one training programme.

The pro-capita days, which is an indicator of the amount of training by individual employee involved, was approx. 1.3 days.

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.

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. 98% of the total).

Graph 5 - Personnel Involved by Type of Initiative and Course Method

At 31/12/2011

At 31/12/2010

At 31/12/2011		At 31/12/2010	
Courses	Personnel in %	Courses	Personnel in %
Management	8	Management	18
Claims	7	Claims	19
Technical- insurance	17	Technical- insurance	14
Technical- professional	62	Technical- professional	39
Information technology	4	Information technology	7
Languages	-	Languages	-
Other	2	Other	4

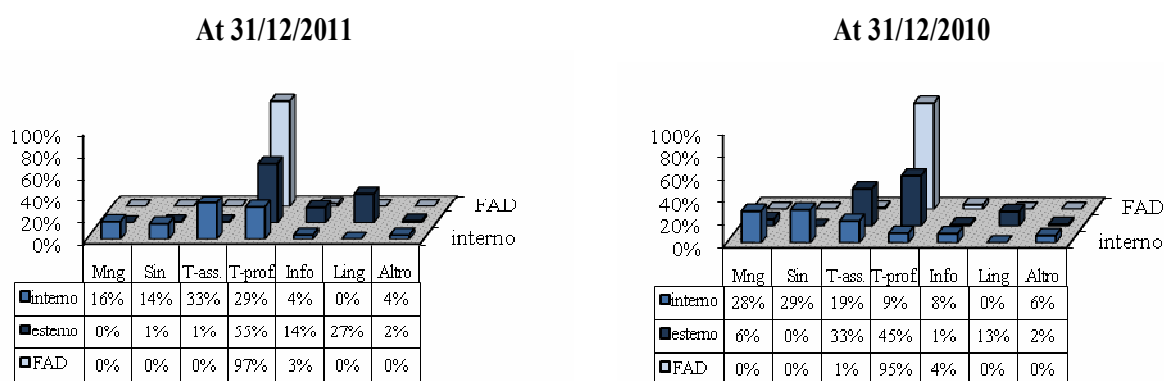
The following graph shows the volume of activity, broken down between courses designed and organised internally

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. 6,000 student days, 98% of the total).

Graph 6 - Personnel Involved by Type of Initiative and Course Method



Industrial Relations Policy

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

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

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

Following this, the negotiations resumed in May and continued until the middle of July when, as a result of the failure to reach a satisfactory conclusion, the trade unions declared a unilateral interruption to negotiations placing the blame on ANIA and declaring actions for the Autumn. ANIA proposed a break to consider the situation and to resume negotiations after the Summer break.

In the autumn, the officials of ANIA met the national Secretaries of the various trade union organisations to establish the real willingness of the trade unions to step back from the positions taken at the beginning of the summer and therefore identify possible points of agreement to reopen negotiations.

For further details on the renewal of the CCNL agreement for non executive employees, reference should be made to "Significant events after the year-end".

After the year-end, in the first weeks of 2012, the contacts between the Parties resumed in order to further establish common ground and recent developments seem to indicate a positive outcome towards the conclusion of a renewal.

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

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

We highlight also the conclusion at the beginning of 2011 of an agreement concerning the financing by the Insurance Company and Banks Fund of a training plan for Group employees and the signing on 14/04/11 of an agreement concerning the transfer of the head offices of Liguria Assicurazioni and Liguria Vita from Segrate to via Senigallia in Milan. Finally we report the agreement of November 29, 2011 concerning the merger by incorporation of Sistemi Sanitari s.c.r.l. into Gruppo Fondiaria Sai Servizi.

Employee disputes before the courts remained limited, however increasing slightly on previous years.

At December 31, 2011, there were 46 cases pending for Fondiaria-SAI S.p.A. and 30 for Milano Assicurazioni S.p.A.

Workplace Health and Safety

The provisions for the application of regulations relating to workplace health and safety have been efficiently implemented by the Fondiaria-SAI Group.

It is important to highlight that the protection of employee health and safety applies to compliance with regulatory and contractual obligations.

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, first aid and assisting disabled persons teams. The training/continuing education of the afore-mentioned personnel involved approx. 700 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, relating 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. From 2010 a new training and information programme involving all 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”.

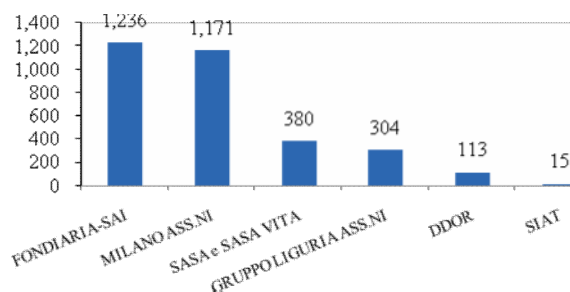
In 2011, premiums were mainly produced by 3,219 agencies operating through 2,521 points of sale and representing the traditional sales channels.

Specifically, the distribution structure includes 1,236 single-mandate and multi mandate agencies of the Parent Company (1,282 at December 31, 2010), as well as a further 1,983 agencies that collaborate with the other Group companies.

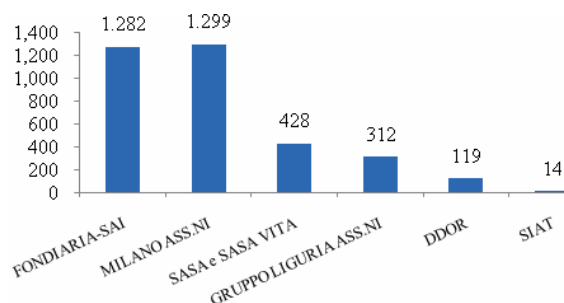
The agencies who signed up to the distribution mandate with Finitalia number 2,559 at the end of 2011 compared to 2,611 in 2010.

The BancaSai network in total includes 240 financial promoters, following the restructuring of the sales networks begun in June 2008.

As at 31/12/2011



As at 31/12/2010



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

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 being a primary objective.

The training is aimed at all the agency network, with differentiated themes and courses. 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 undertaken the Gate Training programme to satisfy the various needs of the participants. This was structured differentiating the courses in 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, as follows:

- 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. In particular 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), new training courses (through the Internet agencies can view course dates and locations to which they can subscribed) and self-training courses through new e-learning methods. These latter multimedia training modules facilitate quick and efficient training of all the agency network.

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 2011, the commitment towards training, in terms of both human and economic resources, was significant. The courses organised directly by the Company amounted to 1,090 for Fondiaria-SAI and 943 for Milano Assicurazioni, for total participations respectively of 13,835 and 10,252 (for a total of 2,033 courses and 24,087 participations). The courses held by agents to train their partners, utilising training materials and instruments provided by the insurance company, were significant: 5,977 courses and 34,726 participations for Fondiaria-SAI while Milano Assicurazioni recorded 5,038 courses and 26,563 participations. Finally in relation to self-training and e-learning courses, 38,144 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 Fondiaria-SAI clients (3.8 at 31/12/2011, 3.7 at 31/12/2010), with the cross-selling rate by Retail Clients remaining stable - as reported below.

Cross-selling rates

	2011		2010	
	Fondiarria-SAI	Milano Assicurazioni	Fondiarria-SAI	Milano Assicurazioni
CORPORATE				
No. of clients	175,589	191,766	190,859	203,528
No. of policies	669,837	349,733	709,009	392,357
No. of policies per client	3.8	1.8	3.7	1.9
RETAIL				
No. of clients	4,003,896	3,227,147	4,246,149	3,491,878
No. of policies	6,416,934	4,884,120	6,788,842	5,286,118
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 relating 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

To counter the new challenges arising from the economic crisis, the European Commission (executive body and promoter of the legislative process of the European Union) on October 25, 2011 published a Communication which provides the guidelines for the new strategies on Business Social Responsibility, indicating one of the key elements the proactive role of the Corporate Social Responsibility.

This new strategy of the Commission arises from the serious economic crisis and the social consequences arising, in particular the loss of credibility of the entrepreneurial and economic world towards consumers. In order to overturn this sentiment and rebuild a credible reputation of the stakeholders, the Commission wishes to promote and give new life to the Corporate Social Responsibility to create the conditions for a sustainable growth and responsible business, indispensable at the present moment to create new long and medium-term employment. In this context, businesses must use processes which integrate and take into account, in their strategic development, environmental, social and ethical aspects as well as problems related to human rights and consumers. This should be undertaken in close collaboration with the stakeholders to identify, monitor and mitigate the possible negative impacts of their activities, and with the objective to create value for their shareholders, for the stakeholders themselves and for society in general.

It has therefore become indispensable, for the enterprises involved on a daily basis with its stakeholders, the establishment of trust with their partners in order to affirm and grow their reputation, while being well aware that the Corporate Social Responsibility cannot be an isolated project, but must become an integral part of the decision-making and operations of the enterprise at all hierarchical levels, in order to involve all stakeholders in a meaningful way in the business processes.

At the end of the Communication, the European Commission drew up an action plan for the period 2011-2014 which outlines the commitments of the Commission, in addition to suggestions and proposals for enterprises, member states and stakeholders. The Commission will also prepare, together with the Member States, enterprises and stakeholders, a periodic monitoring of the measures contained in the Communication, with a review meeting planned in the middle of 2014 to evaluate the results.

For example purposes, details of the principal initiatives undertaken by the Fondiaria-SAI Group in 2011 are reported below.

Fondiaria-Sai Foundation

In 2004, the Fondiaria SAI insurance Group set up a Foundation of the same name. Since its inception, it has developed clear ideas, which are essential to efficiently sustain large humanitarian projects. Projects which look towards the world.

It is to persons in difficulty that the Foundation turns its strength, and determination, in particular towards those who today, in the third millennium are the weakest categories: children, women and young people.

Children given the possibility to grow, to become adults, to defend their lives, so that they contribute to a more responsible, better society.

Women given prospects and tools to affirm their rights.

Young people provided training and teach them a trade so that they can, through small entrepreneurial activities, create income and growth for their country.

Provide a future for those who are the future, this is the greatest promise, this is the most important commitment. The solidarity must not end with a donation of funds, but must be an offer of time, work and heart.

This means participate actively in initiatives, carefully select the partners for the project, create synergies with the institutions, stimulate dialogue with the public and private sectors.

Since 2010 the projects “WOMEN to be” were created to provide economic, social and cultural growth for women.

Sustain, accompany and support are the key words for all the initiatives undertaken by the Foundation. Words which today are transformed into facts.

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

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

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

Sponsorship and Donations

In 2011, the policy favoured, in accordance with the traditional concerns of the Company, the problems related to social issues and physical and mental illness. The support continued of AIMAC – the Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of initiatives and publications. Support was renewed for the Friends of the Dino Ferrari Centre, an organisation involved in the care of neuromuscular and neurodegenerative illnesses and for the Maggiore Hospital Visitor’s Association, which provides emotional and material support for hospital patients and their family coming from outside the city.

In the third quarter of 2011 the Fondiaria SAI Group supported the Prader Willi Association and their Families. The Prader Willi Syndrome is a very rare genetic defect, present at birth, whose causes are currently unknown. In the final quarter of the year, Fondiaria-SAI sponsored the “Cena di Natale Insieme” charity event for children.

Press Office

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

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

LITIGATION

Actions by shareholders

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

There are however four proceedings initiated by the Company for the reform of four judgements issued by the Court of Milan pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeals of Florence following the counterparty’s appeal of the judgement that was issued by the Court of Florence in favour of the Company.

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

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

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

Communications to the Motor TPL Claims Databank

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

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

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

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

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

Tax Audits

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

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

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

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

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

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

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

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

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

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

2) The Corporate Boards

2.1) Board of Directors and Executive Committee

The Board of Directors is responsible for operational activities and organisational and strategic direction of the Company and the Group, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.

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

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

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

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

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

In accordance with these statutory provisions, the Board attributed special powers to the Chairman and to the Chief Executive Officer. The Chairman subsequently waived, on July 21, 2011, the powers attributed by the Board.

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

2.2) Board of Statutory Auditors

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

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

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

The requirement of good standing and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

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

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

2.3) Shareholder Meetings and shareholders

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

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

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

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

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

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

3) Management and control

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

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

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

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

1) Board of Directors and Executive Committee

1.1) Role of the Board of Directors

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

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

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

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies the adequacy and effective functioning and is assisted by the Internal Control Committee as per point 3.4 below.

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

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

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

1.2) Composition of the Board of Directors

The composition of the Board of Directors, unchanged at the current date compared to December 31, 2011 and which currently comprises of 18 members, is reported in the present report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2011.

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

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

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

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

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

1.3) Executive Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.5) Chairman of the Board of Directors

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

1.6) Duty conferment to the office of Vice Chairman

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

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

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

1.7) Meetings of the Board of Directors and Executive Committee

The Board of Directors meet regularly.

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

During the year 2011:

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

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

1.8) Non-executive and independent directors

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

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

In accordance with the definitions contained in the new Code, the non-executive independent directors are: Mr. Andrea Broggin, Mr. Roberto Cappelli, Ms. Valentina Marocco, Mr. Enzo Mei, Mr. Salvatore Militello and Mr. Cosimo Rucellai. The Board considers, in fact, they are not in the situations indicated by the Code where their position is not compatible with that of an independent director.

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

The Board of Directors, most recently in February 2010, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board. The directors stated as independent were held to be in compliance with the requirements of the Code. Particular attention is paid to the criteria utilised to evaluate the significance of the professional relationships undertaken by some directors with the Company and with the Group, considering for these purposes the qualitative criteria (relevance of the professional relationship under the office held) and also quantitative criteria, with reference to the amount of remuneration both in absolute and relative terms, relating to the totality of professional activities of the interested parties. In particular, the Board of Directors' meeting of January 29, 2012 approved that, for the purposes of the evaluation of the independence of a director, consideration should be taken of any annual fees for professional services provided to the Fondiaria SAI Group exceeding 5% of annual turnover of the Enterprise or of the Body in which the director has control or is a significant member or a partner or shareholder of a Professional or Consultancy Firm or in any case, the amount of Euro 200,000.

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

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

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code. Any such activity is reported in the list of offices held by each director in other companies.

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

To date, there have been no formal meetings of the independent directors in the absence of the other directors. Exchange of opinions and observations agreed between the independent directors are, where necessary, brought to the attention of the Board of Directors on discussions relating to significant operations of an extraordinary nature. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

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

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

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

1.9) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 15, 2012 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is shown below:

Jonella LIGRESTI

Chairman: SAI HOLDING ITALIA S.p.A.

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

Massimo PINI

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

Vice Chairman: GEMINA S.p.A.

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

Management Board member of: Shareholder Agreement - RCS

Antonio TALARICO

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

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

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

Emanuele ERBETTA

Chairman: EUROSAI S.r.l.

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

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

Andrea BROGGINI

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

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

Roberto CAPPELLI

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

Maurizio COMOLI

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

Vice Chairman: BANCO POPOLARE Scarl

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

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

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

Carlo d'URSO

Vice Chairman: IMMSI S.p.A.

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

Ranieri de MARCHIS

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

Vice Chairman: FONDO INTERBANCARIO DI TUTELA DEI DEPOSITI

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

Statutory Auditor: BAYERISCHE HYPO UND VEREINSBANK AG
BANK BPH SA

Vincenzo LA RUSSA

Director: METROPOLITANA MILANESE S.p.A.

Statutory Auditor: INCOSA S.r.l.

Gioacchino Paolo LIGRESTI

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

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

Director: ALITALIA COMPAGNIA AEREA ITALIANA S.p.A.
FINSAI INTERNATIONAL S.A.
MILAN A.C.
SAI HOLDING ITALIA S.p.A.
SAILUX S.A.
SAINTERNATIONAL S.A.
SAINTERNATIONAL LUGANO BRANCH S.A.

Fausto MARCHIONNI

Chairman and
Chief Executive Officer: SIAT S.p.A.

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

Valentina MAROCCO

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

Statutory Auditor: FONDAZIONE MARCO RIVETTI Onlus

Enzo MEI

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

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

Salvatore MILITELLO

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

Cosimo RUCELLAI

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

Salvatore SPINIELLO

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

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

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

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

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

Graziano VISENTIN

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

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

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

On the outcome of this valuation, the Board considers that the number of offices held by directors and/or statutory auditors held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of FONDIARIA-SAI, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group.

1.10) Appointment of the directors

In 2011, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is sufficiently concentrated and there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

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

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

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

The by-laws also provide that, together with the slate, the declarations in which the individual candidates accept their candidature must be filed at the registered office and the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 148, paragraph 3, of the Consolidated Finance Act should also be indicated.

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

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

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

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

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

1.11) Director remuneration

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

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

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

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

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

1.12) Stock options plans

On April 28, 2011 the period expired for the assignment pursuant to the extraordinary shareholders' meeting of April 28, 2006, by the Board of Directors of Fondiaria-SAI of options under the 2006-2011 stock option plan in favour of executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company Premafin Finanziaria, for the acquisition of saving shares of Fondiaria-SAI.

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

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

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

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

1.13) Remuneration Committee

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

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

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

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

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

1.14) Significant transactions with related parties

The Board of Directors approved, since May 2005, specific conduct principles for the undertaking of significant transactions and transactions with related parties, including inter-group transactions. Even before the entry into force of CONSOB Regulation No. 17221 of March 12, 2010 (hereafter: CONSOB Regulation), in defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the operations with related parties - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

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

Significant operations

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

Transactions with related parties (including inter-group transactions)

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

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

Therefore operating procedures were implemented for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

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

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

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

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

On November 30, 2010, the Board of Directors of FONDIARIA-SAI approved the "Conduct principles for carrying out significant transactions and those with related parties" document, in compliance with CONSOB Regulation.

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

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

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

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

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

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

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

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

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

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

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

In addition to identifying transactions with related parties which may be considered as less significant transactions in accordance with the CONSOB Regulation, the above-mentioned principles also identify transactions with related parties which, although classified as less significant, are subject to obligations by subsidiary companies, with the exception of listed companies and those not subject to direction and coordination.

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

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

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

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

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

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

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

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

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

Finally a specific internal procedure was formalised which defines the time limits, content and communication method of the data to update the list of the related parties, of the operational procedures as well as inclusion in the register for transactions with related parties.

2) Board of Statutory Auditors

2.1) Composition, role and meetings of the Board of Statutory Auditors

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

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

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

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

In 2011, the Board of Statutory Auditors met 25 times with an average duration of approx. three hours. It is expected that a similar number of meetings will take place in 2012. Currently, the Board of Statutory Auditors has met four times in 2012.

The Board of Statutory Auditors in 2011 attended 14 meetings of the Internal Control Committee, 8 meetings of the Remuneration Committee and all of the Board of Directors' and Executive Committee meetings and the shareholders' meetings.

2.2) Appointment of the Board of Statutory Auditors

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

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

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

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

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

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

The offices of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed companies on regulated markets, also abroad, in financial, banking and insurance companies or companies of significant size are reported below.

Benito Giovanni MARINO

Director: ITALIAN HIGHTECH ENERGY S.r.l.

Chairman of the
Board of Statutory Auditors: BANCA SAI S.p.A.
FINANZIARIA SACCARIFERA ITALO-IBERICA S.p.A.
INTERNATIONAL STRATEGY S.r.l.
MIFIN S.r.l.
SAI MERCATI MOBILIARI SIM S.p.A.
SIAT S.p.A.
SILENT GLISS ITALIA S.p.A.
SILENT GLISS MEDIT S.p.A.
TAVOLA S.p.A.

Statutory Auditor: CHEF ITALIA S.p.A.
POPOLARE VITA S.p.A.

Antonino D'AMBROSIO

Sole Director: INGENERA S.r.l.

Chairman of the
Board of Statutory Auditors: EUROPROGETTI S.r.l.
FINADIN S.p.A.
FIUMICINO TRIBUTI S.p.A.
GRASSETTO COSTRUZIONI S.p.A.
I.C.E.IN. S.p.A.
I.F.I.CEN. S.p.A.
IMPR. A. BRAMBILLA S.p.A. – In liquidation
IM.CO. IMMOBILIARE COSTRUZIONI S.p.A.
NUOVE INIZIATIVE TOSCANE S.r.l.
SINERGIA HdP S.p.A.
SOCIETÀ AGRICOLA TENUTA CESARINA S.r.l.
AZIENDA AGRICOLA S. LUCIA S.r.l.

Statutory Auditor: FIDESPERT S.p.A.
FONTI E TERMINE D'ITALIA S.p.A. – In liquidation
INIZ. NUOVA EDILIZIA S.p.A.
PREMAFIN FINANZIARIA S.p.A.
RAGGRUPPAMENTO FINANZIARIO S.p.A.
SAI MERCATI MOBILIARI SIM S.p.A.

Marco SPADACINI

Director: A. MONDADORI EDITORE S.p.A.
COMPAGNIA FIDUCIARIA NAZIONALE S.p.A.

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

Chair - Board of Stat. Auditors: AMBI S.p.A.
APPLE S.p.A.
APPLE ITALIA S.p.A.
ATLANTIA S.p.A.

Statutory Auditor: AXA ASSICURAZIONI S.p.A.
CENTURION IMMOBILIARE S.r.l.
EXPO 2015 S.p.A.

3) Internal Control

3.1) Introduction

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

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

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

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

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

The Board, in accordance with that stated by regulation No. 20 of ISVAP, annually examines and approves the following documents, which are then transmitted to ISVAP:

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

3.2) Control procedures utilised

3.2.1) Line control

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures provide for control by the individual operating units (so-called “line control” or ‘First level”), as well as by the managers of each unit.

Within the “line controls”, the “Process Owners” and the “Risk and Controls Managers” assume importance. Specifically, the “Process Owner”:

- has the responsibility to oversee their own business processes;
- has the responsibility of the analysis and monitoring of the risks related to their processes in accordance with the company policies (including the internal declaration for the Executive Responsible for corporate documents);
- has responsibility for the management of the impacts deriving from the risks of his processes and the implementation of any mitigation action to reduce the exposure to risk;
- has responsibility of the impacts deriving from the risks of the process for which they are responsible outsourced to third parties and for which they have the duties to supervise;
- must integrate the analysis of the risk into the decisional processes.

The “Risks and Control” Manager:

- hierarchically reports to his department and functionally to the Risk Management department;
- is a link between First and Second level controls;
- undertakes support activities to the “Process Owners” to protect the business processes, collect data and analyse the risks, monitor the risks, manage the mitigation actions of the risks, and prepare periodic reporting;
- undertakes a methodology based on the consolidated census criteria of Basilea II and Solvency II with the objective to guarantee coverage of all risk events and evaluate them in relation to the existence and quality of the relative controls.

The risk and control management system, in conjunction with the activity undertaken by the line controls department, is represented by the Audit, Compliance and Risk Management Departments which are hierarchically independent from the operating departments and reports functionally and hierarchically to the Board of Directors. In fact also the “Solvency II” directive attributes to these departments, together with the actuarial functions, a key role in the overall governance.

It is recalled that during 2011, the Company undertook a review of the Audit, Compliance and Risk Management departments, in order to identify, where necessary, appropriate corrective actions of both an organisational and procedural nature. Within this activity, the Company utilised the services of external consultants to provide professional assistance in the undertaking of the following principal activities:

- an overview of the current situation;
- the identification of the objective model and the principal current gaps with this model;
- the definition of the action plan to be implemented compared to the gaps identified, with relative identification of duties, responsibilities and deadlines;
- the monitoring of the actions programmed.

In addition, in 2011, as outlined at point 1.14 above, the Board of Directors of Fondiaria-SAI approved the creation of a new organisational unit, the Inter-group Activity Unit, reporting to the Chief Executive Officer.

3.2.2) *Risk Management Department*

The monitoring of risks is covered by the Risk Management department, with the duties of:

- managing the activities to develop and complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- monitor the Group and individual companies' risk management system in accordance with the scope approved by the Board of Fondiaria-SAI;
- identify, evaluate and control the most significant risks, among which risks of subscription, reservation, market, credit, liquidity and operating undertaking, among others, the activities as per ISVAP Regulation No. 20 of March 26, 2008, and Directive 138/2009 adopted by the European Parliament on April 22, 2009;
- define the coordination procedures between the companies of the Group and the parent company Risk Management department in order to ensure a coherent implementation of the risk management system at Group level, periodically verifying its functioning;
- define the policies for a correct application of the Data Quality principles;
- coordinate with the other departments the preparation of the report on the control and the management of the risks in accordance with the reporting requirements established by the supervision boards;
- responsibility within the adoption of the internal model assigned pursuant to EU Directive 138/2009;
- attend the meetings of the Coordination Committee of the Control Functions with the objective to exchange all necessary information for the undertaking of the relative duties;
- ensure control of the processes within their area of responsibility, including those outsourced to third parties and on which they have responsibility to supervise, with particular regard to the analysis and constant monitoring of the related risks, guaranteeing the management of the impact on the processes deriving from the risks.

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

The Risk Management department reports directly and exclusively, both hierarchically and functionally, to the Board of Directors. It operates on behalf of all the insurance companies of the Fondiaria SAI Group and for all of the subsidiaries which have signed a specific service contract with the exception of Milano Assicurazioni and its direct subsidiaries.

Until December 20, 2011 the Risk Management function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From December 20, 2011, the Board of Directors of Milano Assicurazioni appointed its own head of the Risk Management department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

Fondiaria SAI Group has for some time implemented and adopted specific guidelines for the management of risks and for the decision-making process relating to new investments (so-called Group Risk Policy), in order to:

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

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

Therefore within the Fondiaria SAI Group an adjustment programme to Solvency II is underway which provides for the constant monitoring of the impacts of the new solvency regulations, both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In July 2011, the Fondiaria SAI Group updated the “Solvency II Project”, in line with that declared in the July 2010 resolution for the formal request of admission to the pre-application process for its internal model. Within this update, undertaken in order to ensure constant alignment of the Programme to the finalisation process of the Solvency II regulation, the FONDIARIA SAI Group also redefined the application scope of its internal model assuming as benchmark the matters highlighted in the Quantitative Impact Study 5 (QIS 5).

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

From the comparative analysis of the risk estimates obtained from the standard formula and from the internal model, the possibility emerged not to consider the use of the internal model for some specific business classes. In view of this consideration, some companies were excluded, at least initially, from the scope of application of the internal model, whose business is concentrated on specific classes and for which the internal model requires adjustment and customisation.

3.2.3) *Compliance Department*

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

- to identify on an ongoing basis the regulations applicable to the company and evaluate their impact on the company's processes and procedures;
- to evaluate the adequacy and efficiency of the organisational measures adopted for the prevention of the risk of non conformity to the regulations and propose organisational and procedural amendments in order to ensure an adequate profile of the risks;

- to evaluate the effectiveness of the organisational adjustments consequent of the suggested modifications;
- to prepare adequate information flows to the corporate boards of the company and other departments involved.

The Compliance department reports directly and exclusively, both hierarchically and functionally, to the Board of Directors.

Until January 23, 2012 the Compliance function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From January 23, 2012, the Board of Directors of Milano Assicurazioni appointed its own head of the Compliance department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

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

3.2.4) *Audit Department*

The monitoring and evaluation of the efficiency and effectiveness of the internal control system and necessary modifications is undertaken by the Audit department, reporting to the Board of Directors of Fondiaria-SAI and of the subsidiaries for which it undertakes internal audit. The Audit activities also extend to the business processes of Fondiaria-SAI and of Group companies (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

For the companies of the Group with their own Audit function, the department principally undertakes the function of direction, defining the coordination procedures including disclosure in relation to monitoring and valuation of the effectiveness and efficiency of the internal control system.

The Audit department annually prepares the Audit Plan for the Parent Company and for the subsidiaries for which it undertakes internal audit activities, on an independent analysis of the risks, also considering the ongoing monitoring results undertaken by the Risk Management Department. The work plan of the Audit department is approved annually by the Board of Directors of Fondiaria-SAI and the other Group companies. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner reporting to the Board of Director of Fondiaria-SAI, and do not report to any operating area managers. This function, in the undertaking of its activities, coordinates with the Internal Control Committee, with the Board of Statutory Auditors, and with the executive responsible for the preparation of the corporate accounting documents pursuant to Article 154-*bis* of the CFA (hereafter: the “Executive Responsible”) and with the independent audit firm of the Company.

Until December 20, 2011 the Audit function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From December 20, 2011, the Board of Directors of Milano Assicurazioni appointed its own head of the Audit department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

The department reports on its Internal Audit Activities to the Board of Directors, the Internal Control Committee and the Board of Statutory Auditors of the Parent Company and of the subsidiary companies.

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

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

3.2.5) Control Co-ordination Committee

The Board of Directors' meeting of July 21, 2011 approved, pursuant to Article 17 of ISVAP Regulation No. 20/2008, ("Collaboration between functions and boards of control"), the creation of the Control Co-ordination Committee which includes, in addition to the department heads of Audit, Compliance and Risk Management, also the Board of Statutory Auditors (through its Chairman), the Internal Control Committee (through its Lead Coordinator), the Supervisory Board as per Legislative Decree No. 231/01 (through its coordinator) and the actuary appointed, as well as the head of the Inter-group Activity Unit, with the involvement, where necessary, of the independent audit firm.

The coordination of this Committee, which must only refer to the organisation and the proceedings of the meetings of the Committee in accordance with the relative agenda, without any powers on the activities of the other control functions, which remains in full, exclusive and autonomous responsibility of the individual functions, is the responsibility of the Risk Management Department.

This Committee, during its periodic meetings, permits the collaboration between various control functions, pursuant to the ISVAP Regulation mentioned above, through the exchange of all necessary information for the undertaking of their relative duties.

3.3) ISVAP Regulation No. 36 of January 31, 2011

The Board of Directors' meeting of May 14, 2011, in accordance with the requirements of ISVAP Regulation No. 36 of January 31, 2011 concerning the guidelines on investments and coverage of the technical reserves for insurance companies, approved a document called "Investment policy and risk management", which defines the organisational and governance model and management processes of investments and relative risks, undertaken by the relative functions of the Fondiaria-SAI Parent Company and which defines, at Group level, the guidelines to be followed for all insurance companies in Italy belonging to the Fondiaria-SAI Group. The objective of this document is to formalise the guidelines on the investment of the Group as well as the risk management strategy deriving from this investment activity. In particular the document describes the principles and strategies of the investment management, the principles and the strategies of the risks related to the investments and the organisational and governance model of the investments and the relative risks at Group level.

In the same meeting, the Board approved the document called “Investment framework” in relation to the Company. The objective of this document, taking into consideration the contents of the above-mentioned document, is to define the guidelines and limits relating to the investment portfolio of the Company, as well as the organisational and governance model of the investments and of the risks, with regard to the specific structure of the assets of the Company, in order to manage the risk in line with the Group risk tolerance.

Within the governance model, two new committees were set up at Group level, the “Parent Company Investment Committee” and the “Parent Company Risk Committee”.

The Board of Directors – within a wider risk governance model, with the objective of achieving an integrated vision of the risks, in line with the future Solvency II regime – subsequently, in the meeting of November 10, 2011, approved the creation of a Non-Life Committee of the Parent Company as well as the review of the duties of the Risks Committee of the Parent Company and Investment Committee of the Parent Company as outlined in the Board resolution of May 14, 2011 and the consequent approval of the new documents “Investment and risk management policy” and “Investment framework”.

The duties outlined in the Board of Directors’ meeting of November 10, 2011 are reported in detail below, for the above-mentioned three committees, with the function to present proposals to the Chief Executive Officer and the Board of Directors.

In view of the recent appointment of the managers of the control functions of the subsidiary Milano Assicurazioni, the name was changed of the Parent Company Management Committee (Risk Committee, Investment Committee, Non-Life Committee) to Management Committees of the Parent Company Fondiaria-SAI and Parent Company Milano Assicurazioni and the composition of the three committees was extended to include as permanent member the manager of the Risk Management function of Milano Assicurazioni. On the basis of this organisational structure, for the matters relating to Milano Assicurazioni and its direct subsidiaries, separate information will be provided in the minutes of the meetings and the meetings will include the participation, on invitation, of the person responsible for the coordination with the parent company nominated by each company. The objective of this organisational structure is to contemplate the need for rationalisation and efficiency at Group level, avoiding duplication, with the need to protect the specific problems of Milano Assicurazioni.

The Risk Committee of the Parent Company Fondiaria-SAI and of the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and Board of Directors in defining the Guidelines for the risk management;
- support the Chief Executive Officer and the Board of Directors in the approval of the valuation and risk management models;
- support the Chief Executive Officer and the Board of Directors in monitoring and definition of the mitigation action;
- monitor compliance with the limits defined and of the Risk Tolerance at Group level and of the individual companies; receive reports from the Risk Management Department;
- propose the adjustment measures and mitigation strategies or transfer of the risks underwritten, to be presented for approval by the Board of Directors;
- support the Chief Executive Officer and the Board of Directors in the evaluation of the stress tests.

The Investment Committee of the Parent Company Fondiaria-SAI and the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and the Board of Directors in the definition of the investment policies and asset allocation strategy;
- support the Chief Executive Officer and the Board of Directors in the definition of the measurement criteria of the targets utilised in the valuation of the investments, at Group level and for the individual companies;
- identify the profit targets at Group level and for the individual companies;
- monitor compliance of the profitability targets as illustrated above; receive reports from the investment management heads;
- analyse the financial markets and the macroeconomic indicators with the objective to evaluate in advance the impacts on the performance of the Group investments;
- propose, where necessary, actions to rebalance investments in accordance with the limits fixed by asset class;
- support the Chief Executive Officer and the Board of Directors in the valuation of the profitability/impact of extraordinary investment/divestment initiatives (“Large Investments”) in line with the strategies and guidelines defined by the Risk Committee of the Parent Company;
- evaluate the possibility to utilise new financial instruments which require new risk evaluation/estimate models, in line with the strategies and guidelines defined by the Risk Committee of the Parent Company;
- evaluate, through the analysis of specific reporting, the necessity to modify the extent and scope of the operations to be analysed, as well as formulate proposals to modify the investment policies;
- report to the Risks Committee of the Parent Company on the significant operations evaluated and report to the Risks Committee of the Parent Company when the operation is not in accordance with the guidelines defined.

The Non-Life Committee of the Parent Company Fondiaria-SAI and of the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and the Board of Directors in the definition of the guidelines on the Non-Life underwriting policy;
- verify/propose relating to the Non-Life component changes to the Reinsurance Framework to be presented to the Risks Committee of the Parent Company which will be presented together with the Life component (through the General and Corporate secretary) to the Board of Directors for approval;
- support the Chief Executive Officer and the Board of Directors in the evaluation of the profitability/underwriting impact or renewal of significant business (“Large Risks”), in line with the strategies and guidelines of the Risks Committee of the Parent Company;
- monitor and coordinate the underwriting procedures of the contracts;
- coordinate the underwriting policies between the various division/companies involved;
- monitor the performance of the technical portfolio of the Non-Life division of the Group, in order to verify that it is in line with the objectives defined; receive management reports;

- evaluate, through the analysis of specific reporting, the necessity to modify the extent and scope of the non-life risks to be analysed, as well as formulate proposals to modify the underwriting policies;
- report to the Risks Committee of the Parent Company on the significant operations evaluated and report to the Risks Committee of the Parent Company when the operation is not in accordance with the guidelines defined.

3.4) Internal Control Committee

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

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Salvatore Militello, Enzo Mei and Salvatore Spiniello. Mr. Militello is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. Mr. Militello is a member of the Internal Control Committee since August 2, 2011. In addition to the 3 directives mentioned above, Mr. Maurizio Comoli is a member of the Committee since February 29, 2012.

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

The Internal Control Committee carries out the following consultation and proposal duties, with all final decisions devolving to the Board of Directors:

- a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
- b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
- c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible for the preparation of the corporate and accounting documents as per Legs. Decree No. 58/98 (hereafter: 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 Audit department and receive periodic reports;
- g) Assesses, together with the Executive Responsible, the executives, the board of statutory auditors and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;

- h) Evaluate, notwithstanding the responsibilities of the Board of Statutory Auditors, the audit work plan of the external auditors and the results expressed in the report and letter of recommendations;
- i) Exercises, excluding the duties under legislation to the Board of Statutory Auditors, the management of the relations with the external auditors and a general supervision of the efficiency of the audit processes undertaken by the audit firm;
- j) Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

In addition, pursuant to the procedures for transactions with related parties, approved by the Board of Directors on December 23, 2011, the Internal Control Committee must express an opinion to be put to the Board of Directors in relation to “less significant” transactions with related parties, therefore those established by CONSOB Regulation No. 17221/2010 and identified in the procedures.

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

In the undertaking of its consultative functions, the Committee also carried out in 2011 a preliminary examination of related party transactions (including inter-group), in accordance with the guidelines and conduct principles adopted by the Board of Directors of the Parent Company commented upon above, which were subject to examination and approval by the Board of Directors.

As previously stated at point 1.14, the procedures for transactions with related parties, approved by the Board of Directors most recently on December 23, 2011, establishes that the Internal Control Committee must express an opinion to be put to the Board of Directors in relation to less significant transactions with related parties, therefore those established by CONSOB Regulation No. 17221/2010 above and identified in the procedures.

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

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

The Committee also reports to the Board of Directors in the Board meetings for the approval of the annual and half year financial statements, expressing their opinions on their area of competence.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning.

In 2011, the Committee met 14 times, with an average duration of the meetings of 2 hours. It is expected that a similar number of meetings will take place in 2012. In 2012 the Committee has already met 3 times.

3.5) Executive responsible for the preparation of corporate accounting documents

The Board of Directors' meeting of October 19, 2011 appointed the Executive Responsible as Mr. Massimo Dalfelli, Accounts and Administration Department manager.

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

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

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

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

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

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

- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principal of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;
- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervisory Board of specific disclosures relating to so-called "sensitive activity";

- The creation of specific preventive “controls”, specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control “ex ante”);
- The availability to the Supervision Board of adequate resources to support the duties assigned;
- The activity of verifying the functioning of the Model with consequent periodic updating (“ex post” control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervisory Board, it was considered appropriate to appoint an collegial board.

Fondiaria-SA has also adopted, through Board resolution, 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 as 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, are considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion.

5.2) General representative of the saving shareholders

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

5.3) Relations with institutional investors and other shareholders

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman and the Chief Executive Officer.

The Company has nominated the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or email address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) Handling of corporate information

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chief Executive Officer. The executives and the employees of the Company and its subsidiaries are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by CONSOB - relating to operations on financial instruments undertaken by “relevant persons”, considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company’s website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to “confidential” information.

Tables are attached which summarise the Company’s procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders’ meetings, internal control and investor relations.

Board of Directors (2011)							Internal Control Committee		Remuneration Committee		Nominati on Committee		Executive Committee	
Office	Members	Exec.	Non-Exec.	Ind. Director Self-Govern. Code	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman	Jonella LIGRESTI (1)(2)		X		100%	6			X	-			X	100%
Vice Chairman	Massimo PINI		X		100%	7							X	100%
Vice Chairman	Antonio TALARICO		X		91%	10							X	100%
Chief Executive Officer	Emanuele ERBETTA (3)	X			100%	4							X	100%
Director	Andrea BROGGINI		X	X	77%	7								
Director	Roberto CAPPELLI (4)		X	X	67%	0								
Director	Maurizio COMOLI (5)		X	X	82%	14	X	93%						
Director	Carlo d'URSO		X		82%	6								
Director	Ranieri de MARCHIS (4)		X		100%	8							X	100%
Director	Vincenzo LA RUSSA		X		82%	2							X	100%
Director	Gioacchino Paolo LIGRESTI		X		86%	21							X	100%
Director	Fausto MARCHIONNI (6)		X		100%	3								
Director	Valentina MAROCCO (2)		X	X	82%	5			X	-				
Director	Enzo MEI		X	X	86%	5	X	93%	X	100%				
Director	Salvatore MILITELLO (4)(2)		X	X	78%	0	X	83%	X	67%			X	0% (9)
Director	Cosimo RUCELLAI		X	X	95%	2								
Director	Salvatore SPINIELLO		X		95%	17	X	71%						
Director	Graziano VISENTIN		X		95%	23			X	100%				

Directors resigned in 2011

Vice Chairman	Giulia Maria LIGRESTI (7)		X		90%								X	100%
Director	Francesco CORSI (8)		X	X	85%									
Director	Giuseppe MORBIDELLI (2)(8)		X	X	54%				X	100%				
Director	Sergio VIGLIANISI (8)		X		100%									

(1) The Chairman Ms. Jonella Ligresti, in the meeting of July 21, 2011, waived all executive powers previously conferred.

(2) The Remuneration Committee at January 1, 2011 was composed of the Directors Mei, Morbidelli and Visentin; on July 22, 2011 the Director Mr. Morbidelli resigned; on August 2, 2011 Mr. Militello was appointed; on November 29, 2011 the Chairman Ms. Jonella Ligresti and the Director Mr. Marocco were appointed to the Committee and, from the date of their nomination to the end of the year, the Remuneration Committee did not meet

(3) The Chief Executive Office Mr. Erbetta became a Board member through Co-optation on January 27, 2011 and was confirmed in the office by the Shareholders' Meeting of April 28, 2011

(4) The Directors Cappelli, de Marchis and Militello were appointed by Co-optation to the Board on August 2, 2011

(5) The Director Mr. Comoli resigned from the Internal Control Committee on February 29, 2012

(6) The Director Mr. Marchionni was the Chief Executive Office and member of the Executive Committee until January 27, 2011. After this date he was a Director

(7) The Vice Chairman Ms. Giulia Maria Ligresti resigned from all offices on December 23, 2011

(8) The Directors Corsi and Morbidelli resigned from office on July 22, 2011; the Director Vighianisi resigned from office on July 28, 2011

(9) After the appointment of Mr. Militello to the office of Director, the Executive Committee met only once

a) Reasons for non-establishment of a committee:	The ownership of the company is sufficiently concentrated and there have not been any difficulties by the shareholders to prepare proposals for nominations													
---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Number of meetings held in the year	Board of Directors: 22	Internal Control Committee: 14
	Remuneration Committee: 8	Executive Committee: 2

NOTE:

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

** This column indicates with an "X" whether the member of the BoD is a member of the Committee.

Office	Members	Percentage of participation at Board meetings	Number of other offices held *
Chairman	Giovanni Benito MARINO	96%	12
Statutory Auditor	Antonino D'AMBROSIO	96%	19
Statutory Auditor	Marco SPADACINI	92%	10
Alternate Auditor	Alessandro MALERBA	-	-
Alternate Auditor	Maria Luisa MOSCONI	-	-
Alternate Auditor	Rossella PORFIDO	-	-
Number of meetings held in the year: 25			
Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA): 2.5%			

NOTE:

* This column indicates the offices held as director or statutory auditor in other listed companies in regulated Italian markets. The report on corporate governance indicates all offices held.

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
<i>Powers delegated and transactions with related parties</i>			
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		
<i>Procedures for the most recent appointment of directors and statutory auditors</i>			
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		
<i>Shareholders’ Meetings</i>			
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.
<i>Internal Control</i>			
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
<i>Investor relations</i>			
Has the company provided an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			Investor Relations Department - Corso G. Galilei, 12 TORINO Tel. 011/6657.642 e-mail: 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 494,731,136.00.

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

	No. of shares	% of share capital	Quoted on	Rights and obligations
Ordinary shares	367,047,470	74.19	MTA – BORSA ITALIANA S.p.A.	(*)
Savings shares	127,683,666	25.81	MTA – BORSA ITALIANA S.p.A.	(**)

(*) Each Fondiaria-SAI S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Fondiaria-SAI S.p.A. On the distribution of the profits or on the liquidation of the company, the ordinary shares of Fondiaria-SAI S.p.A. do not have any privileges.

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company by-laws and other rights pursuant to law.

In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.

The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 6.5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.

The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 5.2% of the nominal value of the share.

When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.

Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

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

Party	Direct holder	% held of ordinary share capital	% held of voting share capital
Premafin Finanziaria S.p.A. H.P.		39.682	37.221
	Premafin Finanziaria S.p.A. H.P.	31.622	32.911
	Milano Assicurazioni S.p.A. (*)	2.720	-
	Finadin S.p.A.	4.141	4.309
	Fondiaria-SAI S.p.A. (*)	0.872	-
	SAI Holding Italia S.p.A. (*)	0.327	-
Unicredit S.p.A.		6.986	
	Unicredit S.p.A. (**)	6.600	
	Unicredit Bank AG	0.386	
Meneguzzo Roberto	Palladio Finanziaria S.p.A.	5.002	

(*) excluded voting right pursuant to law
(**) of which 924 shares as lien

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Fondiaria-SAI and those held by subsidiaries may not exercise voting rights pursuant to law.

g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

h) Change of control clauses

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

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

Other loan contracts signed by some of the subsidiaries provide for advance repayment and/or cancellation by the financier in the case of changes in the shareholder structure.

i) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

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

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

Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The by-laws also provide for a period of 25 days before the date fixed for the Shareholders' Meeting in first call for the filing of the slates at the registered office, in accordance with applicable regulations, recently amended by the regulation concerning shareholders' rights.

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

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by Consob.

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.

The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

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

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or where no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

- The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Shareholders' Meeting of FONDIARIA-SAI S.p.A. of March 19, 2012 approved, subject to authorisation by ISVAP:

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

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

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 28, 2011 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 250,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 2,500,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on regulated markets, in compliance with the provisions and regulations applicable by CONSOB, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

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

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 targetted 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 balance sheet, 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 balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market. These evaluations were carried out using the following parameters:

- frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
- severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

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

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

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

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

In order to govern the updating methods of the database of the activities carried out by the individual organisational units, as well as the integrated corporate processes with relative risks, controls and any offsetting actions, the Parent Company has prepared a procedure, identifying, within the various significant companies in terms of contribution to the Consolidated Financial Statements, the Risk and Control Manager who supports the individual Process Owners and who reports to the Risk Management manager.

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

The Management Model has identified the duties of the Executive Responsible for the preparation of the corporate accounting documents, appointed in accordance with paragraph 1, of article 154-bis of Legislative Decree No.58/98, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Executive 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 relating to the corporate processes correctly represent the activities and the controls necessary to offset the administrative-accounting risks. The declaration provision methods above are regulated through a relative procedure.

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Internal Control Committee.

In relation to the mitigation actions identified, the Board of Directors, with prior consultation of the Internal Control Committee and on the proposal of the Chief Executive Officer and the Executive Responsible, draws up the budget, the intervention plans and the relative priorities.

The implementation of these actions is attributed to the individual Process Owners which, with the support of the Risk and Control manager, monitor at least half-yearly the relative state of advancement.

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

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

SIGNIFICANT EVENTS AFTER THE YEAR-END

Fondiarria-SAI S.p.A.: Share capital increase

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

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

The binding agreement signed on January 29, 2012, announced to the market, between the Unipol Group and Premafin S.p.A. concerning the acquisition of control by the Unipol Group of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, which is subject to certain conditions, takes place as part of a wider integration which will directly involve the Company and provides for the subsequent merger between Unipol Assicurazioni S.p.A., Premafin, Fondiaria SAI and Milano Assicurazioni.

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

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

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

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

Resolutions of Extraordinary and Ordinary Shareholders' Meeting of March 19, 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Statutory Auditors – in the shareholders' meeting of March 19, 2012 – presented the report, which was made available to the public, through publication on the internet site of the Company, which provides detailed responses to the matters brought to the attention by the complainant. The Board of Statutory Auditors in its report, to which reference should be made, included some suggestions to the Board of Directors in relation to some of the operations contained in the complainant's request.

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

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

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

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

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

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

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

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

We highlight that only the economic part was renewed of the above-mentioned agreement and the commencement of work on two National Equality Commissions.

The first concerns flexibility in the workplace, work schedules and variation in duties, while the second related to social security assistance in the sector, which clearly must take account of the Labour Market reforms which currently involve the Government and the Unions. It will be the Commission's responsibility to identify solutions to be incorporated into the contractual negotiations for the next renewal and the work is expected to be terminated by October 2012.

The economic increase when fully implemented will be 6.57% of which 0.30% from July 1, 2013. Therefore over the contractual period the expected increase will be 6.25%. In overall terms, when fully implemented, the increase will be Euro 131 gross monthly (4th level). In addition, to cover the year 2010, in replacement of the salary table adjustments, a one off payment will be recognised of Euro 650 gross, also for 4th level.

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

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

Sale of IGLI S.p.A. shares

On March 8, 2012, the sale of the investment in IGLI S.p.A. by the Fondiaria SAI Group was completed: the operation is described in detail in the Real Estate Sector.

OUTLOOK

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

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

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

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

With reference to the bancassurance partnerships in place, actions will be taken on underperformance situations, improving the management of the conflicts of interests with policyholders and reviewing the current product catalogue with the bancassurance partners.

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

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

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

Milan, March 26, 2012

For the Board of Directors

Mr. Emanuele ERBETTA

2011 Consolidated Financial Statements

Fonditaria-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 these 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), the 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 Explanatory 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 Fonditaria-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)

		2011	2010
1	INTANGIBLE ASSETS	1,462,890	1,587,734
1.1	Goodwill	1,367,737	1,468,570
1.2	Other intangible assets	95,153	119,164
2	PROPERTY, & EQUIPMENT	401,744	594,334
2.1	Buildings	315,500	500,691
2.2	Other tangible assets	86,244	93,643
3	REINSURANCE ASSETS	701,880	823,184
4	INVESTMENTS	33,789,332	36,013,873
4.1	Investment property	2,759,245	2,894,209
4.2	Investments in associates and joint ventures	116,558	325,369
4.3	Investments held to maturity	599,713	592,138
4.4	Loans and receivables	3,688,865	3,159,211
4.5	Financial assets available for sale	17,598,287	20,302,882
4.6	Financial assets at fair value through the profit or loss	9,026,664	8,740,064
5	OTHER RECEIVABLES	2,340,741	2,314,375
5.1	Receivables from direct insurance operations	1,698,430	1,747,611
5.2	Receivables from reinsurance operations	78,637	101,773
5.3	Other receivables	563,674	464,991
6	OTHER ASSETS	1,803,440	996,064
6.1	Non-current assets or disposal group classified as held for sale	87,151	3,452
6.2	Insurance deferred acquisition costs	30,301	87,603
6.3	Deferred tax assets	1,155,060	361,195
6.4	Tax receivables assets	316,208	387,573
6.5	Other assets	214,720	156,241
7	CASH AND CASH EQUIVALENTS	976,582	625,940
	TOTAL ASSETS	41,476,609	42,955,504

STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

		2011	2010
1	SHAREHOLDERS' EQUITY	1,556,708	2,550,105
1.1	Shareholders' equity attributable to the Group	1,036,952	1,882,127
1.1.1	Share Capital	494,731	167,044
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	315,460	209,947
1.1.4	Retained earnings and other reserves	1,834,570	2,620,792
1.1.5	(Treasury shares)	-213,026	-321,933
1.1.6	Reserve for currency translation difference	-56,772	-56,598
1.1.7	Unrealized gain or loss on financial assets available for sale	-478,283	-34,759
1.1.8	Other unrealized gains and losses through equity	-7,009	15,216
1.1.9	Net loss for the year	-852,719	-717,582
1.2	Shareholders' equity attributable to non-controlling interest	519,756	667,978
1.2.1	non controlling interest capital and reserves	903,659	902,126
1.2.2	Unrealized gains and losses through equity	-201,984	-22,869
1.2.3	Net loss for the period	-181,919	-211,279
2	PROVISIONS FOR RISKS AND CHARGES	322,310	340,637
3	INSURANCE CONTRACT LIABILITIES	35,107,505	34,827,972
4	FINANCIAL LIABILITIES	3,143,273	3,850,106
4.1	Financial liabilities at fair value through profit and loss	1,303,886	1,646,935
4.2	Other financial liabilities	1,839,387	2,203,171
5	PAYABLES	792,090	836,934
5.1	Payables from direct insurance operations	78,999	91,887
5.2	Payables from reinsurance operations	84,912	106,862
5.3	Other payables	628,179	638,185
6	OTHER LIABILITIES	554,723	549,750
6.1	Liabilities directly associated with non –current assets or disposal group classified as held for sale	0	0
6.2	Deferred tax liabilities	133,452	132,060
6.3	Tax payables	16,522	54,306
6.4	Other liabilities	404,749	363,384
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	41,476,609	42,955,504

INCOME STATEMENT

(in Euro thousands)

		2011	2010
1.1	Net premiums	10,527,344	12,585,297
1.1.1	<i>Gross premiums written</i>	10,850,258	12,911,503
1.1.2	<i>Premiums ceded to re-insurers</i>	-322,914	-326,206
1.2	Fee and commission income	24,433	57,317
1.3	Income and charges from financial instruments at fair value through profit and loss	321,699	395,283
1.4	Income from investments in subsidiaries, associates and joint ventures	826	55,795
1.5	Income from other financial instruments and investment property	1,189,659	1,281,397
1.5.1	<i>Interest income</i>	827,269	722,345
1.5.2	<i>Other income</i>	149,550	167,637
1.5.3	<i>Realized profits</i>	212,535	390,939
1.5.4	<i>Unrealized gains and reversal of impairment losses</i>	305	476
1.6	Other income	666,720	556,503
1	TOTAL INCOME	12,730,681	14,931,592
2.1	Net insurance benefit and claims	-10,240,770	-12,152,941
2.1.2	<i>Claims paid and change in insurance contract liabilities</i>	-10,406,857	-12,341,912
2.1.3	<i>Reinsurers' share</i>	166,087	188,971
2.2	Fee and commission expenses	-15,855	-28,421
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-22,132	-55,279
2.4	Expenses from other financial instruments and investment property	-995,647	-815,311
2.4.1	<i>Interest expense</i>	-76,941	-80,414
2.4.2	<i>Other expenses</i>	-69,450	-78,146
2.4.3	<i>Realized losses</i>	-142,293	-166,095
2.4.4	<i>Unrealized losses and impairment losses</i>	-706,963	-490,656
2.5	Operating expenses	-1,875,313	-1,920,182
2.5.1	<i>Commissions and other acquisition expenses</i>	-1,406,623	-1,426,987
2.5.2	<i>Investment management cost</i>	-16,016	-14,377
2.5.3	<i>Other administration expenses</i>	-452,674	-478,818
2.6	Other expenses	-1,038,599	-967,183
2	TOTAL EXPENSES	-14,188,316	-15,939,317
	LOSS BEFORE TAXES	-1,457,635	-1,007,725
3	Income tax	392,147	77,102
	LOSS AFTER TAXES	-1,065,488	-930,623
4	PROFIT FROM DISCONTINUED OPERATIONS	30,850	1,762
	LOSS FOR THE YEAR	-1,034,638	-928,861
	Loss for the year attributable to equity shareholders of the parent	-852,719	-717,582
	Loss for the year attributable to non-controlling interest	-181,919	-211,279

COMPREHENSIVE INCOME STATEMENT

	2011	2010
CONSOLIDATED LOSS	-1 034 638	-928 861
Change in reserve for currency transaltion difference	-174	-52 741
Gain or loss from financial assets available for sale	-621 449	24 037
Gain or loss on cash flow hedging instruments	-12 153	-16 524
Gain or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	-3 990	-1 208
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible assets	0	-8 763
Income/(charges) on non-current assets or disposal group classified as held for sale	0	675
Actuarial gains and losses and adjustments to employee defined benefit plans	-7 254	-2 511
Other	-18	-7 172
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	-645 038	-64 207
Total Comprehensive consolidated income	-1 679 676	-993 068
group share	-1 318 642	-786 971
minority share	-361 034	-206 097

Consolidated statement of changes in Shareholders' Equity for the year ended December 31, 2011

In 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 unrealized gain and loss on financial assets available-for-sale" relate to the recorded effects of the evaluation 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 gain and losses through equity.
The "Adjustments due to reclassification to the income statement" include 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

		As of December 31, 2009	Change in opening balances	Allocation	Reclassification s to Income Statement	Transfers	As of December 31, 2010	Change in opening balances	Allocation	Reclassifications to Income Statement	Transfers	As of December 31, 2011
Shareholders' equity attributable to the Group	Share Capital	167 044					167 044		327 687			494 731
	Other equity instruments	0					0					0
	Capital reserves	209 947					209 947		105 513			315 460
	Retained earnings and other reserves	3 010 474		-356 913		-32 769	2 620 792		-786 222		0	1 834 570
	(Treasury shares)	-321 933					-321 933		108 907			-213 026
		-342 593		-340 008		-34 981	-717 582		-130 192		-4 945	-852 719
	Other comprehensive income items	-6 752		-202 406	136 720	-3 703	-76 141		-551 648	85 725	0	-542 064
Total Shareholders' equity attributable to the Gr		2 716 187	0	-899 327	136 720	-71 453	1 882 127	0	-925 955	85 725	-4 945	1 036 952
Shareholders' equity attributable to non controlling interest	Share capital and reserves	1 071 435		-49 704		-119 605	902 126		1 533			903 659
	Net profit (loss) for the year	-48 920		-156 708		-5 651	-211 279		29 712		-352	-181 919
	Other comprehensive income items	-28 051		-45 305	50 219	268	-22 869		-230 277	51 162		-201 984
	Total Shareholders' equity attributable to non c	994 464	0	-251 717	50 219	-124 988	667 978	0	-199 032	51 162	-352	519 756
Total		3 710 651	0	-1 151 044	186 939	-196 441	2 550 105	0	-1 124 987	136 887	-5 297	1 556 708

Consolidated cash flow statement for the year ended December 31, 2011

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 the statement satisfies some minimum requirements and, that the presentation of the cash flows 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 the adjusts 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 relating to financial cash flows from investments 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 flows from investing and financial activities.

CASH FLOW STATEMENT (indirect method)

(in Euro thousands)	31/12/2011	31/12/2010
Loss before taxes	-1 457 635	-1 007 725
Non-cash adjustment to reconcile profit before tax to net cash flows	1 821 423	4 144 212
Change in non-life unearned premium provision	-38 698	35 638
Change in claims other non-life insurance technical provisions	809 273	217 426
Change in actuarial and other life insurance technical provisions	-87 191	3 233 185
Change in deferred acquisition costs	57 302	54 508
Change in provisions	-18 327	42 006
Non-cash income/expenses from financial instruments, property and investments	615 503	245 254
Other	483 561	316 195
Change in payables and receivables from operating activities	-352 302	-191 716
Change in payables and receivables from direct insurance and reinsurance operations	-155 245	-141 597
Change in other payables and receivables	-197 057	-50 119
Income taxes paid	-124 564	-29 480
Net cash flows from/(used in) investing and financing activities	-568 846	-584 988
Liabilities from financial contracts issued by insurance companies	-368 904	-449 522
Bank and interbank payables	-71 582	-52 101
Loans and receivables from banks and interbank	98 711	-48 347
Other financial instruments at fair value through profit and loss	-227 071	-35 018
NET CASH FLOW FROM OPERATING ACTIVITIES	-681 924	2 330 303

Net cash flows from/(used in) property investments	28 986	80 727
Net cash flows from/(used in) investments in subsidiaries, associates and joint ventures	59 633	49 424
Net cash flows from/(used in) loans and receivables	-628 095	-385 148
Net cash flows from/(used in) investments held to maturity	-7 575	216 335
Net cash generated/absorbed from AFS financial assets	1 248 691	-2 043 241
Net cash flows from/(used in) intangible and tangible assets	-35 746	-15 877
Net cash flows from/(used in) investing activities	-15 000	228 635
NET CASH FLOW FROM INVESTING ACTIVITIES	650 894	-1 869 145

Proceeds from Group equity instruments	433 200	0
Proceeds from treasury shares	0	0
Group Dividends paid	0	-67 751
Net cash flows from/(used in) non controlling interest capital and reserves	248 695	-115 207
Net cash flows from/(used in) sub-ordinated liabilities and financial instruments in holdings	0	0
Net cash flows from/(used in) other financial liabilities	-300 223	-228 293
NET CASH FLOW FROM INVESTING ACTIVITIES	381 672	-411 251

Effects of exchange rate changes on cash and cash equivalents	-47	-3 282
--	------------	---------------

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	625 940	576 033
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	350 642	49 907
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	976 582	625 940

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, subsequently entered into force. In detail:

- IAS 1 Presentation of Financial Statements (Revised);
- IAS 24 Related party disclosures (Revised);
- IAS 32 Financial Instruments: Disclosure (Revised) - Classification of rights issued;
- IAS 34 Interim financial reporting (Amendments) – Significant events and operations;
- IFRS 1 First-time adoption of International Financial Reporting Standards (Revised);
- IFRS 3 Business combinations (Revised);
- IFRS 7 Financial Instruments: Disclosures (Amendment) – Disclosure clarifications;
- IFRIC 13 Customer loyalty programmes;
- IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (Revised);
- IFRIC 19 - Extinguishing financial liabilities with equity instruments.

The most important effects of the above-mentioned standards and interpretations are described as follows.

IAS 1

The amendment clarifies that an entity must present an analysis of the comprehensive income statement for each component of shareholders' equity, or alternatively directly in the comprehensive income statement or in the explanatory notes to the financial statements.

IAS 24

The revised version provides greater information in relation to the definition of related parties (i.e. two entities which are significantly influenced by a third entity, are not considered related parties) and simplifies the disclosure obligations for entities related to the Gouvernement.

IAS 34

The revised standard requires that the interim financial statements must update the information related to significant operations and events provided in the most recent annual accounts; examples of significant operations and events, for which it would be necessary to provide additional disclosure, are provided (i.e. change in potential liabilities or assets, change in the classification of financial assets following a change in the scope or utilisation of these assets, transfers between the different levels of the fair value hierarchy, change in the commercial or economic circumstances which impact on the fair value of the financial assets and liabilities of the company).

IFRS 3

The non-controlling interests may be valued at fair value or in proportion to the non controlling interest in the identifiable assets of the acquisition; the revised version specifies that the choice is applicable only if the instruments are currently owned and give the right to the proportional share of the shareholders' equity of the company acquired in the case of liquidation. All other non controlling interest components must be valued at fair value at the date of acquisition, unless a different valuation criterion is established by other IFRS standards.

IFRS 7

As the qualitative information, provided in connection with quantitative information, allows the readers of the financial statements to have a better view of the exposure to the risks connected to financial instruments, the amended version requires disclosures in connection to the credit risk of financial instruments whose the book value does not best represent the maximum exposure to the credit risk of the company, and the financial effect of the related guarantees. It is no longer required to provide the book value of the financial assets which would have expired or incurred a reduction in value, but whose conditions were renegotiated.

IFRIC 19

This document states that the capital instruments issued to settle (totally or partially) a financial liability must be valued at fair value at the settlement date (if not reliably determined the fair value of the settled financial liability must be adopted) and the difference between the book value of the settled financial liability and the price paid (= fair value of equity instruments) must be recorded in the income statement.

No significant impact arose for the Group from the application of the above-document.

In relation to the accounting standards for which the homologation process is still ongoing, i.e. IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13, it should be noted that the current best interpretation and potential improvements do not currently permit to perform a reasonable assessment of the impacts.

Section 2 - Basis of presentation

The financial statements were prepared on the going concern principle.

The year 2011 reported a loss resulting in a serious deficiency in the Adjusted Solvency Margin of the Group.

On December 23, 2011, the Board of Directors of Fondiaria-SAI resolved to delegate the Chairman to call the Extraordinary Shareholders' Meeting of the Company to submit to shareholders' approval the share capital rights issue for the purpose to strengthen the capital base of the Group and the stabilisation of the Adjusted Solvency Margin.

On March 19, 2012 therefore, the Extraordinary Shareholders' Meeting of Fondiaria SAI S.p.A. resolved to approve the share capital increase through a paid-in capital increase for a total maximum amount of Euro

1,100,000,000.00, including any share premium, to be executed by December 31, 2012, through the issue of ordinary and savings shares, in accordance with Article 2441, first, second and third paragraphs of the civil code (“Capital Increase”).

The Capital Increase is intended to strengthen the capitalization of Fondiaria-SAI S.p.A. and the Fondiaria Group, due to the recent results in the the overall difficult insurance and financial market and will, together with other initiatives, increase the consolidated solvency margin of the Group above the minimum levels. The Parent Company will evaluate in a timely manner all appropriate initiatives to execute the proposed share capital increase in the event that any problem could arise to complete the integration with Unipol.

The Directors’ action plan and the resolution of the Extraordinary Shareholders’ Meeting of Fondiaria-SAI S.p.A. held on March 19, 2012 are consistent with the recommendations issued by the Supervisory Authority on January 10, 2012 and March 12, 2012.

We also report that Fondiaria-SAI S.p.A. and the other insurance companies of the Group operate under normal operating conditions; Fondiaria-SAI S.p.A. and the companies of the Group do not present any financial difficulty to meet their liabilities.

The strengthening of the share capital initiatives have been supported by the recovery in Italian government bonds occurred during the beginning of 2012. Therefore, the recent economic forecasts would appear to confirm the positive trend in the technical-insurance management at the start of the year.

Therefore we consider there are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

The consolidated financial statements were prepared on the basis of the ISVAP instructions contained in Regulation No. 7 of July 13, 2007.

Section 3 - Consolidation

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

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 articles of association 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 related 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 are recorded in specific accounts in the statement of financial position and 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 interest 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 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, 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, tusing fixed schemes such as those required by the Supervisory Authority, and common reporting package for all the subsidiaries, ensure 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 company;

- elimination of transactions intercompany, both in the income statement and the statement of financial position;
- elimination of gains and losses from sale/purchase operations made between Group companies and relating to equity values, even if consolidated under the equity method;
- adjustments to make homogenous the accounting policies within the Group;
- recognition, where applicable of tax effects due to adjustments made to homogenously apply measurement criteria to financial statements items or other consolidated adjustments.

DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are presented as of December 31, 2011; 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 the accounting period due 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 currency. 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 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 explanatory notes to the financial statements.

It is also indicated in the explanatory 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.

The main accounting principles utilised in the financial statements are as follows:

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 take 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.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful life mainly consist 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; subsequently 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 relating to investment property.

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.

Regarding the 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 recognized recorded 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 following, the Group has chosen to utilise the cost model to evaluate all buildings, – both those utilised by the entity and those held as investment property 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 each part of the building, such as the equipments 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 as 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 -material and valued at cost. As previously described in the paragraph relating to the consolidation, any entity subject to joint control with other parties (joint ventures) is included in this account, 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 the 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 initially recognized in this category by the entity 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 able 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 the IAS 39 each category of financial instruments 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 assets.

Additionally in accordance with IAS 32, any gain or loss 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 the Group 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 that it complies, at the acquisition date, with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The 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 of December 31, 2008 were included in the account “Financial assets available for sale” a. These securities, principally containing subordination clauses and issued by corporate parties, were measured at fair value as of 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 of January 1, 2009: therefore this reclassification operation was not considered significant for the purposes of the fulfil of the attachment relating 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 the 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 the capacity to hold until maturity. Specifically debt financial instruments of the Life Insurance sector servicing policies with specific provisions are included in this account. Investments held to maturity are measured at amortised cost, using the effective interest rate criteria.

Measurement of the fair value of financial instruments

The valuation methods of the financial instruments available for sale (“AFS”) portfolio and the relative impairment policies have not been modified in 2011 and therefore they are the same as those used in 2010.

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 in active markets

The valuation is the market price of 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 observed 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 the management. In case the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

For the purposes of recognizing the impairment of AFS, the Group defined the conditions of a prolonged and significant reduction of fair value, defined alternatively on the basis of the follows:

1. reduction in the market value above 60% of the original cost at the reporting date of the financial statements;
2. market value continuously lower than the original book value, for a period of two years.

In addition for the AFS debt securities, reference was made to qualitative impairment factors pursuant to paragraph 59 of IAS 39, among which we highlight that contained in letter a), or rather the significant financial difficulty of the issuer or debtor which resulted in the write-down of all the securities issued by the Greek Republic in portfolio.

Further disclosure required by IFRS 7 is provided in the explanatory notes to the consolidated financial statements.

Financial assets available for sale

The account includes all non-derivative financial assets, designated as available-for-sale. The account relates to the majority 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 the shareholders' equity, are recognised 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 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 a prolonged and significant reduction of fair value, as follows:

1. reduction in market value above 60% of the original cost at the reporting date of the financial statements;
2. market value continuously lower than the original book value, for a period of two years.

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.

Government bonds issued by Portugal, Ireland, Greece, Spain and Italy

Greek Sovereign Debt

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

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

In the latest half-year financial statements in the presence of various impairment indicators, the value of the Greek government financial instruments with maturity before 2020 was reduced.

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

- 20 Greek government securities for a total nominal value of Euro 315 and maturity between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond the fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on old Greek government issues at the date of the agreement.

The plan, which establishes March 8, 2012 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. The companies of the Group subscribed for all securities held.

Considering all the above this financial statements recognize the conditions of a permanent loss in value pursuant to Article 16, paragraph 3 of Legislative Decree 173/1997 relating to all Greek government bonds in portfolio. In addition, in spite of a strong drop in transactions, it was prudently considered the relative market and therefore reference was made to the stock exchange prices as indication of the prices on these securities.

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 recognised in the account relate to positions with: policyholders for premiums due, agents and other intermediaries, 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.

Insurance deferred acquisition costs

The acquisition commissions due to agents 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 relating to long-term contracts and for their management are recognized in the income statement in the year incurred.

Deferred tax assets and tax receivables assets

Tax receivables refer to assets of a fiscal nature as defined by IAS 12.

The Group records the effects relating to current and deferred income taxes based on the valuation of the tax charge for the period determined in accordance with fiscal regulations in force. 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 case of 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 in the future taxable income.

This account also includes tax receivable 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 tax assets do not relate to income taxes.

At the year-end, the deferred taxes 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 to 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

Index 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 methods 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 (Insurance 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 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 provision made following the verification of the adequacy of the liabilities and the deferred liabilities to policyholders.

The general regulations on insurance contract liabilities, pursuant to articles 36 and 37 of Legislative Decree 37/2009, state that the amount of the 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 therefore are calculated in accordance with the individual financial statement criteria and 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 Legislative Decree 173/97.

For the risks deriving from hailstorms and nuclear energy, the calculation was made as per ISVAP Regulation 16/2008.

For the Credit Class, the provisions of article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.

In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural catastrophes in accordance with ISVAP Regulation No. 16.

In the collateral 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 provision for the premium fraction.

The calculation procedure to determine this provision is in accordance with the empiric method as suggested by the Supervision 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 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 relating to the claims occurred during the year but not yet reported at the year end.

In particular:

- **Motor TPL Class**

It should be noted that February 2007 saw the introduction of the direct indemnity regime which, in the event of a road accident, allows victims who are not responsible, or responsible only in part, to be compensated directly by their insurer.

Starting from the 2011 financial statements, actuarial statistical models were developed that analyse claims up to 2006 and subsequent claims separately, dividing the latter into claims not falling under the direct indemnity

regime (primarily because they involve permanent physical damages from injuries resulting in an invalidity of greater than 9% or because more than two vehicles were involved) and those falling under the CARD handler regime.

With this in mind, the Chain Ladder and Fisher Lange actuarial methods were used in order to calculate the final cost for the claims provision.

The provision relative to IBNR claims was calculated pursuant to Article 32 of ISVAP Regulation 16 of 4 March 2008, using a method that provides an estimate of the IBNR provision, by number and by value, based on past experience and taking into account the trend in late claims and their relative average cost, as well as the average cost of claims reported during the year. The estimate of the expected number of late claims was made separately between No CARD and CARD.

- The lump sums relative to CARD Management and CARD Debtor were recognised based on the amounts and rules defined by the Technical Committee instituted pursuant to Presidential Decree 254/2006. 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 latest 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 provision at the last cost is carried out by year, the claims provision includes the provision necessary to meet the claims attributable to the year but not yet reported at 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 the 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 risks 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 to hedge the possibility that

claims of this nature will occur in the future. In accordance with IFRS 4, this events should covered not through a liability, but through a greater amount of shareholders' equity.

Life insurance contract liabilities

The insurance contract liabilities for direct life insurance is calculated analytically for each contract, on the basis of the commitments without any deduction 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 relating to the contracts in force. In any case, the actuarial provision is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical provision.

The actuarial provision also includes the additional provision on the revaluation service contracts, pursuant to ISVAP Regulation No. 21 and the additional provision 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 reserves meet the commitments related to the life insurance policies and those with discretionary 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 discretionary 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 Insurance Sector are included 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 increase in shareholders' equity or in the result for the period 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 contract 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 gain or loss 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.

For these purposes the Group estimated the period for the realisation of gains and losses on separated management financial instruments between 2 and 7 years, in line with the duration of the insurance liabilities.

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 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.

In any case the insurance contract liabilities for Life Insurance Sector belonging to the separated management and recorded in the consolidated financial statements were not lower than the minimum provisions calculated in accordance with the Liability adequacy test as per paragraph 15 and subsequent of IFRS 4.

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 statements. 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 statements 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 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 Insurance sector the actuarial provision is 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 provision 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 contract 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 risks, 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 establish 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 include the liabilities relating to the 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 and the indications provided by Isvap in Regulation No. 7 of July 13, 2007.

The account also includes the losses on derivatives 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.

Additionally it includes the investment contracts not subjected to IFRS 4, unit and index linked, such as contracts pursuant to article 33, paragraph 4 of Legislative Decree 209/05.

These liabilities which 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 qualifies 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 reporting 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 recognised 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 relating to the Life Insurance Sector (except those with discretionary profit participation for which IFRS 4 provides adoption of the actual accounting principles at the date of transition to IAS) which do not fall under the previous definition, must be recognised 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 discretionary 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 policies which, although legally insurance contracts, have an insignificant insurance risk and therefore fall within 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:

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

FEE AND COMMISSION INCOME AND EXPENSES

These accounts include commissions relating to the investment contracts not included within the scope of IFRS 4. As already mentioned 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 intermediaries.

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

INVESTMENT INCOME

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

This includes income originated from equity 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/expenses from other financial instruments and investment property This item includes:

- 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 relating to investment property

OTHER REVENUES

The account includes:

- 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;
- other net technical income related to insurance contracts;
- exchange rate differences recorded in the income statement as per IAS 21;
- gains realised and any restatement in values relating to intangible and tangible assets.

NET INSURANCE AND BENEFIT CLAIMS

The account includes:

- amounts paid, net of recovery;
- changes in claims provision and other insurance contract liabilities in the Non-Life sector;
- changes in actuarial reserves and other insurance contract liabilities in the Life insurance sector;
- changes in insurance contract liabilities relating to the contracts for which the investment risk is on the policyholder relating to insurance contracts and financial instruments that fall in the application scope of IFRS 4.

The recorded amounts include the settlement expenses both paid and accrued, comprehensive of all the expenses relating to inspection, verification, valuation and settlement of the claims and are allocated to each individual class 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 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 relating 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, mainly due to depreciation and impairment.

OPERATING EXPENSES

Commissions and other acquisition expenses

The account includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

Investment management expenses

This item refers to general expenses and personnel costs relating 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, expenses 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 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:

- costs relating to the sale of goods other than those of a financial nature;
- other net technical charges relating to insurance contracts (refer to the comments on the premium item);
- provisions made in the year;
- exchange differences recorded in the income statement as per IAS 21;
- losses realized and any impairment, depreciation and amortization on property and equipment, 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 financial statements except for those directly recorded in shareholders' equity, such as those related to adjustments to assets and liabilities in the financial statements directly recognised 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 relating to previous years;
- the charges (or income) for deferred taxes relating 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) relating 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 as they are directly recognized in the shareholders' equity; therefore this statement

shows all the changes in the shareholders' equity and the profit or loss which, in accordance with IAS/IFRS standards, must not be recognised directly in the income statement.

OTHER INFORMATION

SEGMENT INFORMATION

In accordance with IFRS 8, the disclosure on the operating segments provides information 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 profit or loss in the segment including revenues and expenses, and 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 to making decisions about resources to be allocated to each segment and assessment of results."

The operating segments presented in this section were identified based on the ISVAP Regulation No.7 and based on the reporting utilised by the 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 sector of activity which represents a strategic business unit which offers different products and services.

The Non-Life insurance sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/05.

The Life insurance sector offers insurance cover with payment of capital or an annuity in case event related to human life occurs, and securitisation contracts with or without significant insurance risk (article 2, paragraph 1 of Legislative Decree 209/05).

The Real Estate sector rents those offices, buildings and residential homes which exceed the coverage requirements of the insurance contract liabilities of the Group, additionally actively operates in the management of investment properties.

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

Receivables and payables as costs and revenues infra-group are directly eliminated within the sectors if the companies operate within the same sector. Where the infra-group transaction relates to companies operating in different sectors, the elimination is shown in the "Inter-segment eliminations".

Otherwise, the treatment is as follows:

- investments are eliminated within the sector 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 results, even though the counterparties operate in different sectors.

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 2011 financial statements assumptions made are considered to be appropriate and consequently the financial statements 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 related sections of the explanatory notes to the financial statements, 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 position and income statement, as well as on the potential assets and liabilities reported for information purposes in the financial statements, if opinions different from those prevailing at the time of reporting are brought to bear..

In particular, the management used more subjective valuations in the following:

- assessment of impairment of goodwill arose from business combinations, and of goodwill in investment and their 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 relates to the choice of the valuation model to use or of the input parameters which may not be observable on the market;
- definition of the parameters utilised in the analytical valuations of equity and debt securities,, particularly those not-listed, included 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;

The examples above aim to provide the reader of the financial statements 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 estimate in the financial statements are made based on the going concern assumption, as any risk was identified which could compromise the ordinary activity of the company. Information on financial risks is contained in Part E – Information on risks and uncertainties.

Despite the negative results in 2011, the shareholders' equity is more than adequate also to support the solvency margin, while the economic forecast are positive and Fondiaria-SAI regularly complies with the regulations issued concerning the coverage of the insurance contract liabilities.

Section 5 - Consolidation scope

As of December 31, 2011, the Fondiaria-SAI Group, including the Parent Company, was made up of 109 Companies, of which 17 operate in the insurance sector, one in the banking sector, 43 in the real estate and agricultural sectors and 18 in the financial services sector; the remaining companies are service companies. The foreign companies within the Group are 18.

The fully consolidated companies are 80, those consolidated under the Equity Method are 17, while the remaining companies are consolidated following the proportional method or maintained at cost due to limited size or the nature of the activities as they are not significant for the purposes of a true and fair representation of the present financial statements.

There are 85 subsidiary companies, of which 30 are directly controlled by the Parent Company.

During 2011, the changes in the consolidation scope of the Fondiaria-SAI Group were the following:

- exit from the consolidation scope of RHO REAL ESTATE FUND as due to the changes in the governance structure, it is no longer considered the significant influence. Consequently, the company is no longer considered an associated entity and was reclassified as investment available for sale. This is a consequence of the reviewed role of the Consultative Committee on which representatives of Fondiaria-SAI sit, aimed to reduce the risk of excessive influence of the Committee on the management of the Fund, also in relation to ordinary operating activities.
- exit from the consolidation of CityLife S.r.l., following its sale;
- acquisition by Fondiaria-SAI S.p.A. of further shares in the subsidiaries SAINTERNATIONAL S.A. AND SIM ETOILE S.A.S., thus reaching 100% of the share capital;
- deconsolidation of ATAHOTELS SUISSE S.A., due to the completion of the liquidation procedure;
- deconsolidation of TRE TORRI CONTRACTOR S.C.R.L. following its sale;
- transfer of the investments held by FONDIARIA-SAI and MILANO ASSICURAZIONI of 18% each in SAI NETWORK S.p.A. to BANCA SAI S.p.A. and subsequent merger by incorporation in this latter into SAI NETWORK S.p.A.;
- deconsolidation of Admiral Finance S.r.l. due to its closure, following the giving out of its purpose.

Additionally, in accordance with IAS 27 paragraph 40 d) the associated company Fondiaria-SAI Servizi Tecnologici S.p.A. is valued following the equity method as, even though Fondiaria-SAI owns the majority of the voting rights (51%), the operating control of the company is exercised by the other shareholder Hp Enterprise Services Italia S.r.l. in accordance with governance agreements made.

Sector	Percentage of control		Indirect	Group holding
	Direct			
SUBSIDIARY COMPANIES				
Companies consolidated line-by-line				
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	Services	51.00 MILANO ASSICURAZIONI S.p.A.	49.00	82.06

TURISTICHE ALBERGHIERE				
S.p.A.				
Milan				
Share Capital Euro 15,000,000				
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 –				
FONDO SPECULATIVO				
	Real Estate	MILANO ASSICURAZIONI S.p.A.	100.00	63.39
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 11,500,000	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	63.39
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
CENTRO ONCOLOGICO				
FIORENTINO CASA DI CURA				
VILLANOVA S.r.l.				
Sesto Fiorentino (FI)				
Share Capital Euro 182,000	Services	100.00		100.00

	Sector	Percentage of control		Group holding
		Direct	Indirect	
CITTÀ DELLA SALUTE S.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. – Società Agricola	100.00	97.51
CONSORZIO CASTELLO Florence Share Capital Euro 401,000	Real Estate	NUOVE INIZIATIVE TOSCANE S.r.l.	99.57	98.43
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	63.29
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	SAINTERNATIONAL S.A. SAILUX S.A.	43.92 36.15	99.99
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

	Sector	Percentage of control			Group holding
		Direct		Indirect	
GRUPPO FONDIARIA-SAI SERVIZI S.r.l. Milan Share capital Euro 5,200,000	Services	64.16	MILANO ASSICURAZIONI S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. DIALOGO ASSICURAZIONI S.p.A. EUROPA TUTELA GIUDIZ. S.p.A. FINALIA S.p.A. INCONTRA ASSICURAZIONI S.p.A. THE LAWRENCE R.E. BANCASAI S.p.A. PRONTO ASSISTANCE S.p.A. SAI MERCATI MOBILIARI SIM S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. LIGURIA VITA S.p.A. PRONTO ASSISTANCE SERVIZI S.c.a.r.l. BIM VITA S.p.A. SIAT SOC. ITALIANA ASS. E RIASS. S.p.A. AUTO PRESTO&BENE S.r.l. IMMOBILIARE LOMBARDA S.p.A.	34.21 0.18 0.20 0.02 0.02 0.02 0.02 0.02 0.90 0.02 0.02 0.02 0.02 0.02 0.11 0.02 0.02	87.29
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	86.88
IMMOBILIARE MILANO ASSICURAZIONI S.r.l. Turin Share Capital Euro 20,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
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	82.06
LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. Milan; Share Capital Euro 36,800,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.97	63.37
LIGURIA VITA S.p.A. Milan; Share Capital Euro 6,000,000	Life Insurance		LIGURIA SOC. DI ASSICURAZIONI S.p.A.	100.00	63.37
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

	Sector	Percentage of control		Group holding
		Direct	Indirect	
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 373,682,600.42	Mixed Insurance	61.10	FONDIARIA-SAI NEDERLAND B.V. 1.51 POPOLARE VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.06 SAI HOLDING ITALIA S.p.A. 0.51 SAINTERNATIONAL S.A. 0.20	63.39
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 TOSCANES.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI S.p.A. 3.12	98.86
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 219,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A. 25.61	50.00
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 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	79.92

	Sector	Percentage of control		Group holding
		Direct	Indirect	
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	69.38
SAI MERCATI MOBILIARI SIM S.p.A. Milan				
Share Capital Euro 13,326,395	Real Estate Brokerage	100.00		100.00
SAIAGRICOLA S.p.A. SOCIETÀ AGRICOLA Turin				
Share Capital Euro 66,000,000	Agriculture	92.01	MILANO ASSICURAZIONI S.p.A. 6.80 PRONTO ASSISTANCE S.p.A. 1.19	97.51
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 FINSAI INTERNATIONAL S.A. 0.01	100.00
SAINT GEORGE CAPITAL MANAGEMENT S.A. Lugano (CH)				
Share Capital CHF 3,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 100.00	100.00
SAINTERNATIONAL S.A. Luxembourg				
Share Capital Euro 154,000,000	Financial	100.00		100.00
SANTA MARIA DEL FICO S.r.l. Umbertide (PG)				
Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A. – Società Agricola 100.00	97.51
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence				
Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00	89.02
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	100.00		100.00
SINTESI SECONDA S.r.l. Milan				
Share Capital Euro 10,400	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 100.00	63.39
SISTEMI SANITARI S.c.r.l. Milan				
Share Capital Euro 1,000,000	Services	78.10	GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l. 21.90	97.22

	Sector	Percentage of control		Group holding	
		Direct	Indirect		
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	63.39
SRP Services S.A.					
Lugano (CH)					
Share Capital CHF 1,000,000	Services		SAINTERNATIONAL S.A.	100.00	100.00
STIMMA S.r.l.					
Florence					
Share Capital Euro 10,000	Real Estate	100.00			100.00
SYSTEMA COMPAGNIA DI ASS.NI					
S.p.A.					
Milan	Non-Life				
Share Capital Euro 5,164,600	Insurance		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
THE LAWRENCE LIFE					
ASSURANCE CO. LTD					
Dublin (IRL)					
Share Capital Euro 802,886	Life Insurance		POPOLARE VITA S.p.A.	100.00	50.00
THE LAWRENCE R.E. IRELAND					
LTD					
Dublin (IRL)	Mixed				
Share Capital Euro 635,000	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	82.06
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	82.06
DDOR AUTO DOO					
Novi Sad (Serbia)					
Share Capital Euro 9,260.97	Services		DDOR NOVI SAID ADO.	100.00	99.99
GLOBAL CARD SERVICE S.r.l.					
in liquidation					
Milan;					
Share Capital Euro 98,800	Services		LIGURIA VITA S.p.A.	51.00	
			LIGURIA SOC. DI ASSICURAZIONI S.p.A.	44.00	60.20
HOTEL TERME DI SAINT					
VINCENT S.r.l.					
Saint Vincent (AO)					
Share Capital Euro 15,300	Services		ATAHOTELS S.p.A.	100.00	82.06
ITAL H & R S.r.l.					
Pieve Emanuele (MI)					
Share Capital Euro 50,000	Services		ITALRESIDENCE S.r.l.	100.00	82.06

	Sector	Percentage of control		Group holding
		Direct	Indirect	
TOUR EXECUTIVE S.r.l. Milan Share Capital Euro 118,300.08	Services	ATAHOTELS S.p.A.	100.00	82.06
ASSOCIATED COMPANIES				
Companies valued under the equity method:				
A 7 S.r.l. in liquidation Milan Share Capital Euro 200,000	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
BORSETTO S.r.l. Turin Share Capital Euro 2,971,782.3	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	44.93	28.48
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 29,165	Financial	IMMOBILIARE FONDIARIA-SAI S.r.l.	28.57	28.57
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
GARIBALDI S.C.A. Luxembourg Share Capital Euro 31,000	Financial	MILANO ASSICURAZIONI S.p.A.	32.00	20.28
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	27.23
ISOLA S.C.A. Luxembourg Share Capital Euro 31,000	Financial	MILANO ASSICURAZIONI S.p.A.	29.56	18.74
METROPOLIS S.p.A. Florence Share Capital Euro 1,120,000	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	29.73	18.85
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
PROGETTO ALFIERE S.p.A. Rome Share Capital Euro 120,000	Real Estate	IMMOBILIARE FONDIARIA-SAI S.r.l.	19.00	19.00

Sector	Percentage of control		Indirect	Group holding
	Direct			
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	12.68
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	25.36
VALORE IMMOBILIARE S.r.l. Milan Share Capital Euro 10,000	Real Estate	MILANO ASSICURAZIONI S.p.A.	50.00	31.69
Companies valued at cost:				
DDOR GARANT Belgrado (Serbia) Share Capital Euro 3,309,619	Services	DDOR RE JOINT STOCK REINSURANCE COMPANY DDOR NOVI SAID ADO	7.54 32.46	40.00
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 liquidation Rome Share Capital Euro 47,664,600	Financial	14.91	MILANO ASSICURAZIONI S.p.A.	7.50 19.66
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	14.1358	SIAT SOC. ITALIANA ASS. E RIASS. S.p.A. MILANO ASSICURAZIONI S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. DIALOGO ASSICURAZIONI S.p.A. INCONTRA ASSICURAZIONI S.p.A.	0.0948 10.9752 0.3093 0.0002 0.0001 0.0024 21.38

**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 Supervisory Authority and are included as annex to the present information.

Statement of financial position - Assets

1. INTANGIBLE ASSETS

The following table sets forth the breakdown:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Goodwill	1,367,737	1,468,570	(100,833)
Other intangible assets	95,153	119,164	(24,011)
TOTAL	1,462,890	1,587,734	(124,844)

1.1 Goodwill

In accordance with IFRS 3.B67, the following table 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, 2011	As of December 31, 2010
Book value at beginning of year	1,575,693	1,629,051
Permanent loss in value recognized in previous years (-)	(107,123)	(36,044)
Sub-total	1,468,570	1,593,007
Increases for the period	-	-
Decrease due to disposals or reclassification under assets available for sale	-	-
Permanent loss in value recognized in the period	(100,707)	(71,079)
Exchange differences	(126)	(43,358)
Other changes	-	(10,000)
Value at year end	1,367,737	1,468,570

The permanent loss in value are due to the result of the impairment test performed on the goodwill from Popolare Vita

The negative exchange difference refers to the depreciation of the Serbian Dinar against the Euro.

The table below sets forth a summary of the Goodwill as originated:

(in Euro thousands)

	As of December 31, 2011	As of December 31, 2010	Change
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	530	-
Consolidation difference	695,065	795,898	(100,833)
TOTAL	1,367,737	1,468,570	(100,833)

The breakdown of goodwill are shown in the table below:

(in Euro thousands)

	As of December 31, 2011	As of December 31, 2010
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
<u>Consolidation differences:</u>		
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 up to 31/12/2002		
Goodwill from 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, 2011	As of December 31, 2010
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
<u>Consolidation differences:</u>		
On Liguria Assicurazioni Group	55,714	55,714
On Incontra Assicurazioni S.p.A.	13,432	13,432
On SASA Danni S.p.A. now incorporated into Milano (*)	8,424	8,424
On Florence Centro di Chirurgia Ambulatoriale S.r.l.	1,279	1,279
On Popolare Vita S.p.A.	360,601	461,308

On DDOR Novi Sad ADO	73,090	73,216
Total other goodwill	514,122	614,955
Total Group goodwill	1,367,737	1,468,570

(*) Allocated to the Milano Life and Non-Life insurance 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 2011 on the goodwill recorded in the statement of financial position.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU) 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 of assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, aimed to identify the existence of any permanent 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 of December 31, 2003, as we did not provide to perform the of the business combinations occurred before that date, as permitted by IFRS 1.

The goodwill, independently of its origin, was allocated to the CGU which is expected to benefit of synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

CGUs Book value for goodwill existing as of January 1, 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, relates to 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 Fondiaria-SAI and Milano Assicurazioni brands.

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 CGU 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 of December 31, 2011 the goodwill allocated to the CGUs are as follows:

(in Euro thousands)

CGU	Fondiaria-SAI		Milano (*)		TOTAL
	Fondiaria-SAI Non-Life	Fondiaria-SAI Life	Milan Non-Life	Milan Life	
	1	2	3	4	
					Σ (1-4)
Goodwill allocated	412,770	91,994	304,484	53,843	863,091

(*) 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, 2011	As of December 31, 2010
Gruppo Liguria Assicurazioni (100%)	55,714	55,714
Incontra Assicurazioni S.p.A. (51%)	13,432	13,432
Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%)	1,279	1,279
Popolare Vita (50% +1 share)	360,601	461,308
DDOR (99.99%)	73,090	73,216
Sistemi Sanitari (100%)	530	530

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 share prices 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 CGUs, considering that market capitalisation of the stock market expresses values below the proportional shareholders' equity. To calculate the recoverable value and subsequently to make a comparison with the book value of the CGU the value in use was utilized, 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 methods 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 evaluation, 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 actualization, 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	Plan 2012-14 + projections	10.5	Yes	2
Life Business	Appraisal Value		10.5	-	-
MILANO ASS.NI					
Non-Life Business	DDM	Plan 2012-14 + projections	10.2	Yes	2
Life Business	Appraisal Value		10.5	-	-
INCONTRA ASS.NI	DCF	Budget 2012 + projections	10.0	Yes	2
GRUPPO LIGURIA ASS.NI	DDM+Appraisal Value	Plan 2012-14 + projections	10.2	Yes	2
DDOR NOVI SAD ADO	DDM	Plan 2012-14	15.2	Yes	3
POPOLARE VITA	Multiples of comparable transactions	-	-	No	-
FLORENCE	DCF	Budget 2012	9.6	Yes	2

With reference to the cash flows utilised for the valuation, the table above shows that for Fondiaria-SAI and Milano Assicurazioni, these primarily derive from the 2012 budget and from the 2013-2014 business plan. Regarding the period 2015-2016, further estimates were made and 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 2012-2016 as taken from the Fondiaria SAI Group budget for 2012, the 2013-2014 business plan and further projections for the period 2015-2016. For the 2015-2016 projections, the main assumptions were based on a premium growth in line with the growth expected for the last year of the business plan, a combined ratio and a target return of investments in line with the levels expected for 2014.
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 derives from the estimate of its value as of December 31, 2011, net of the cost of capital and taxes.
Goodwill is based on the calculation of the new business value as of December 31, 2011, to which a multiple of 5 was applied, in line with market practice.

Incontra Assicurazioni, does not have a long-term business plan approved by the Board of Directors, beside the original plan underlying the acquisition, that was not considered reliable to identify the financial cash flows produced by the CGU in light of the actual results since the beginning of the initiative. 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 there was a slowdown in the project;
- over the years, this subsidiary modified significantly its product mix.

As the subsidiary does not have a business plan which takes newscenarios into account, cash flows taken from the 2012 budget were used. The 2012 budget was prepared using 2011 actual results, excluding any changes arising from improvements and/or optimisation of business performance - optimisations which formed the basis of the variable underlying the price paid for the acquisition of Incontra Assicurazioni. The future cash flows were projected assuming a discount rate of 10%, in line with that utilised for the Fondiaria-SAI Group. The valuation did not indicate the need for further impairment of goodwill.

For **DDOR Novi Sad ADO** the impairment test was based on the forecast in the 2012-2014 budgets. Projections were extended up to 2015 to determine the sustainable income level. The company was valued using the DDM method (Dividend Discount Model) in the excess capital variant, which is based not only the parameters shown in the table, but also on a minimum solvency capital ratio of 120% of the constituting elements calculated in accordance with rules currently in force in Serbia.

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

The valuation did not indicate the need for further impairment of goodwill.

For **Popolare Vita** (and its subsidiary The Lawrence Life) the impairment test conducted for the purpose of preparing the 2010 financial statements was performed utilising the Sum of the Parts method, which consisted in the sum of the following items:

- discounting of future profits from the Business Life and Pensions associated with the shareholders agreements for 2010-2017;
- the synergies resulting from the outsourcing contract between the Parent Company and the subsidiary;
- valuation of the selling price by estimating the expected new business value at December 31, 2017 based on the business plan's factors;
- the adjusted shareholders' equity and VIF at the date.

For the purpose of checking the results obtained with this method, the comparable transactions multiples method was used as a control method.

During 2011 Popolare Vita experienced a significant business slowdown. Considering that the cash flows from the afore-mentioned Business Life and Pensions as a basis for the test were not longer applicable and that the forecasts for the next 3-5 years were not available, it was not feasible to reliably estimate the value in use based on the original plan.

Therefore for the purposes of the impairment test at December 31, 2011, it was deemed appropriate to determine the fair value of Popolare Vita using two different valuation methods. First, the comparable transactions multiple method was used, specifically, the goodwill/gross premiums and price/equity multiple related to a sample of

transactions on the Italian market in the 2008-2011 period. In particular, the multiples used were 22.2% for goodwill/gross premiums and 1.76% for price/ equity.

Based on the application of the above method, the recoverable value of the investment in Popolare Vita was calculated as Euro 556.7 million and Euro 510.1 million, based on the goodwill/gross premiums multiple and the price/ equity multiple, respectively. The average of the two values thus calculated led to a value of Euro 533.4 million which was deemed to be the recoverable value of the investment and therefore of the related goodwill. This resulted in a write-down of the goodwill for Euro 101 million.

Secondly, as a further support, a valuation was also obtained from an independent external appraiser aimed to establish the appraisal value of the subsidiary consistent with the possible exercise of the put option to the second shareholder of the company as per the shareholders' agreement entered into on September 7, 2007. This valuation was based on:

- the embedded value as of December 31, 2011;
- the goodwill as of December 31, 2011 as the sum of the value of future new business based on the products sold in 2011, the respective costs and volumes of new business expected over the next 6 years and the terminal value as capitalisation in perpetuity, at a long-term growth rate of the added value of the new business for the last year. In this context the range identified includes the recoverable value of Euro 533 million calculated with the first method.

In order to further support the conclusions reached, the Appraisal Value of the subsidiary utilising a time period consistent with the duration of the distribution agreement (and therefore until 2017) was adopted as a control method. In this case, the control valuation approach adopted the criterion of value in use and the components considered for the purposes of applying the Appraisal Value were the following:

1. Adjusted Net Asset Value at December 31, 2011;
2. Value of in force business at December 31, 2011;
3. New Business value (or "Goodwill") on expiry date (2017).

The estimate of the New Business Value estimate was made utilising the 2011 new business figure and assuming a reasonably sustainable growth of premiums written for the next 6 years, leaving the new business profitability unchanged at the 2011 level. The benefit deriving from the outsourcing contract between the Parent company and the subsidiary was added to the value obtained using the Appraisal Value approach. For this purpose, the 2012-2017 future cash flows estimated based on actual net income for 2011 were discounted.

Finally, thanks to the changed economic and financial environment, a 3-years business plan was drawn up together with the banking partner, to give new life to the initiative.

For **Florence Centro Chirurgia Ambulatoriale S.r.l.** the impairment test was based on the estimated cash flows in the 2012 Budget. Also in the case there was no need for an impairment.

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
Fondiarria-SAI Non-Life	906	460	446
Fondiarria-SAI Life	352	272	80
Milano Assicurazioni Non-Life	755	371	384
Milano Assicurazioni Life	186	146	40

Incontra Assicurazioni	23	20	4
Liguria Assicurazioni Group	55	46	9
DDOR Novi Sad ADO	152	123	29
Popolare Vita	533	533	-

For all of the valuations sensitivity analyses were performed.

In particular, in relation to the Fondiaria-SAI Non-Life, Milano Assicurazioni Non-Life and Liguria Assicurazioni Group CGUs the following sensitivity analyses were performed:

- changes in the combined ratio and target investment returns around +/-0.25%;
- changes in the cost of own capital and in the long-term growth rate of +/- 0.25%;
- changes in the combined ratio of +/- 0.25% and Solvency Margin in the range 115%-125%.

The minimum and maximum values resulting from the sensitivity analysis are summarized below:

- Fondiaria-SAI Non-Life CGU:
 - Range: Euro 852.0 million – Euro 960.5 million;
- Milano Assicurazioni Non-Life CGU:
 - Range: Euro 689.8 million – Euro 819.7 million;
- Liguria Assicurazioni Group CGU:
 - Range: Euro 50.2 million – Euro 60.3 million;

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

- 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 as follows:

- Fondiaria-SAI Life CGU:
 - Range: Euro 288.6 million – Euro 372.6 million;
- CGU Milano Assicurazioni Vita:
 - Range Euro 170.0 million – Euro 190.8 million.

The results obtained in relation to the Fondiaria-SAI and Milano Assicurazioni Non-Life and Life CGUs confirmed, in all scenarios, the excess in the recoverable value over the book value. Additionally, based on the analyses performed, it is not believed that reasonable changes in the key variables could occur for those CGUs that would wipe out the difference between the recoverable value and the book value.

The recoverable value of the DDOR Novi Sad ADO CGU resulted within the interval Euro 146-158 million. These limits arose 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).

1.2 Other Intangible Assets

The other intangible assets amount to Euro 95,153 thousand (Euro 119,164 thousand as of December 31, 2010) and are broken down by type as follows:

(in Euro thousands)	Gross carrying value	Amortisation and impairment	Net book value as of December 31, 2011	Net book value as of December 31, 2010
Studies and research expenses	237,866	(212,350)	25,516	27,798
Utilisation rights	20,763	(14,252)	6,511	6,801
Other intangible assets	271,316	(208,190)	63,126	84,565
TOTAL	529,945	(434,792)	95,153	119,164

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 2011, 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 manage all the resources, the assets and the services already existing and new acquisitions relating 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 mainly relate to the values relating to the customers portfolios acquired by the following companies:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Liguria Assicurazioni S.p.A.	10,054	17,150	(7,096)
DDOR Novi Sad ADO	8,115	15,624	(7,509)
TOTAL	18,169	32,774	(14,605)

The exchange effects on the VOBA of DDOR Novi Sad are not significant.

These amounts relate to the recording of the Voba (Value On Business Acquired) 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 amortisation recorded in the income statement of the above-mentioned assets in 2011 was Euro 14,586 thousand (Euro 32,771 thousand in 2010).

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	
	2011	2010	2011	2010	2011	2010	2011	2010
Book value at the beginning of the year	27,798	31,339	6,801	6,025	84,565	266,247	119,164	303,611
Increases:								
• <i>purchased and/or generated internally</i>	13,413	12,997	2,508	3,512	4,381	6,769	20,302	23,278
• <i>from business combinations</i>	-	-	-	-	-	-	-	-
• <i>from changes in consolidation method</i>	-	-	-	-	-	-	-	-
Decreases for sales or reclassifications	-	-	(321)	(271)	(857)	(125,712)	(1,178)	(125,983)
Impairment recorded in the year	-	-	(20)	-	-	(7,286)	(20)	(7,286)
Restated values recorded in the year	-	-	-	-	-	-	-	-
Amortisation	(15,695)	(16,538)	(2,455)	(2,381)	(24,943)	(49,280)	(43,093)	(68,199)
Exchange differences	-	-	(2)	(84)	(20)	(6,500)	(22)	(6,584)
Other changes	-	-	-	-	-	327	0	327
Book value at the end of theyear	25,516	27,798	6,511	6,801	63,126	84,565	95,153	119,164

2. PROPERTY & EQUIPMENT

The account amounts to Euro 401,744 thousand (Euro 594,334 thousand as of December 31, 2010), a decrease of Euro 192,590 thousand.

The breakdown of the property & equipment is as follows:

(in Euro thousands)	properties		Land		Other tangible assets		Total	
			As of December 31,					
	2011	2010	2011	2010	2011	2010	2011	2010
Gross carrying value	333,821	509,457	25,832	28,192	212,950	214,324	572,603	751,973
Depreciation and impairment	(44,153)	(36,958)	-	-	(126,706)	(120,681)	(170,859)	(157,639)
Net book value	289,668	472,499	25,832	28,192	86,244	93,643	401,744	594,334

The table below sets forth the changes in the year:

(in Euro thousands)	Properties		Land		Other tangible assets		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Book value at the beginning of the year	472,499	367,702	28,192	35,397	93,643	97,230	594,334	500,329
Increases	13,273	47,122	-	-	7,590	18,463	20,863	65,585
Disposals	(299)	(38,606)	(292)	(7,205)	(3,384)	(7,163)	(3,975)	(52,974)

Reclassifications or transfers from/to other categories	(170,471)	107,357	(1,700)	-	-	21	(172,171)	107,378
Assets from business combinations	-	-	-	-	-	-	-	-
Impairment recorded in the year	(21,405)	(3,575)	(368)	-	(688)	(4,142)	(22,461)	(7,717)
Restated values recorded in the year	-	-	-	-	-	-	-	-
Depreciation	(4,044)	(3,414)	-	-	(10,915)	(10,549)	(14,959)	(13,963)
Exchange differences	115	(4,087)	-	-	(2)	(217)	113	(4,304)
Other changes	-	-	-	-	-	-	-	-
Book value at the end of the year	289,668	472,499	25,832	28,192	86,244	93,643	401,744	594,334

The impairments refer to properties owned by the Parent Company and some subsidiaries, whose book value is above the market value and therefore considered permanent losses in value.

In relation to the accounts “Properties” and “Land”, the “Reclassifications and transfers from/to other categories” include:

- Euro 160,820 thousand relating to the reclassification to the account “Investment property” of the real estate development project relating to the expansion of Porto di Loano due to the conclusion of the work and the obtaining of administrative authorisations on approx. 95% of the properties;
- Euro 7,647 thousand relating to the reclassification to the account “Investment Property” of the property owned by subsidiary Liguria Assicurazioni located in Segrate – Via Milano 2;
- Euro 3,704 thousand relating to the reclassification to the account “Investment property” of some properties owned by the subsidiary DDOR.

The account relating 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’ 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). These properties are recorded at cost and are depreciated over their useful lives only in relation to the 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. and most of properties owned by the subsidiary Marina di Loano) which are 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 Supervision Authority and to the requirements of IAS 40.

With the exception of the area earmarked for construction at Garibaldi Repubblica owned by the subsidiary Meridiano Secondo, held under a mortgage, the other properties of the Group within the account were not subject to restrictions on title, nor has any significant amount been recorded in the Income Statement for reductions in value, losses, disposal or damages.

With reference to the properties to be used by the company, the book value, at the year-end, is Euro 192 million lower than the expert valuations based on market values (Euro 184 million as of December 31, 2010).

The residual “other tangible assets” mainly relate to assets of the Group utilised in the exercise of its activities, such as hardware, 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.

3. REINSURANCE ASSETS

The total amount of the account is Euro 701,880 thousand (Euro 823,184 thousand as of December 31, 2010) - a decrease of Euro 121,304 thousand. The breakdown of the account is as follows:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Non-Life premium provision reinsured	157,012	154,404	2,608
Non-Life claims provision – reinsured	451,605	502,315	(50,710)
Other Non-Life provision– reinsured	-	-	-
Actuarial provision – reinsurerd	90,116	163,914	(73,798)
Provision for claims to be paid – reinsured	3,147	2,551	596
Class D reserves attributed to reinsured	-	-	-
Other provision – reinsured	-	-	-
TOTAL	701,880	1.1.1 823,184 1.1.2	(121,304)

Of this amount Euro 423 million refers to reinsurance expenses and Euro 279 million refers to retrocessionaire provision.

4. INVESTMENTS

The breakdown is as follows:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Investment property	2,759,245	2,894,209	(134,964)
Investments in subsidiaries, associates and joint ventures	116,558	325,369	(208,811)
Investments held-to-maturity	599,713	592,138	7,575
Loans and receivables	3,688,865	3,159,211	529,654
Financial assets available for sale	17,598,287	20,302,882	(2,704,595)
Financial assets at fair value recorded through the profit or loss	9,026,664	8,740,064	286,600
TOTAL	33,789,332	36,013,873	(2,224,541)

4.1 Investment Property

The account includes all the 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 on the basis of updated expert valuations at the date of transition to the international accounting standards (i.e. January 1, 2004), on the basis of the independent experts' valuation report prepared at the acquisition.

The properties component is depreciated systematically with regard to the residual useful life of the components therein. Among the significant components, those relating to the equipment are depreciated separately. The depreciation rate utilised for the "properties" is between 0.83% and 22.22%, while the depreciation rate relating to the "equipment" is between 3.88% and 35.81%.

Annually, the Group determines the fair value of the investment property investments, on the basis of independent experts' 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 account of the returns on the properties, in accordance with the provisions of the Supervision Authority.

Overall, the book value of the investment properties as of December 31, 2011 was Euro 690 million lower than the independent experts' valuations (Euro 887 million as of December 31, 2010).

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

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010
Gross carrying value	3,187,016	3,269,947
Depreciation and impairment	(427,771)	(375,738)
Net book value	2,759,245	2,894,209

The changes in the investment property in the year are shown below:

(in Euro thousands)	2011	2010
Value at the beginning of the year	2,894,209	3,011,505
<u>Increases:</u>		
For purchases and incremental expenses	39,601	39,695
properties from business combinations	-	-
Decreases for disposal	(34,043)	(60,565)
Depreciation	(72,463)	(72,688)
Impairment/restatement recorded in the year	(243,671)	(28,645)
Exchange differences	(11)	(604)
Transfer from/to other categories (IAS 2 or IAS 16)	175,623	5,511
Other changes	-	-
Value at the end of the year	2,759,245	2,894,209

The account "Transfers to/from other categories" includes:

- Euro 160,820 thousand relating to the reclassification from the account "Property and equipment" of the real estate development project relating to the expansion of Porto di Loano due to the conclusion of the work and the obtaining of administrative authorisation on approx. 95% of the properties;
- Euro 7,647 thousand relating to the reclassification from the account "Property and equipment" of the property owned by the subsidiary Liguria Assicurazioni located in Segrate – Via Milano 2;

- Euro 3,704 thousand relating to the reclassification from the account “Property and equipment” of some properties owned by the subsidiary DDOR Novi Sad ADO;
- Euro 3,452 thousand relating to the reclassification from the account “Non-current assets or disposal group classified as held for sale ” of the properties owned by the subsidiary Liguria Assicurazioni located in Segrate – Via delle Regioni, 40.

The disposals relate to properties owned by the Parent Company and some subsidiaries, whose the most significant was the disposal of the property located in Rome - Castelgiubileo.

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.

The main impairments recorded on the real estate properties of the Group is reported below (Property, and equipment and Investment property);

(in Euro thousands)

Rome - via Fiorentini	29,883
Pero - via Keplero	27,637
Florence – Terreno (Nuove Iniziative Toscane)	27,287
Loano - lungomare Madonna di Loreto	22,124
Varese - via Albani	14,906
Milan - area Garibaldi Repubblica	14,128
Milan - via De Castillia	12,593
S. Pacrazio Parmense - via Emilia	11,689
Civitella Paganico - Terme di Petriolo	9,862
Pinzolo, loc. Madonna di Campiglio	7,860
Milan – via Caldera 21	7,179
Villasimius – Località Campolungu	7,000
Pieve Emanuele – Località Viquarterio	7,000
Milan – via Melzi d’Eril	6,409
San Donato Milanese – Via Maastricht 3	5,701
Others buildings	54,142

The lower value attributed to the properties compared to the valuations made in prior years is a result of the changed economic-financial environment (i.e. the increase in interest rates and the difficulties in achieving sustainable profitability), and to the consequent need for a more prudent valuation approach, even if the methods applied remain constant, to obtain a fair market value of the assets owned. Considering also the difficulties in acquiring credit by real estate operators and the significant slowdown in demand, the Group adopted a more prudent valuation approach for properties with unsatisfactory profitability and for development projects which are affected by greater uncertainty concerning their completion.

The property portfolio suffered due to the international financial crisis which resulted in a decline in the market value of properties, along with an increase in the risk perception of investors and in the profitability expected from such investments. This had led the Group’s property appraisers to lower the expected income for vacant properties or for development areas and to raise the discounting rates and the exit yield in the DCF utilised mainly for the valuation of the assets, compared with those utilised in the previous year appraisals with a consequent reduction in the market value of properties and the write-downs on their book values. In particular, the property portfolio of the Fondiaria SAI Group experienced a drop in the market value of 9.8% between the year-end 2009 and year-end of 2011 (-9.4% in 2011). A similar negative trend was also detected in recent years on the Italian property market.

In 2011, the Group appointed different experts to evaluate the property portfolio, in order to rotate according to best market practices.

The experts were chosen based on the following criteria:

- leading experts who work with the principal market players (independent experts involved with the largest Italian property funds);
- the experts chosen have had limited or practically no assignments with the Group in the past years (with the exception of Praxi S.p.A.);
- the experts chosen in 2011 were: DTZ Italia S.p.A., Avalon Real Estate S.p.A., Patrigest/Abaco and the company Praxi S.p.A.

In 2010, the valuations were carried out respectively by Scenari Immobiliari and Praxi S.p.A.

For some properties, the change of experts also resulted in a change in the valuation methodology compared to the past, going in some cases from a comparative criteria method (Euro per sq.m.) to a Discounted Cash Flow method (DCF), in particular for some detached properties for purposes other than residential use.

The main write-downs for the different asset classes are analysed below:

- Tourist -accomodation facilities (write-down of Euro 101 million): the reduction in the market value of such buildings is particularly due to the crisis which hit the hotel sector, that led to a more prudent estimate by the experts of the buildings, with an increase in the discount rate, as well as the exit yields in the DCF used for the valuation of the assets. The tourist-accomodation facilities category also includes the company Marina di Loano, for which the lower market value compared to 2010 is due in particular to the current nautical market conditions which depressed the demand for points boat. This resulted in a more prudent estimate of forecast compared with those made to previous years.
- Purchase of work in progress properties (write-down of Euro 54 million): due to the progress of the work on these assets, the problems related to the completion of a number of assets according to the initially intended use and for which a strategy for the completion of the work is being defined (Ref. San Pancrazio Parmense); considering also the expert valuation received at year-end it was decided to write-down the above stated property initiatives, considering the risks associated to the revenue earning capacity of such assets.
- Land (write-down of Euro 60 million): the uncertainty in the completion of property development projects, as well as the more prudent assumptions used by the independent experts based on the slowdown due to the tightening of credit, resulted in a decrease in the expert valuations with consequent write-downs. In particular, on the property development project in the Castello di Firenze area (Nuove Iniziative Toscane property) the valuation prepared by the Praxi as of December 31, 2011, compared to the evaluation performed by Scenari Immobiliari as of December 31, 2010, resulted in a decrease in the market value attributed to the Castello area, within the Executive Urban Plan, of approx. Euro 100 million. This change is due to the greater prudence of the company Praxi compared to Scenari Immobiliari with regard to unit construction/execution cost, expected unit revenues from the sale of properties, the discount rate, the time period for the real estate transaction, and the attachment of the area. Information was also provided to ISVAP. Other valuations were also requested to Patrigest, in the process of formalisation, which confirmed the evaluation performed by Praxi, especially in relation to the significant reduction in value compared to the valuation of Scenari Immobiliari, notwithstanding the Discounted Cash Flow method (DCF).

- Offices (write-down of Euro 34 million): as highlighted in relation to the tourist-accomodation facilities the crisis in the property market resulted in the use by the independent experts of an higher discount rates in the DCF method and a lower estimate of the value of offices compared with those used in 2010 (such as the building located in Milan – Melzi d’Eril). In addition to these factors, the decrease in market value was recognized for the partially or or totally vacant properties buildings (usch as those located in Milan - Torri di Val Formazza, in Via Medici del Vascello, in Via Amidani and Via dei Missaglia).
- Other categories (write-downs of Euro 16 million).

During the year, the rental income from investment property amounted to over Euro 88 million (Euro 92 million in 2010).

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 8 buildings owned by Tikal Fund, Immobiliare Fondiaria-SAI Group and Immobiliare Milano which are mortgaged for the loans received. In addition it should be considered the legal attachment of the Castello area in Florence owned by the subsidiary NIT, as described in the section on Provision for Risks and Charges.

4.2 Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20 Fondiaria-SAI fully consolidates all the Companies of the Group, 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 activitiesto 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, 2011	As of December 31, 2010	Change
Subsidiary companies	1,405	1,465	(60)
Associated companies	115,153	323,904	(208,751)
Total	116,558	325,369	(208,811)

The table below sets forth the most significant investments in associates:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Garibaldi S.C.A.	56.1	45.9	10.2
Fin. Priv. S.r.l.	20.5	27.7	(7.2)
Isola S.C.A.	11.1	10.9	0.2
CityLife S.r.l.	-	78.1	(78.1)
Immobiliare Rho Fund	-	57.1	(57.1)
IGLI S.p.A.	-	56.7	(56.7)
Finadin S.p.A.	-	10.0	(10.0)
Other	27.5	37.5	(10.0)
Total	115.2	323.9	(208.7)

The decrease in the investments in associates is due to the followings:

- sale of the investment in CityLife occurred on August 3, 2011;
- reclassification to the account “financial assets available for sale” of the Rho Real Estate Fund due to the change in the governance structure and the loss of the significant influence;
- reclassification to the account “Non-current assets or disposal group classified as held for sale” of the investment in IGLI S.p.A., following the signing of the sale contract with Argo Finanziaria S.p.A. by Immobiliare Fondiaria-SAI and Immobiliare Milano;
- the impairment of the investment in Finadin S.p.A., due to its equity securities portfolio whose market value was below the book value for more than 24 months;
- deconsolidation of the Rho Real Estate Fund and transfer of the investment to the account financial assets available for sale;
- increase of the investment in Garibaldi S.c.a. for Euro 10 million, following the underwriting of the profit participating bond issued.

The loss recognized in the income statement due to the valuation of the investment amounts to Euro 21 million and includes also 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 599,713 thousand (Euro 592,138 thousand as of December 31, 2010) and the breakdown is the following:

(in Euro thousands)

	As of December 31, 2011	As of December 31, 2010	Change
Debt securities	599,713	592,138	7,575
Total	599,713	592,138	7,575

The account includes financial instruments as per paragraph 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 capacity to hold until maturity.

The category only includes financial instruments from the Life insurance sector held for policies with specific provisions as defined by the current sector regulations.

This account includes exclusively listed securities whose current value amount to Euro 643,368 thousand.

4.4 Loans and receivables

The account amounts to Euro 3,688,865 thousand (Euro 3,159,211 thousand as of December 31, 2010) and the breakdown is the following:

(in Euro thousands)

	As of December 31, 2011	As of December 31, 2010	Change
Due from banks and interbank	665,462	764,172	(98,710)
Debt securities	2,465,849	1,825,970	639,879
Loans on life insurance policies	44,140	53,597	(9,457)
Deposits held by reinsurers	24,895	27,417	(2,522)
Receivables from sub-agents for indemnities paid to agents terminated	238,569	240,821	(2,252)
Other loans and receivables	249,950	247,234	2,716
Total	3,688,865	3,159,211	529,654

Due from banks include the deposit of the subsidiary BancaSai with other credit institutions for Euro 29,147 thousand (Euro 78,590 thousand as of December 31, 2010), and loans to the clients of the bank for Euro 636,315 thousand (Euro 685,583 thousand as of December 31, 2010).

The account debt securities includes:

- 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.
- some private placements of Italian sovereign securities, for Euro 1,541 thousand, 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.
- Securities issued by corporate entities: mainly assisted by subordinated clauses and transferred to this category in 2009. 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 11,881 thousand. The AFS reserve on these securities as of January 1, 2009 was negative and 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 52,981 thousand.

For further details on the classification refer to the section Accounting Principles.

The account "Other loans and receivables" mainly includes Euro 221.5 million (Euro 207.3 million as of December 31, 2010) of consumer loans held by the subsidiary Finitalia in respect of customers.

The book value as of December 31, 2011, calculated in accordance with the amortised cost criteria, was higher than its fair value for Euro 305 million (lower for Euro 61 million at the end of the previous year).

4.5 Financial assets available for sale

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 as follows:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Equity securities	1,171,370	1,528,791	(357,421)
Fund units	788,143	819,961	(31,818)
Debt securities	15,636,678	17,952,179	(2,315,501)
Other financial investments	2,096	1,951	145
TOTAL	17,598,287	20,302,882	(2,704,595)

Equity securities include listed securities for Euro 918 million, while debt securities include listed securities for Euro 15,593 million.

It should be noted that, the debt and equity securities included in this category are mainly valued at fair value.

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, 2011	Book value as of December 31, 2010
Assicurazioni Generali S.p.A.	1.07	191,718	252,141
Unicredit S.p.A.	0.32	39,392	104,701
Gemina S.p.A.	4.19	36,162	32,578
Mediobanca S.p.A.	3.83	145,667	220,778
Monte dei Paschi S.p.A.	0.04	1,197	23,071
RCS S.p.A.	5.46	26,922	41,134
Pirelli & C. S.p.A.	4.48	137,827	129,701
Total		578,885	804,104
Other investments		339,078	518,601
Total		917,963	1,322,705

(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 gross of the tax effects, and amounts paid back to Life insurance policyholders in accordance with the shadow accounting technique) it should be noted that the gross amount, negative for Euro 1,267 million, includes a negative component of Euro 1,238 million related to debt securities and investment funds and a negative component of Euro 29 million related to equity securities (Euro 104 million related to the investment in Bank of Italy).

With reference to the Group impairment policy in relation 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 date of the financial statements;
2. a market value continuously lower than the original book value, for a period of two years.

For the financial instruments available for sale which do not satisfy the above-mentioned criteria, in the presence of losses on equity securities, further analytical evaluations were made in order to assess indications of impairment.

In case such analyses 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 exceeded. For this purpose, 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 bookvalue.

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, customised on the basis of 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;
 - RCS Mediagroup;
 - Unicredit;
 the impairment recognized in the income statement was approx. Euro 121 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 as the main criteria principally concerns the probability of issuer to default.

The total reduction in value for impairment relating to financial assets available for sale amounted to Euro 373 million (Euro 389.3 million in 2010) and are summarised in the following table:

(in Euro millions)	2011	2010
EQUITIES	207.2	377.4
BONDS ISSUED BY THE GREEK STATE	156.3	-
FUND UNITS	9.5	11.9
TOTAL	373.0	389.3

Government bonds issued by Greece

As previously outlined, the current Greek economic conditions recently required the introduction of initiatives to restructure the Greek debt securities. In particular, on July 21, 2011, the International Institute of Finance released a restructuring plan for the Greek sovereign debt concerning the securities with maturity by 2020. In essence, the plan establishes the faculty for investors to exchange Greek government securities with other financial instruments, providing greater guarantees and extended maturity (15 or 30 years). Utilising a discount rate on coupon cash flows of 9%, each of the 4 types of securities offered will result in a loss of approx. 21% compared to the repayment price.

On October 27, in Bruxelles a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds, within a situation still not resolved and which may see further write-downs.

Therefore, consistently with the half-year financial statements, the Greek securities covered by the action plan of July 21, classified as financial assets available for sale, were subject to impairment, and prudently the entire negative reserve on these securities amounting to Euro 35.6 million, was recognized in the income statement with a net impact on the result of approx. Euro 8.8 million, taking into account of the portion of the amount paid by the policyholders and the tax effect.

The impairment recognition was made on the basis of the qualitative factors listed in paragraph 59 of IAS 39 for the purpose of identification of the existence of objective evidence of impairment, in particular with reference to the difficulty of the issuer to repay the debt securities subject to the restructuring plan, to the factors who indicate a decrease in the future financial cash flows compared to those contractually established, as well as to the economic conditions which have induced creditors to grant conditions which previously would not have been considered.

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

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

The restructuring plan, which establishes March 8 as the expiry date for the declaration of intent, had a subscription rate by investors of approx. 95%. The companies of the Group subscribed for all securities held.

In the preparation of the present financial statements, taking into account the above, it was considered appropriate to recognize in the income statement the whole difference between the book value as of June 30 and the market prices as of December 31 of the Greek government bonds in portfolio, equal to Euro 120.7 million.

The impairment on Greek government bonds amounts totally to Euro 156.3 million. The impact on the income statement, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 55 million.

The following table breaks down the exposure of the Fondiaria SAI Group to Greek government debt securities.

	Nominal value As of December 31, 11	Fair value As of December 31, 11	Impairment	Gross AFS reserve	AFS reserve net of life policyholders share
Financial assets available for sale due by 2020	85,970	21,818	68,503	-	-
Financial assets available for sale due beyond 2020	109,000	23,051	87,742	-	-
Total	194,970	44,869	156,245	-	-

Government debt securities issued by Portugal, Ireland, Italy Greece and Spain

The following table breaks down the exposure of the Fondiaria SAI Group to government securities issued by other countries (i.e. the Peripheral countries of the Eurozone), also recognized as financial assets available for sale:

State	Maturity within 12 months	Maturity from 1 to 5 years	Maturity from 5 to 10 years	Maturity over 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	62,416	-	43,054	105,470	(13,829)	(8,193)
Portugal	-	2,768	-	-	2,768	(1,257)	(594)
Ireland	-	1,228	19,572	-	20,800	(4,707)	(1,936)
Italy	1,416,808	5,298,014	3,614,926	1,434,051	11,763,799	(1,511,869)	(740,413)
Greece	4,550	7,909	9,359	23,051	44,869	-	-

Based on the prices at March 26, 2012, date of the Board of Directors' meeting, the gross negative AFS reserve reduced by approx. Euro 219,971 thousand.

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, 2011	As of December 31, 2010	Change
Equity securities	30,599	32,502	(1,903)
Fund units	636,124	459,900	176,224
Debt securities	8,072,935	7,758,432	314,503
Other financial investments	287,006	489,230	202,224
TOTAL	9,026,664	8,740,064	286,600

The account includes financial assets designated at fair value through profit or loss for Euro 8,973,030 thousand (Euro 8,659,412 thousand as of December 31, 2010) and investments where the risk is on the policyholders and deriving from the management of pension funds for Euro 8,900 million (Euro 8,553 million as of December 31, 2010).

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;
- Current market value of a similar instrument;
- 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 the 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, relating 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 the breakdown by hierarchical level of the financial instruments valued at fair value:

	Level 1	Level 2	Level 3	Total
Financial assets available for sale	16,511	740	214	17,465
Equity securities	918	-	120	1,038
Debt securities	15,593	44	-	15,637
Fund units	-	694	94	788
Other financial instruments available for sale	-	2	-	2
Financial assets at fair value through profit or loss	43	8,983	-	9,026
Equity securities	-	-	-	-
Debt securities	43	49	-	92
Fund units	-	21	-	21
Derivatives	-	13	-	13
Financial assets where risk is on policyholders and pension fund management	-	8,900	-	8,900
Other financial instruments at fair value through profit or loss	-	-	-	-
Total assets at fair value	16,554	9,723	214	26,491
Financial liabilities at fair value through profit or loss	-	1,304	-	1,304
Liabilities from financial contracts issued by insurance companies	-	1,240	-	1,240
Derivatives	-	62	-	62
Other financial liabilities	-	2	-	2
Totale liabilities at fair value	-	1,304	-	1,304

The financial assets available for sale do not include non-listed equity securities amounting to Euro 133 million.

The level 3 securities, relating 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.

As previously reported, in relation to financial assets available for sale the Rho Real Estate Fund was reclassified for a total amount of Euro 94.4 million: the fair value of the fund was calculated based on a financial income valuation technique whose parameters, in the absence of comparable transactions, are not linked to market criteria. Consequently this value was classified at level 3 of the hierarchy of fair value. In this regard, no other transfers were made in the period.

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.

OPEN POSITIONS

Fair value hedging instruments

Combined put –call options

As of December 31, 2011, the Group, through the Parent Company Fondiaria-SAI S.p.A., holds the following combined put –call option contracts with the same contractual characteristics (underlying, notional, maturity, strike):

- n. 13,855,786 options (average strike price of Euro 6.4349) to hedge the price risk on n. 13,855,786 Pirelli & C. ordinary shares of the Non-Life insurance Sector classified as equity securities available for sale and representing 64.98% of total Group exposure (65.39% of Fondiaria-SAI);
- n. 1,325,789 options (average strike price of Euro 8.0901) to hedge the price risk on n. 1,325,788 Unicredit ordinary shares of the Non-Life insurance Sector classified as equity securities available for sale and representing 21.59% of total Group exposure (100% of Fondiaria-SAI);
- n. 23,176,040 options (average strike price of Euro 0.2648) to hedge the price risk on n. 23,176,040 Banca Popolare di Milano ordinary shares of the Life insurance Sector classified as equity securities available for sale and representing 43.10% of total Group exposure (71.53% of Fondiaria-SAI);
- n. 6,250,107 options (average strike price of Euro 11.3343) to hedge the price risk on n. 6,250,107 Generali ordinary shares of the Non-Life insurance Sector classified as equity securities available for sale and representing 37.57% of total Group exposure (87.31% of Fondiaria-SAI);
- n. 195,252 options (average strike price of Euro 12.2734) to hedge the price risk on n. 195,252 Generali ordinary shares of the Life insurance Sector classified as equity securities available for sale and representing 1.17% of total Group exposure (2.73% of Fondiaria-SAI).

Through Milano Assicurazioni the Group holds the following combined put –call option contracts with the same contractual characteristics (underlying, notional, maturity, strike):

- n. 4,796,661 options (average strike price of Euro 7.9743) to hedge the price risk on n. 4,796,660 Unicredit ordinary shares of the Non-Life Insurance Sector classified as equity securities available for sale and representing 78.11% of total Group exposure (99.92% of Milano Assicurazioni);

- n.5,091,014 options (average strike price of Euro 11.2801) to hedge the price risk on n.5,091,014 Generali ordinary shares of the Non-Life insurance Sector classified as equity securities available for sale and representing 30.61% of total Group exposure (54.10% of Milano Assicurazioni);
- n.1,726,376 options (average strike price of Euro 12.9706) to hedge the price risk on n.1,726,376 Generali ordinary shares of the Life insurance Sector classified as equity securities available for sale and representing 10.38% of total Group exposure (18.34% of Milano Assicurazioni);
- n.9,376,040 options (average strike price of Euro 0.2623) to hedge the price risk on n.9,376,040 Banca Popolare di Milano ordinary shares of the Life Insurance Sector classified as equity securities available for sale and representing 17.44% of total Group exposure (43.88% of Milano Assicurazioni);
- n.3,882 options (average strike price of Euro 7.9605) to hedge the price risk on n.3,882 Unicredit ordinary shares of the Life Insurance Sector classified as equity securities available for sale and representing 0.06% of total Group exposure (0.08% of Milano Assicurazioni).

Summarised table:

(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		Total adjustment in the carrying value of the AFS equities hedged	
	As of December 31, 2011	As of December 31, 2010		As of December 31, 2011	As of December 31, 2010	As of December 31, 2011	As of December 31, 2010	As of December 31, 2011	As of December 31, 2010
Pirelli & C ord. (Non-Life)	13,855,786	9,263,266	Fondiarial-SAI	-	-	401	787	401	787
Unicredit (Non-Life)	1,325,789	-	Fondiarial-SAI	2,221	-	-	-	-2,221	-
Banca Popolare di Milano (Life)	23,176,040		Fondiarial-SAI	-	-	898	-	898	-
Generali (Non-Life)	6,250,107		Fondiarial-SAI	-	-	1,195	-	1,195	-
Generali (Life)	195,252		Fondiarial-SAI	146	-	-	-	-146	-
Unicredit (Non-Life)	4,796,661		Milano Assicurazioni	7,480	-	-	-	-7,480	-
Generali (Non-Life)	5,091,014		Milano Assicurazioni	-	-	1,249	-	1,249	-
Generali (Life)	1,726,376		Milano Assicurazioni	2,495	-	-	-	-2,495	-
Banca Popolare di Milano (Life)	9,376,040		Milano Assicurazioni	-	-	386	-	386	-
Unicredit (Life)	3,882		Milano Assicurazioni	6	-	-	-	-6	-
Total				12,348	-	4,129	787	-8,219	787

The fair value of the options as of December 31, 2011 corresponds to asset of Euro 8,219 thousand (total liability of Euro 787 thousand as of December 31, 2010). 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 recognised 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 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 2011 the options value increased of Euro 9,006 thousand due to the fair value relating to the options held as of December 31, 2011 perfectly offset by the negative changes in the period in the fair value of the shares hedged. The fair value hedges through options were evaluated to be efficient and, as of December 31, 2011, there were no items not effectively hedged and which should be recognised in the income statement.

Interest Rate Swap

As of December 31, 2011, the Group held through its fully owned subsidiary BancaSai S.p.A. IRS interest risk hedge contracts deriving from fixed interest rate commitments to clients for a total notional amount of Euro 25 million. The valuation as of December 31, 2011 of IRS hedges corresponds to a negative fair value of approx. Euro 891 thousand (Euro 820 thousand negative fair value as of December 31, 2010).

The table below sets forth the main contractual conditions of these IRS:

(in Euro thousands)					Fair value	
Company	Notional	Expiry	Fixed rate %	Variable rate	As of December 31, 2011	As of December 31, 2010
BancaSai	25,000	02-Feb-14	3.050	Euribor 6 m Act/360	(891)	(820)
Total	25,000				(891)	(820)

Cash Flow hedge instruments

Interest Rate Swap

Against cash flow hedges, on December 31, 2011, the Group held Interest Rate Swap (IRS) 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 1,125 million (Euro 875 million as of December 31, 2010).

The fair value of the IRS designated Cash Flow Hedge as of December 31, 2011 amounts to a liability of Euro 51 million (liability of Euro 34 million as of December 31, 2010). The shareholders' equity reserve which includes a negative fair value of the hedge instruments as of December 31, 2011, net of the portion attributable to non controlling interests and the tax effect, was negative and amounts to Euro 35 million (negative reserve of Euro 24 million as of December 31, 2010).

The table below sets forth the main contractual conditions of these IRS:

(in Euro thousands)					Fair value as of December 31,	
Company	Notional	Expiry	Fixed rate %	Variable rate	2011	2010
Fondiarria-SAI	200,000	23-Jul-13	3.970	Euribor 6 m Act/360	(7,993)	(11,025)
Fondiarria-SAI	100,000	23-Jul-13	3.930	Euribor 6 m Act/360	(3,935)	(5,497)
Fondiarria-SAI	100,000	23-Jul-13	3.990	Euribor 6 m Act/360	(4,027)	(5,562)
Fondiarria-SAI	150,000	14-Jul-16	3.180	Euribor 6 m Act/360	(9,915)	(4,308)
Fondiarria-SAI	100,000	30-Dec-15	3.080	Euribor 6 m Act/360	(5,900)	(2,612)
Fondiarria-SAI	100,000	14-Jul-18	3.309	Euribor 6 m Act/360	(7,963)	(2,006)

Fondiaria-SAI	150,000	14-Jul-18	2.145	Euribor 6 m Act/360	(1,407)	-
Milano Assicurazioni	50,000	14-Jul-16	3.180	Euribor 6 m Act/360	(3,306)	(1,506)
Milano Assicurazioni	100,000	14-Jul-18	2.350	Euribor 6 m Act/360	(2,085)	-
Tikal	25,000	30-Dec-16	3.185	Euribor 6 m Act/360	(1,788)	(453)
Tikal	30,000	30-Dec-16	3.140	Euribor 6 m Act/360	(2,080)	(470)
Marina di Loano	20,000	31-Dec-14	2.550	Euribor 3m 30/360	(666)	(517)
Total	1,125,000				(51,065)	(33,956)

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.

Credit Default Swap

As of December 31, 2011 the Group, through the parent company Fondiaria-SAI S.p.A., held 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 amounted to Euro 751 thousand and were recognized in the Income Statement of the year as interest expenses.

As of December 31, 2011, the following Credit Default Swap was still in place:

(in Euro thousands)

Company	Notional	Expiry	Counterparty	Issuer hedged	Cost	Market value at As of December 31, 2011
Fondiaria-SAI S.p.A.	25,000	20-Feb-13	Morgan Stanley	Serbian Republic	295.2 bps per year	28
Total	25,000					28

Interest Rate Swap

As of December 31, 2011, 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, 2011 2010	
Immobiliare Milano	7,143	31-Dec-12	3.770	Euribor 6 m 30/360	(103)	(417)
Immobiliare Milano	7,143	31-Dec-12	3.695	Euribor 6 m 30/360	(99)	(403)
Total	14,286				(202)	(820)

(in Euro thousands)

Company	Notional	Expiry	Variable interest rate paid	Variable interest rate received	Fair value as of December 31, 2011 2010	
BancaSai	97,562	31-Oct-47	Euribor 6 m act/360+7bps	Euribor 6 m act/360	(531)	-
BancaSai	11,950	31-Oct-47	Euribor 6 m act/360+7bps	Euribor 6 m act/360	(65)	-
Total	109,512				(596)	-

IRS held by BancaSai and still in place, despite the end of the "Admiral" operation, are derivative contracts called back to back, created to fix the commissions on the Arrangement structured with the same duration of the securitisation.

CLOSED POSITIONS

Fair value hedging instruments

In 2011, Fondiaria-SAI signed and settled in advance, the put/call options partially hedging the Prelios share investments realising a gain of Euro 108 thousand, on Monte dei Paschi di Siena shares realising a gain of Euro 678 thousand, on Mediobanca shares realising a gain of Euro 9,042 thousand and on Pirelli & Co. ordinary shares on which, as the underlying security was not sold, no gains or losses were realised on the option; in relation to the other underlying shares, simultaneous to the closure of the derivative instruments 4 million shares of Prelios were sold realising a net gain of Euro 367 thousand, 5,097,160 Monte dei Paschi di Siena shares were sold realising a net loss of Euro 419 thousand and 7,165,329 Mediobanca shares were sold realising a net gain of Euro 2,140 thousand.

The negative differences between the premiums paid and received on the Pirelli & Co. ordinary options amounting to Euro 2,454 thousand were recognized as unrealized loss, and Euro 127 thousand recognized as realized gains; the gains relating to the premiums of the options on Mediobanca amounted to Euro 70 thousand while those on Prelios amounted to Euro 1 thousand, both recorded as realized gains.

Non-hedging derivatives

Range Accrual Swap

As of December 31, 2010, the Group had Range Accrual Swap contracts indexed to the Constant Maturity Swap (CMS) rate at 30-10 years and not designated as cash flow, fair value or net investment hedges. The operation was entered into to benefit from an increase in the long-term part of the interest rate curve. In 2011, the contracts whose principal characteristics were settled in advance are disclosed in the following table:

(in Euro thousands)

Company	Notional	Expiry	Counterparty	Rate to receive from the counterparty	Rate to pay to the counterparty(*)	2011 result consequent to the advanced redemptions
Fondiaria-SAI S.p.A.	2,500	07-May-20	Banca IMI	3% per year	6.50% annual	31
Fondiaria-SAI S.p.A.	5,000	01-Apr-20	BNP Paribas	3% per year	5.25% annual	367
Fondiaria-SAI S.p.A.	3,750	28-Oct-20	Banca IMI	3% per year	6.525% annual	18
Milano Assicurazioni S.p.A.	2,500	07-May-20	Banca IMI	3% per year	6.50% annual	42
Milano Assicurazioni S.p.A.	5,000	01-Apr-20	BNP Paribas	3% per year	5.25% annual	364
Milano Assicurazioni S.p.A.	3,750	28-Oct-20	Banca IMI	3% per year	6.525% annual	39
Total	22,500					861

(*) considering the days in which the spread between the 30 year CMS rate and the 10 year CMS rate is positive.

In 2011, the above-stated derivatives produced positive differentials of Euro 201 thousand recognised as interest income (of which Euro 85 thousand relating to Milano Assicurazioni).

BTP Spread Swap

In 2011, the Group signed “BTP Spread Swap” contracts in order to benefit from the increase in the spread of Italian government securities at 10 years (underlying BTP August 2021 3.75%). Following the early settlement

Fonditaria-SAI recognized a negative impact in its income statement for Euro 1,050 thousand and Milano Assicurazioni recognized a negative impact in its income statement for Euro 390 thousand.

Interest Rate Swap

In relation to the IRS contracts of BancaSai of Euro 3,548 thousand, in the first half of 2011, the Bank interrupted the hedging of employee loans following the conversion of the contractual conditions from a fixed rate to a variable rate of a significant portion of such loans, a condition which rendered the test ineffective. As a consequence the IRS was reclassified to non-hedging derivatives.

In 2011, the relative interest rate swap was closed.

(in Euro thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	2011 result consequent to the advanced redemptions
BancaSai	3,548	01-Feb-30	3.725	Euribor 6 m Act/360	(43)
Total	3,548				(43)

Credit Default Swap

In 2011, the contracts disclosed in the following table were closed.

The cost of these hedges, relating to the first half of the year, amounted to Euro 59 thousand for Fonditaria-SAI and Euro 46 thousand for Milano Assicurazioni which were recognized in the Income Statement as financial charges.

(in Euro thousands)

Company	Notional	Expiry	Counterparty	Issuer hedged	Cost	2011 result consequent to the advanced redemptions
Fonditaria-SAI S.p.A.	15,000	20-Jun-11	BNP Paribas	Banco Popolare sub..	100 bps per year	(255)
Milano Assicurazioni S.p.A.	4,411	20-Mar-14	BNP Paribas	Merrill Lynch	123 bps per year	(127)
Milano Assicurazioni S.p.A.	9,350	20-Mar-13	BNP Paribas	Morgan Stanley	100 bps per year	(162)
Total	28,761					(544)

5. OTHER RECEIVABLES

The following table sets forth the breakdown of the account:

(in Euro thousands)

	As of December 31, 2011	As of December 31, 2010	Change
Receivables from direct insurance operations	1,698,430	1,747,611	(49,181)
Receivables from reinsurance operations	78,637	101,773	(23,136)
Other receivables	563,674	464,991	98,683
TOTAL	2,340,741	2,314,375	26,366

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, 2011	As of December 31, 2010	Change
Receivables from policyholders for premiums in year	746,052	815,440	(69,388)
Receivables from policyholders for premiums in previous years	32,656	37,596	(4,940)
Receivables from insurance intermediaries	639,447	692,812	(53,365)
Receivables from insurance companies	132,193	91,489	40,704
Amounts to be recovered from policyholders & third parties	148,082	110,274	37,808
TOTAL	1,698,430	1,747,611	(49,181)

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 76,714 thousand (Euro 99,320 thousand as of December 31, 2010) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 1,923 thousand (Euro 2,453 thousand as of December 31, 2010) from reinsurance intermediaries. During the year no significant write downs were made on reinsurance assets.

The other receivables include trade receivables for Euro 64,894 thousand (Euro 82,523 thousand as of December 31, 2010), principally comprising receivables from customers, as well as receivables from Tax Authorities for Euro 346,394 thousand (Euro 228,086 thousand as of December 31, 2010) for amounts requested for repayment, VAT receivables and payments on account for tax insurances (Legislative Decree 282/04).

The account also includes Euro 27,050 thousand paid to the counterparties as collateral of the guarantees on the market losses on all derivatives in place (Credit Support Annex) as follows: Royal Bank of Scotland Euro 15,640 thousand, Unicredit Euro 9,010 thousand, Morgan Stanley Euro 1,330 thousand and Unione di Banche Svizzere Euro 1,070 thousand.

The account also includes receivables related to the sale of the property located in Castel Giubileo- Rome for Euro 37,626 thousand.

6. OTHER ASSETS

The total amount of the account is Euro 1,803,440 thousand (Euro 996,064 thousand as of December 31, 2010) and increased by Euro 807,376 thousand compared to the previous year.

The following table sets forth the breakdown of the account:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
---------------------	----------------------------	----------------------------	--------

Non-current assets or disposal group classified as held for sale	87,151	3,452	83,699
Insurance deferred acquisition costs	30,301	87,603	(57,302)
Deferred tax assets	1,155,060	361,195	793,865
Tax receivable assets	316,208	387,573	(71,365)
Other assets	214,720	156,241	58,479
TOTAL	1,803,440	996,064	807,376

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

The amount of Euro 87.2 million, refers for Euro 85.3 million to the investment in IGLI S.p.A. held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano and for Euro 1.9 million to the investment in Penta Domus S.p.A. held by Immobiliare Milano.

In particular, on December 27, 2011, Immobiliare Milano, Immobiliare Fondiaria-SAI and Argo Finanziaria entered into a purchase agreement relating to the total investment of 33.33% held in IGLI S.p.A., which in turns holds 29.96% in Impregilo S.p.A. The transaction was subject to authorisation of the antitrust authorities and to compliance with the pre-emption procedure established in the articles of association of IGLI S.p.A.. The transaction was therefore finalised in March 2012.

6.2 Insurance deferred acquisition costs

Insurance deferred acquisition costs, amounting to Euro 30,301 thousand (Euro 87,603 thousand as of December 31, 2010), principally refer to the acquisition commissions to be amortised on the long-term contracts of the Life Insurance sector. These amounts are deferred and amortised over seven years for the Non-Life insurance classes 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, 2010 amounts to Euro 57,302 thousand. The Parent Company and Milano Assicurazioni no longer record upfront commission in the Non-Life Insurance Sector since following the abolition of long-term insurance contracts in accordance with the Bersani decrees, the remuneration policy of agency networks has changed substantially. During the year, the amortisation on the prior long-term commissions in the Non-Life insurance sector was completed.

As per IFRS 4.IG39 the table below shows the changes in these costs in the year:

(in Euro thousands)	As of December 31, 2011			As of December 31, 2010
	Non-Life Insurance Sector	Life Insurance Sector	Total	
Balance at the beginning of the year	52,248	35,355	87,603	142,111
Increases in the year	0	9,245	9,245	20,964
Amortisation in year (-)	-51,312	-14,290	-65,602	-64,912
Impairment in value recorded in year (-)	-930		-930	-9,865
Other changes	-6	-9	-15	-695
Balance at the end of the year	0	30,301	30,301	87,603

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 amount to Euro 1,155,060 thousand (Euro 361,195 thousand in 2010) and are 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 is presented net of the compensation made, by each company of the Group, with the corresponding deferred tax liabilities, as per IAS 12.

The increase is principally due to the recognition of deferred tax assets on the estimated 2011 losses in the Group consolidated result.

It is highlighted that Legislative Decree 98/2011 amended Article 84 of the Consolidated Finance Act establishing the possibility to carry forward tax losses indefinitely. This change, together with the reasonable possibility to recover the losses, as resulting from recent internal projections made by management, allows the recognition of the deferred asset.

The Parent Company also recorded Euro 218.4 million against the exercise of the option contained in Article 23 of Legislative Decree 98/2011 in relation to the recognition of goodwill recognized in the consolidated financial statements.

Additionally also deferred tax assets related to items, which only affect the shareholders' equity due to the reduction in the year of the financial assets available for sale recorded in the shareholders' Equity reserve, were recognized.

In addition to the disclosures required by IAS 12 – Income taxes, the following table provides the changes in deferred taxes.

(in Euro thousands)

	Fondiaria-SAI	Milano Ass.ni	Popolare Vita	Other	Total
Net deferred taxes					
Opening balance	88,641	177,032	(48,829)	12,291	229,135
<u>Tax change with shareholders' equity. impact</u>					
IAS 38 – goodwill and other fixed assets	8,269	-	-	-	8,269
IAS 39 – financial instruments	183,184	93,872	105,586	-	382,642
IFRS 4 – insurance contracts	(85,358)	-	(10,624)	-	(95,982)
Other temporary changes	5,801	(2,639)	-	-	3,162
Other companies				10,883	10,883
Total changes	111,896	91,233	94,962	10,883	308,974
<u>Tax charge with income statementL impact</u>					
Tax loss	137,335	69,383	-	-	206,718
Goodwill capitalized	235,745	-	-	-	235,745
IAS 38 – goodwill and other fixed assets	(14,449)	(5,601)	-	-	(20,050)
Write-down receivables from policyholders for premiums	5,593	7,444	-	-	13,037
Change Non-Life claims reserve	67,545	42,324	-	-	109,869
Write-down of other receivables	3,896	-	-	-	3,896
IAS 16-40 buildings and investment property	20,564	21,315	-	-	41,879
IAS 39 – financial instruments	(27,801)	(26,468)	(45,192)	-	(99,461)
IFRS 4 – insurance contracts	(5,784)	2,296	2,538	-	(950)
Provisions for risks and charges	17,736	5,693	0	-	23,429

Other temporary changes	17,219	(11,852)	(3,418)	-	1,949
Other companies	-	-	-	14,901	14,901
Total change with income statement impact	457,599	104,534	(46,072)	14,901	530,962
Change with only equity impact	(13,840)	(26,900)	-	(6,723)	(47,463)
Total changes	443,759	77,634	(46,072)	8,178	483,499
Closing balance	644,296	345,899	61	31,352	1,021,608
of which:					
Total deferred tax assets	-	-	-	-	1,155,060
Total deferred tax liabilities	-	-	-	-	(133,452)

6.4 Tax receivable assets

The tax receivable assets, amounting to Euro 316,208 thousand (Euro 387,573 thousand as of December 31, 2010), 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 the tax liabilities for the current fiscal year in accordance with the legal right to off set these amounts with the amount recorded by individual companies of the Group and by the Parent Company on behalf of all the companies which are included in the tax consolidation, settling the IRES income taxes jointly.

This account does not include the amount related to tax receivables classified as “Other receivables” for miscellaneous tax receivables requested as a tax reimbursement.

6.5 Other assets

The table below sets forth the breakdown of other assets which amount to Euro 214,720 thousand (Euro 156,241 thousand as of December 31, 2010):

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Transitory reinsurance accounts	5,049	3,477	1,572
Deferred commission expenses for Life investment management services	1,168	7,664	(6,496)
Actuarial reserve tax on account as per Leg. Decree No. 209/03	52,676	60,373	(7,697)
Indemnities paid not applied	24,653	15,889	8,764
Other assets	131,174	68,838	62,336
TOTAL	214,720	156,241	58,479

7. CASH AND CASH EQUIVALENTS

This account amounts to Euro 976,582 thousand (Euro 625,940 thousand as of December 31, 2010) and 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 interest 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 1,556,708 thousand, includes the result for the year and the non controlling interest and decreased by Euro 993,397 thousand compared to amount as of December 31, 2010.

The table below sets forth the changes in the year:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Shareholders' equity attributable to the Group	1,036,952	1,882,127	(845,175)
Share Capital	494,731	167,044	327,687
Other equity instruments	-	-	-
Capital reserves	315,460	209,947	105,513
Retained earnings and other reserves	1,834,570	2,620,792	(786,222)
<i>Treasury shares</i>	(213,026)	(321,933)	108,907
Reserve for currency translation difference	(56,772)	(56,598)	(174)
Unrealized gain or loss on financial assets available for sale	(478,283)	(34,759)	(443,524)
Other unrealized gains and losses through equity	(7,009)	15,216	(22,225)
Net loss for the year	(852,719)	(717,582)	(135,137)
Shareholders' equity attributable to non-controlling interest	519,756	667,978	(148,222)
non controlling interest capital and reserves	903,659	902,126	1,533
Unrealized gains and losses recorded through equity	(201,984)	(22,869)	(179,115)
Net loss for the year	(181,919)	(211,279)	29,360
TOTAL	1,556,708	2,550,105	(993,397)

1.1.1 Share capital

The share capital, subscribed and fully paid-in, comprises n.367,047,470 ordinary shares and n.127,683,666 saving shares, of a nominal value of Euro 1 each.

The share capital changed following the subscription of the ordinary and savings shares issued by Fondiaria-SAI in July.

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 earnings or in the event of winding up of 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 to 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.

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 a:

	Ordinary	Savings	Ordinary	Savings
	As of December 31, 2011		As of December 31, 2010	
Number of shares issued	367,047,470	127,683,666	124,482,490	42,561,222
Changes in shares outstanding	Ordinary	Savings	Total	
Shares existing as of January 1, 2011	124,482,490	42,561,222	167,043,712	
Treasury shares (-)	14,382,557	-	14,382,557	
Shares outstanding: balance as of January 1, 2011	110,099,933	42,561,222	152,661,155	
<u>Increases:</u>				
Share capital increase	242,564,980	85,122,444	327,687,424	
Sale of treasury shares	-	-	-	
Exercise of warrants	-	-	-	
<u>Decreases:</u>				
Acquisition of treasury shares	-	-	-	
Shares outstanding: balance as of December 31, 2011	352,664,913	127,683,666	480,348,579	

Nature and purpose of the other reserves

Retained earnings and other reserves include the other shareholders' equity reserves booked in 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 relating to the changes therein) and the consolidation reserve.

1.1.5 Treasury shares

The account amounts to Euro 213.0 million (Euro 321.9 million as of December 31, 2010) 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 132.3 million) and Sai Holding S.p.A. (Euro 16.3 million).

The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases transactions undertaken during the year, no gain or losses were recognised in the income statement.

The book value of treasury shares is reduced following the exclusion of the book value of the option rights on shares held by Milano Assicurazioni and Sai Holding after the share capital increase of the Parent Company. As the subsidiaries are rescripted to subscribe shares of the Parent Company, these rights were disposed of on the stock market in June.

1.1.6 Reserve for currency translation difference differences

The balance is negative amount for Euro 56,772 thousand (negative for Euro 56,598 thousand as of December 31, 2010) and includes the currency translation differences due to the conversion of the foreign subsidiaries financial statements, prepared in local currency, into Euro.

1.17 Unrealized gain or loss on financial assets available for sale

The account is negative for Euro 478,283 thousand (Euro -34,759 thousand as of December 31, 2010) and includes the gains and losses deriving from the valuation of the financial assets available for sale. The 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 1,266.7 million (negative amount of Euro 337 thousand as of December 31, 2010) related to the financial assets available for sale in portfolio and a positive amount of Euro 525.8 million related to the application of the shadow accounting technique (Euro 243 thousand as of December 31, 2010). It should additionally add Euro 262.6 million (positive) related to the tax effects of the described above matters (Euro 59 thousand as of December 31, 2010).

1.1.18 Other unrealized gains and losses through equity

The account presents a negative amount of Euro 7.0 million, and includes a negative amount of Euro 34.9 million related to gain 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 simple 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 principally 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 interest, including the result for the year, reports a decrease of Euro 148.2 million due to the negative stock market prices occurred during 2011 and reflected in the reserve for gains/losses on financial assets available for sale.

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
2011 2010

Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	(1,020,368)	(636,408)
<i>IAS 38 "Intangible assets"</i>		
Goodwill	15,366	47,962
Other intangible assets	6,381	1,350
<i>IAS 16-40 "Buildings and investment property"</i>		
Buildings	12,352	(22,594)
<i>IAS 19 "Employee Benefits"</i>		
Leaving indemnity and other employment benefit	3,546	3,605
<i>IAS 37 "Provisions, contingent liabilities and assets"</i>		
Risk provisions	(5,199)	(3,069)
<i>IAS 39 "Financial Instruments"</i>		
Financial assets	192,323	58,338
Financial liabilities	(5,368)	5,732
<i>IFRS 4 "Insurance contracts"</i>		
Equalisation and unearned premium provision	2,662	51,688
Actuarial reserves	3,463	24,036
Tax effect on the reconciliation accounts	(58,922)	(56,864)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	(853,764)	(526,224)
Consolidation adjustments:		
<u>Results of the consolidated companies:</u>		
Line-by-line	(79,693)	(231,588)
As per the equity method	(15,067)	(34,543)
Application of group accounting principles, translation adjustment and other	(9,405)	(39,679)
Amortisation VOBA/Goodwill impairment	(108,197)	(86,472)
<u>Elimination effects of inter-group operations:</u>		
Inter-group dividends	(14,945)	(25,686)
Other intra-group operations	37,825	(3,076)
Tax effects of the consolidation adjustments	8,608	18,407
Consolidated Result as per IAS/IFRS	(1,034,638)	(928,861)
NON CONTROLLING INTEREST	181,919	211,279
Loss for the year attributable to equity shareholders of the parent as per IAS/IFRS	(852,719)	(717,582)

(in Euro thousands)

Net Equity incl. result as of
December 31,
2011 2010

Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	2,271,721	2,458,889
<i>IAS 38 "Intangible assets"</i>		
Goodwill	335,735	287,773
Other intangible assets	5,195	27,883
<i>IAS 16-40 "Buildings and investment property"</i>		

Buildings	(174,478)	(151,884)
<i>IAS 19 "Employee Benefits"</i>		
Leaving indemnity and other employment benefit	(27,480)	(19,371)
<i>IAS 37 "Provisions, contingent liabilities and assets"</i>		
Risk provisions	7,197	10,266
<i>IAS 39 "Financial Instruments"</i>		
Financial assets		
Available-for-sale	(732,354)	(202,853)
Fair value through profit or loss and other financial assets	167,673	109,336
Financial liabilities	(49,070)	(44,674)
<i>IFRS 4 "Insurance contracts"</i>		
Equalisation and unearned premium reserve	116,075	64,387
Actuarial reserves	481,111	222,956
Service component linked policies (IAS 18)	(206)	(206)
Tax effect on IAS/IFRS adjustments	(4,031)	(58,617)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	2,397,088	2,703,885
Consolidation adjustments:		
<u>Difference between carrying value and shareholders' equity of the consolidated companies:</u>		
Line-by-line	547,279	1,223,500
As per the equity method	(33,321)	(612)
<u>Elimination effects of inter-group operations:</u>		
Inter-group dividends	4,945	25,686
Other intra-group operations	(193,486)	(190,410)
Application of group accounting principles	70,695	92,292
Effect of currency translation of financial statements	(174)	(52,741)
Tax effects of the consolidation adjustments	11,346	(701)
Elimination of treasury shares	(213,026)	(321,933)
Consolidated Shareholders' Equity as per IAS/IFRS accounting standards	2,591,346	3,478,966
NON CONTROLLING INTEREST	(701,675)	(879,257)
Shareholders' Equity attributable to the Group as per IAS/IFRS accounting standards	1,889,671	2,599,709

2. PROVISIONS FOR RISK AND CHARGES

The following table sets forth the breakdown of the provisions for risk and charges that amount to Euro 322,310 thousand (Euro 340,637 thousand as of December 31, 2010):

(in Euro thousands)	For the year ended December 31,		Change
	2011	2010	
Provisions for tax purposes	11	27	(16)
Other provisions	322,299	340,610	(18,311)
TOTAL	322,310	340,637	(18,327)

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 :

(in Euro thousands)

	Urbanisation charges	Claims other than tax	Personnel charges	Non- recoverable - agents	Other charges	Total
Balance at the beginning of theyear	4,334	137,627	38,144	31,120	129,385	340,610
Increases in the year	-	13,172	10,641	9,893	62,578	96,284
Utilisation in the year	-	(15,597)	(4,440)	-	(95,272)	(115,309)
Changes for financial charges matured or for changes in rates	-	714	-	-	-	714
Balance at the end of the year	4,334	135,916	44,345	41,013	96,691	322,299

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 involved. 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 payments related to the claims in place has not be discounted as in considerations 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 0.7 million and is a consequence of the recalculation of the estimated timing for potential payments.

The provision also includes the amounts accrued in relation to the “Public Purchase Offer” litigation. In consideration of 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 agrred 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 the new agents entering into the agency mandates 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 assumption, the risk free interest rate curve.

Urbanisation charges

These charges represent 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 relating to miscellaneous not relevant unitary amounts including the maintenance cost contractually provided 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.

Lastly the provision includes estimated losses in relation to the probable renegotiation of the rental contracts on properties leased to the subsidiaries Atahotels and Villa Ragionieri, notwithstanding the situation of uncertainty regarding the amount and timing of the possible revision.

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 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 - 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.

On 25 March 2011, the Preliminary Hearing Judge of the Court of Florence ordered the defendants, including Fondiaria-SAI S.p.A., to stand trial for the administrative offence pursuant to Articles 5 and 25 of Legislative Decree 231/2001 in relation to the offences pursuant to Articles 319 and 321 of the Criminal Code. Currently, the case is still in the trial phase. If convicted, the Parent Company could be ordered to pay a fine. The Court has not deemed all requests to intervene as civil parties against the Company admissible.

It is recalled that, at the request of the Florence Public Prosecutor's Office, on November 26, 2008 a sequestration order was issued for the entire Castello Area, on which 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 relating to the Castello Area as of December 31, 2011 amounts to Euro 174.7 million, as per the appraisal values stated by independent expert.

3. INSURANCE CONTRACT LIABILITIES

The account amounts to Euro 35,107,505 thousand and increased by Euro 279,533 thousand compared to the amount as of December 31, 2010.

The table below sets forth the breakdown of insurance contract liabilities:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
NON-LIFE INSURANCE SECTOR			
Unearned premium reserve	2,741,846	2,777,937	(36,091)
Claims reserve	9,858,123	9,097,595	760,528
Other	10,353	12,317	(1,964)
Total Non-Life Insurance Sector	12,610,322	11,887,849	722,473
LIFE INSURANCE SECTOR			
Actuarial reserves	15,163,237	16,073,412	(910,175)
Reserve for claims to be paid	360,690	277,797	82,893
Insurance contract liabilities where investment risk on policyholders and from pension fund management	7,666,345	6,950,978	715,367
Other	(693,089)	(362,064)	(331,025)
Total Life Insurance Sector	22,497,183	22,940,123	(442,940)
TOTAL INSURANCE CONTRACT LIABILITIES	35,107,505	34,827,972	279,533

With reference to the Non-Life insurance sector, the premium provision includes the provision for the fraction of premium of Euro 2,695,891 thousand and the provision for current risks of Euro 45,955 thousand.

Other technical provision of the Non-Life insurance sector refer entirely to the ageing provision pursuant to article 37 of Legislative Decree 209/05.

Claims provision includes the provision for IBNR claims not yet reported (IFRS 4 IG22C) equal to Euro 852,664 thousand.

With reference to the Life insurance sector, the actuarial provision includes the additional provision on the financial risk equal to Euro 148,135 thousand (Euro 58,364 thousand as of December 31, 10), 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 provisions” in the Life insurance Sector include the deferred liabilities to policyholders against contracts with a discretionary profit participation component (IFRS 4.1G22f) for Euro -772,473 thousand (Euro -454,658 thousand as of December 31, 2010). The residual amount principally relates to provision for future expenses.

- In particular, the Group regarded the revaluable contracts in the Life segment, related to the returns of the separated managements, as contracts containing a discretionary profit participation element. In this case, the policyholder may intervene at its discretion both in determining the rate of retrocession and influencing the return. At the same time, the shadow accounting method has been applied to the said contracts: the provision for deferred liabilities with policyholders therefore represents the portion of capital losses on investments under separated management in the Life classes attributable to policyholders. For the purposes of determining that amount: horizon of 2 to 7 years was assumed for the realisation of the net capital losses ;
- the rates of retrocession on capital losses are determined based on the changes in the return on the separate managements following realisation of the said capital losses, taking into account the minimums withheld from the yield and the different levels of financial guarantees.

With reference to the financial liabilities relating to contracts with discretionary participation features, as defined by IFRS 4.2b), these liabilities are classified as insurance contract liabilities and their book value amount to Euro 8,530,573 thousand (Euro 9,180,195 thousand as of December 31, 2010).

In relation to these contracts, due to the absence of new regulations and best practice on valuation methodology to determine the fair value of the insurance liabilities, there are objective difficulties to provide precise quantifications since specific decisions need to be taken on this matter at a regulatory level.

The table below sets forth the changes in the year:

(in Euro thousands)

As of December 31, **2011**

	Non-Life insurance Sector	Life insurance Sector	Total
Balance at the beginning of the year	11,887,849	22,940,123	34,827,972
Increases in the year	2,870,438	4,492,565	7,363,003
Payments (-)	(3,298,215)	(5,167,501)	(8,465,716)
(Gains) or losses recorded through profit or loss	1,149,473	232,024	1,381,497
Reserves acquired or transferred to other insurers	-	(20)	(20)
Exchange differences/Other changes	777	(8)	769
Balance at the end of the year	12,610,322	22,497,183	35,107,505

The negative reversal is due mainly to:

- the revaluation of the claims provision for the Motor TPL class, made on completion of the procedures for refining the actuarial statistical models developed with reference to the historical series of claims parameters, also taking into account regulatory and jurisprudential changes occurring during the year;
- the negative trend in the claims settlement for previous years in the General TPL Class, which prompted the use of more prudent criteria in allocations to the claims provision.

In order to understand the reasons that led to the significant revaluations of the managed Motor TPL claims provisions (i.e. No CARD and Handler provisions) during 2011 of Euro 784 million for Fondiaria-SAI and Milano Assicurazioni and of Euro 26 million for smaller companies in the Group, it is necessary to precede the description with an appropriate introduction on methodology.

Introduction

- The claims provisions are made up of the Prior-year provision (for claims arising in previous years, i.e. prior to 2011) and the Current-year provision (for claims reported and occurring in the year 2011). For Prior-year provisions, ISVAP Regulation 16 specifically requires a separate measurement for each claim not yet completely settled (inventory method), equal to the final cost, therefore taking into account all foreseeable future expenses, without making deductions, discounts or adjustments.

In order to determine the final cost, reference must be made to reliable historical and projected data and to specific aspects of the corporate claims management cycle.

For classes such as Motor TPL, which are characterised by slow settlement procedures or in which the analytical measurement (at inventory) does not allow for all foreseeable future expenses to be taken into account, measurement by the inventory method is supplemented by actuarial statistical methods, intended to foresee cost trends.

As an exception thereto, and limited to current management, given the smaller quantity

of information that the companies have, the claims provision may be determined using the average cost criteria, provided that this is applied to homogeneous claims groups.

- With regard to actuarial statistical methods in relation to the measurement of the provisions of previous years, actuarial professional practice has prepared a high number of models which, although all valid in theory, have different possibilities for application depending on the historical trend and the technical indicators for the portfolio being measured. From the start, therefore, each actuarial analysis requires the selection of the models to be used compared to those that are unsuitable given the specific situation. Next, the analysis requires, based again in this case on the characteristics and especially the stability of the underlying flows, a prescient choice of the weightings to be applied to the different actuarial models implemented. The change, from one year to another, in benchmark models or in their weighting in the overall measurement is not to be understood as a modification of the measurement rationales, nor even of the accounting standard, but can be justified by the trend in the characteristics of the portfolio or the context of reference.
- • Lastly, even with continual observance of the last cost criterion, the phenomenon of revaluation of the residual charge to previous-year provisions must be deemed inventory-related and recurring (with a yearly frequency), insofar as it also relates to changes in case law and both general and sector inflation, and consequently with a recurring annual impact on the amount of expected average costs for claims settlement.

Fonditaria-SAI Group – Previous generation (Ex) Motor TPL provision

With regard to the specifics of the Fonditaria-SAI Group, during 2011, the strengthening of the residual charge for Motor TPL provisions for Previous Generation Claims Managed (totalling Euro 810 million) was particularly significant.

In order to understand the rationale leading to these results, it is necessary to consider the elements, interconnected at least in part, which characterised the year just ended, making reference in particular to:

- Review of the claims provision construction process, in particular evaluating the role of the Settlement Network, called upon during the final period of the year to carefully review the residual technical provisions for each claim assumed. Taking inventory was completed in November 2011, showing a strong request from liquidators for strengthening residual provisions for claims generated in previous years (i.e. 2010 and before), amounting for Fonditaria-SAI to Euro 341 million and for Milano to Euro 94 million in terms of impact on the balance sheet provision. This requirement was due to:
 - elements of an organisational nature, associated with greater oversight and attention to settlers' operations and, in particular, strengthening of central control at the Claims Department with specific responsibility over claims with significant longstanding disputes or significant amounts due to fatality or with several counterparties;
 - regulatory and jurisprudential changes, with the progressive extension of the use of tables for the settlement of non-property-related damages, including after the June 2011 Court of Cassation judgment adopting the Court of Milan tables as the benchmark for valuing compensation fairly.
- Adjustment of the benchmark actuarial statistical models. As required by the multi-step provision process, once inventory taking has been completed by the settlers, the revaluation of the claims provisions is completed with the appropriate corporate departments applying actuarial statistical models to ensure the valuation of the provision in last cost terms (i.e. taking into account the probability that the claim will not be

settled in full in the next year, but a provision may need to be made for it also for one or more of the next years). The year 2011 was characterised by:

- a more carefully weighed selection of the actuarial statistical models used, stabilising the same approach both for Fondiaria-SAI and for Milano; in particular, in this context, the Fisher Lange model (weighted at 35%) and the Chain Ladder Paid model (weighted at 65%) were applied
 - a specific focus on a careful and prudent choice of the parameters applied within the models, taken from historical series, if deemed reliable and repeatable
 - the updating and validation of the models themselves, in line with the operational approach since 2007 distinguishing CARD and No CARD claims management;
 - the use of a methodological approach based on comprehensive historical series of late claims, allowing for estimating a provision amount including the IBNR allowance, which in previous years was measured separately.:
- Claims task force coordinated by the Risk Management Department. The purpose of the intervention in this case was to oversee some activities, both operational and non-operational, aimed at strengthening controls and at embedding claims management and settlement procedures, thus ensuring the consolidation of the claims data bank in question.

The above-mentioned interventions were implemented also in light of what was stated in the ISVAP Notices of Irregularity received by the Group on 29 September 2011 for Fondiaria-SAI (as a result of an audit conducted in 2011 on the Motor TPL claims cycle) and on 17 November 2011 for Milano, respectively, which noted the following with respect to the situation at 31 December 2010:

- “irregularities and dysfunctions deriving from a lack of formalised procedures and adequate control systems”, with reference to operating methods both for claims management and settlement, as well as for inventory taking
- observations on the calculations of the actuarial models, showing irregularities in the statistical projections.

After this phase of the proceeding, the revaluation in the financial statements of the Motor TPL Provision for claims managed in previous years (i.e. 2010 and before) was as follows:

- Euro 476 million for Fondiaria-SAI (including Euro 135 million for observance of the last cost criterion, in view of the revaluation proposed by the settlers)
 - Euro 308 million for Milano Assicurazioni (including Euro 214 million for observance of the last cost criterion, in view of the revaluation by the settlers)
 - Euro 26 million for smaller companies in the Group
- for a total of Euro 810 million, in line with what was disclosed to the market on 30 January 2012.

Finally, the first estimate made (and disclosed to the market on 23 December 2011), which showed a revaluation assumption amounting to Euro 660 million overall, represented a provisional valuation based on existing data at the time and therefore prior to the actual availability of the technical drivers relative to the 2011 year end.

Fondiaria-SAI Group – Current Motor TPL Provision

The 2011 current generation estimate was based on an average cost method, modified compared with the past due to a new calculation driver which, based on greater calibration and weighting of the statistical average cost per homogeneous claims category, attributes a value to the current claims provision during the year, as well as to the above-mentioned actuarial statistical valuation models. This led in 2011 to an average cost as a result of current

claims (i.e. the average cost of the claims already settled during the year itself and those for which a provision has been made for settlement in the coming years), amounting, for 2011, to Euro 4,190 for Fondiaria-SAI and Euro 4,220 for Milano (compared with Euro 3,900 for Fondiaria-SAI and Euro 3,919 for Milano in the 2010 financial statements).

In this case also, the change in the methodological process adopted by the Group reflects an observation from ISVAP, which had noted an average cost for 2010 obtained in line with the 2009 market data, but lower than that observed on the market in 2010 (which data were provided by ISVAP in its Notice and not available at the time of the valuation).

Fondiaria-SAI Group – Overall situation

Overall, the process followed for the valuation of the 2011 Motor TPL provisions, including other phenomena that come into play in its calculation, such as claims reopened, late claims and IBNR, as well as the balance of the flat provision (concerning Handler and Debtor flat-rate management), brings these items to the following amounts:

- Euro 2,933 million for Fondiaria-SAI
- Euro 2,480 million for Milano Assicurazioni.

In its report, the Actuary Responsible deemed this amount “sufficient overall to make good on commitments deriving from insurance contracts in accordance with current legal and regulatory provisions and other provisions issued on the subject”.

Furthermore, the Actuary Responsible noted, on request, that on this point the companies can be deemed in line with market averages.

4. FINANCIAL LIABILITIES

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Financial liabilities at fair value through profit or loss	1,303,886	1,646,935	(343,049)
Other financial liabilities	1,839,387	2,203,171	(363,784)
Total	3,143,273	3,850,106	(706,833)

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 trading amount to Euro 7,855 thousand (Euro 2,842 thousand as of December 31, 2010).

Financial liabilities designated at Fair Value through profit or loss

Financial liabilities designated at Fair Value recorded through profit or loss amount to Euro 1,296,031 thousand (Euro 1,644,093 thousand as of December 31, 2010).

In accordance with IAS 39, the item includes the investment contracts not in scope of 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 1,239,609 thousand (Euro 1,608,513 thousand as of December 31, 2010).

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

4.2 Other financial liabilities

Other financial liabilities amount to Euro 1,839,387 thousand (Euro 2,203,171 thousand as of December 31, 2010) and include 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 171,542 thousand (Euro 248,006 thousand as of December 31, 2010) and subordinate financial loans for Euro 1,049,467 thousand (Euro 1,041,446 thousand as of December 31, 2010), whose Euro 152,468 thousand refer to Milano Assicurazioni Group.

In accordance with CONSOB Resolution No. DEM/6064293 of July 28, 2006, the subordinated and/or hybrid loans include specific covenants safeguarding lenders’ rights and interests.

With regard to the subordinated loan agreement of Euro 300 million of June 22, 2006 (half subscribed by Fondiaria-SAI S.p.A. and half by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation for the Parent Company, the permanent control (pursuant Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

With reference to the hybrid loan agreement of Euro 350 million of July 14, 2008, the option to convert into shares of the Parent Company (or of Milano for the portion issued by it totaling Euro 100 million) is subject to resolutions made by the extraordinary shareholders’ meeting of the Parent Company for capital increase to serve the conversion under the contractual terms indicated, and to the simultaneous occurrence (and for a consecutive three year period) of the following conditions:

- i. the downgrading of the rating by Standard & Poor’s (or any other agency to which the Parent Company has voluntarily subjected itself, being no longer subject to the Standard & Poor’s rating) of the beneficiary companies to “BBB-” or a lower grade;
- ii. the reduction of the solvency margin of the beneficiary companies, as defined by Article 44 of the Insurance Code, to a level below or equal to 120% of the required solvency margin as defined by Article 1, paragraph hh) of the Insurance Code.
in case that (a) the situations arose from the occurrence of the aforesaid events are not remedied, in the subsequent two fiscal years, or (b) the solvency margin is not increased in the following two fiscal years to at least 130% of the required solvency margin, Fondiaria-SAI and Milano Assicurazioni may, over a period of another two years, to implement measures aimed to comply again with the required covenants.

It should be noted that the Group loan agreements do not include covenants other than those indicated above which limit the use of significant financial resources for the activities of the Issuer and that this information is provided although the likelihood of the occurrence of such events is not significant.

Lastly the characteristic element of the subordinated and/or hybrid loans is in general not only that they are to be repaid after the payment of any other debts owed by the borrower company on the settlement date, but also due to the need to obtain prior authorisation for repayment from ISVAP.

With reference to the other financial liabilities amounting to Euro 618,378 thousand (Euro 913,719 thousand as of December 31, 2010), the most significant amounts are reported below:

- Euro 116.5 million relates to the loan entered into by the closed-end Tikal property fund, with Mediobanca as Agent Bank. The loan of Euro 119 million was granted for the purchase of properties and improvements and in 2011 approx. Euro 2 million was repaid. The loan cost is Euribor plus a variable credit spread from 60 to 110 basis points. Since 2008, the Fund used interest rate derivatives in application of the hedging policy on the potential risk of an increase in interest rates on the loan granted;

- Euro 99.0 million refers to the bonds issued in 2009 and 2010 by BancaSai partially at variable interest rate and partially at fixed interest rate, with different maturity date from 2011 to 2014;
- Euro 71.7 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan entered into by Marina di Loano with Intesa SanPaolo as agent bank with maturity on March 17, 2014 and interest rate of the 3 months Euriborplus 300 basis points. The company used interest rate derivatives, in application of the 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 interest rate of 3 months Euribor plus 90 basis points;
- ;Euro 12.7 million refers entirely to the debt of the subsidiary Immobiliare Milano Assicurazioni. This relates to a bank loan entered into by the subsidiary with Efibanca with maturity on February 23, 2012 and interest rate of 6 months Euribor plus 83 basis points. The indebtedness decreased by approx. Euro 57 million, compared to the amount as of December 31, 2010, due to the repayment on May 31, 2011 of the bank loan entered into with BPM and with the repayment date in February 2011 and of a portion of the loan entered into with Efibanca.

Additionally other financial liabilities include customer deposits of the subsidiary BancaSai for Euro 232,171 thousand.

5. PAYABLES

The table below sets forth the breakdown of payables amounting to Euro 792,090 thousand:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Payables from direct insurance operations	78,999	91,887	(12,888)
Payables from reinsurance operations	84,912	106,862	(21,950)
Other payables	628,179	638,185	(10,006)
Total	792,090	836,934	(44,844)

With reference to the payables deriving from the direct insurance operations, they consist of:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Payables to insurance intermediaries	60,252	70,446	(10,194)
Payables to insurance companies	10,590	20,344	(9,754)
Payables for policyholder deposits	118	94	24
Payables for guarantee provisions for policyholders	8,039	1,003	7,036
Total	78,999	91,887	(12,888)

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 62,733 thousand (Euro 78,713 thousand in 2010) and Euro 22,179 thousand to reinsurance intermediaries (Euro 28,149 thousand in 2010).

The table below sets forth the breakdown of other payables:

(in Euro thousands)

As of December 31,
2011As of December 31,
2010

Change

			(67,448)
Trade payables	276,988	344,436)
Employee leaving indemnity and other employee benefits	65,262	77,588	(12,326)
Policyholders' tax due	97,271	94,714	2,557
Other tax payables	150,990	73,290	77,700
Social security	23,300	22,293	1,007
Other payables	14,368	25,864	(11,496)
Total	628,179	638,185	(10,006)

Other tax payables include Euro 52,676 thousand relating 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 related 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 employees that chose to maintain the employee leaving indemnity at the company: the actuarial criteria provided by IAS 19 for defined benefit plans were used;
- For employees that chose to allocate the employee leaving indemnity to complementary pension schemes: the portion of employee leaving indemnity accruing from January 1, 2007, as a defined contribution plan, do not fall not within the scope of IAS 19.

The table below sets forth the changes in the year:

(in Euro thousands)

As of December 31,
2011As of December 31,
2010

Change

Balance at the beginning of the year	77,588	87,884	(10,296)
Provisions to income statement for Interest Cost	1,484	1,322	162
Provisions to income statement for Service Cost	63	67	(4)
Actuarial Gains/Losses	(1,468)	2,330	(3,798)
Utilisations	(13,371)	(13,038)	(333)
Other changes	966	(977)	1,943
Balance at the end of the period	65,262	77,588	(12,326)

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	4.90	1.50	1.50	0.99
BANCASAI	4.97	1.50	1.50	0.99
CASA DI CURA VILLA DONATELLO	4.84	1.50	1.50	0.99
CENTRO ONCOLOGICO FIORENTINO - CDC VILLANOVA	5.05	1.50	1.50	0.99
DIALOGO	5.19	1.50	1.50	1.41
EUROPA	4.98	1.50	1.50	1.41
FINITALIA	4.97	1.50	1.50	1.41
FONDIARIA-SAI	5.06	1.50	1.50	0.99
GRUPPO FONDIARIA-SAI SERVIZI	5.05	1.50	1.50	0.99
IMMOBILIARE LOMBARDA	4.84	1.50	1.50	0.99
LIGURIA DANNI	5.13	1.50	1.50	0.99
LIGURIA VITA	4.89	1.50	1.50	0.99
MARINA DI LOANO	4.90	1.50	1.50	0.99
MILANO ASSICURAZIONI (*)	4.98	1.50	1.50	1.41
PRONTO ASSISTANCE	5.19	1.50	1.50	0.99
SIAT	5.06	1.50	1.50	0.99
HEALTH CARE SYSTEMS	4.90	1.50	1.50	0.99
SYSTEMA	5.12	1.50	1.50	1.41

(*) includes SASA Assicurazioni

1 = Discount rate (spot rate curve)
2 = Expected rate of salary increases
3 = Expected inflation rate
4 = Turn Over

Average data in the year represent 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, representative of market yields on first rate corporate bonds (Bloomberg).
- Expected rate of salary increase: updating of the historical series (2010-2011 period) of salaries and inflation adjustment. Salary increase assumptions were differentiated by contract category and by employee service period.
- Turn Over: updating of the historical series (2010-2011 period) relating to personnel leaving the company. The turnover assumptions were differentiated by contract, age and gender.
- Inflation rate: the inflation scenario indicated in the “Public Finance Decision 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 pension plan.

The tables below set forth the analytical information relating to the changes of the liabilities related to the executive health insurance post-service coverage, as well as the principal demographic and financial assumptions adopted for the calculation of the fund in accordance with the “Projected Unit Credit Method”.

Company	Provision as of December 31, 2011	Service Cost 2011	Provision as of December 31, 10	Service Cost 2010
(in Euro thousands)				
FONDIARIA-SAI	23,131	262	14,453	205
MILANO ASSICURAZIONI(*)	9,253	35	7,312	63
SIAT	552	4	252	9
Total Group	32,936	301	22,017	277

(*) includes SASA Assicurazioni

(values in %)	Executive Assistance			
	1	2	3	4
FONDIARIA-SAI	4.08	-	1.50	5.33
MILANO ASSICURAZIONI	4.08	-	1.50	7.26
SIAT	4.08	-	1.50	5.33

1 = Discount rate

2 = Expected rate of salary increase

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, 2011	As of December 31, 2010	Change
Liabilities directly associated with non –current assets or disposal group classified as held for sale	-	-	-
Deferred tax liabilities	133,452	132,060	1,392
Tax liabilities	16,522	54,306	(37,784)
Other liabilities	404,749	363,384	41,365
TOTAL	554,723	549,750	4,973

6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 133,452 thousand (Euro 132,060 thousand as of December 31, 2010), include all the temporary tax differences, relating to statement of financial position and income statement items, which will be reversed in future years.

Where permitted the balance is net of compensation with the corresponding deferred tax asset in accordance with IAS 12.

The impact of the deferred tax liabilities recognised in the income statement in the year was negative for Euro 155,941 thousand (Euro 105,061 in 2010).

6.3 Tax liabilities

Tax liabilities amount to Euro 16,522 thousand (Euro 54,306 thousand as of December 31, 2010) 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 compensations with the corresponding tax receivable, made by each individual company and by subsidiaries within the Group which participates in the tax consolidation of the Parent Company.

6.4 Other liabilities

Other liabilities amount to Euro 404,749 thousand (Euro 363,384 thousand as of December 31, 2010) and are comprised of:

(in Euro thousands)	As of December 31, 2011	As of December 31, 2010	Change
Commissions on premium to be collected	109,753	113,839	(4,086)
Deferred commission on contracts out of the scope of IFRS 4	1,604	10,326	(8,722)
Cheques issued because of claims and amounts paid to life policyholders after year end	40,390	32,917	7,473
Transitory reinsurance accounts	3,850	3,652	198
Other liabilities	249,152	202,650	46,502
TOTAL	404,749	363,384	41,365

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 220,296 thousand compared to Euro 224,692 thousand in the previous year and include: Euro 144,700 thousand for mortgages on properties owned in favour of lender banks; Euro 44,943 thousand for secured guarantees related to bank deposits on which there is a pledge, in relation to claim disputes and Euro 4,254 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 23,980 thousand compared to Euro 47,462 in the previous year and include a guarantee of Euro 20,300 issued to secure deferred payment terms for the acquisition of 50% investment in Quadrante S.p.A.

Guarantees provided by third parties on behalf of the Group

At year-end these guarantees amount to Euro 114,653 thousand (Euro 114,742 thousand as of December 31, 2010) and mainly include guarantees issued 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 198,399 thousand Euro 167,672 thousand as of December 31, 2010) and mainly comprise of bank guarantees provided on behalf of third parties to guarantee policies issued in the Collateral Class for Euro 100,000 thousand.

Commitments

Commitments amount to Euro 266,801 thousand and have different nature ranging from securities market to real estate market.

Commitments relating to real estate transactions include Euro 37,996 thousand still to be paid for the completion of the properties located in 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 the properties to be built on that land.

Additionally Milano Assicurazioni entered into financial commitments under the form of profit participating bonds with the associated company Garibaldi S.C.A. for Euro 38,800 thousand and with Isola S.C.A. for Euro 9,000 thousand.

Nuove Iniziative Toscane S.r.l. assumed commitments for urbanisation work with the Municipality of Florence for Euro 127,362 thousand.

Lastly Euro 30 million are recognised against the commitment to subscribe bonds issued by Société Générale.

**PART C – Information on the
Consolidated Income Statement**

1.1 NET PREMIUMS

Consolidated net premiums amount to Euro 10,527,344 thousand (Euro 12,585,297 thousand in 2010).

The Group's gross premiums written amounted to Euro 10,813,497 thousand (a decrease of 16.52% compared with previous year), and are broken down as follows:

(in Euro thousands)	2011	2010	Change
Gross Life insurance premiums written	3,753,573	5,749,276	(1,995,703)
Gross Non-Life insurance premiums written	7,059,924	7,204,029	(144,105)
Change gross premium reserve	(36,761)	41,802	(78,563)
Total Non-Life Sector	7,096,685	7,162,227	(65,542)
Gross premiums written	10,850,258	12,911,503	(2,061,245)

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 330,114 thousand, represented 3.1% of the total premiums written (2.6% in 2010).

(in Euro thousands)	2011	2010	Change
Life Sector	18,285	18,784	(499)
Non-Life Sector	311,829	319,148	(7,319)
Change in reinsurers reserves	(7,200)	(11,726)	4,526
Total Non-Life Sector	304,629	307,422	(2,793)
Premiums ceded to re-insurers	322,914	326,206	(3,292)

Group reinsurance policy impacted on the consolidated financial statements for Euro 74,987 thousand (Euro 76,783 thousand in the Non-Life Insurance Sector).

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 2011 fee and commission income amounted to Euro 24,433 thousand, a decrease of Euro -32,884 thousand compared to the previous year.

(in Euro thousands)	2011	2010	Change
---------------------	------	------	--------

Commission income	24,433	57,317	(32,884)
-------------------	--------	--------	----------

This account includes both the explicit and implicit loading related to investment contracts issued by the Group insurance companies are out of scope of IFRS 4, and the commissions for the management of internal funds. Of this, approx. Euro 9 million are related to the subsidiary Popolare Vita. They also include approx. Euro 14 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 321,699 thousand, showing a decrease compared to Euro 73,584 thousand recorded in 2010.

	Interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 2011	Total 2010	Change
(in Euro thousands)									
<i>Result of investments from:</i>									
Financial assets held for trading	5,159	(26)	3,495	(1,091)	2,407	(6,841)	3,103	(7,379)	10,482
Financial assets designated at fair value through profit or loss	179,227	142,087	60,564	(29,294)	142,177	(173,481)	321,280	402,854	(81,574)
Financial liabilities held for trading	-	-	-	-	999	(3,683)	(2,684)	(192)	(2,492)
Total	184,386	142,061	64,059	(30,385)	145,583	(184,005)	321,699	395,283	(73,584)

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro 328,097 thousand relating 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

	Net interest	Other net income/loss	Gain realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 2011	Total 2010	Change
(in Euro thousands)									
<i>Result from:</i>									
Investment property	-	29,549	34,625	(82)	-	(316,134)	(252,042)	(17,022)	(235,020)
Investments in subsidiaries,	-	(19,270)	-	-	-	(2,036)	(21,306)	516	(21,822)

associates and joint ventures									
Investments held to maturity	34,789	89	704	(28)	-	-	35,554	68,584	(33,030)
Loans and receivables	165,262	1	775	(6,711)	305	(17,835)	141,797	106,012	35,785
Financial assets available for sale	601,713	51,667	176,257	(135,472)	-	(372,994)	321,171	366,082	(44,911)
Other receivables	13,805	(2)	-	-	-	-	13,803	14,182	(379)
Cash and cash equivalents	11,700	(576)	-	-	-	-	11,124	7,423	3,701
Other financial liab./payables	(76,941)	(628)	174	-	-	-	(77,395)	(79,175)	1,780
Total	750,328	60,830	212,535	(142,293)	305	(708,999)	172,706	466,602	(293,896)

The valuation losses and adjustments in value of investment property include Euro 72 million of depreciation for the year.

The residual amount refers to the previously mentioned write downs of property as a consequence of the updated appraisals of all property owned by the Group.

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, due to the consistent application of the group accounting policies that resulted in the impairment of its equity securities.

Gains and losses realised are related to the sale of different financial instruments.

The valuation losses and adjustments in value on the investment property include the depreciation for the year, as well as permanent losses in value for Euro 243 million.

The valuation losses and adjustments in value on financial assets available for sale, amount to Euro 373 million, and include the impairments made in accordance with the valuation policy already illustrated in 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 bear interest 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 666,720 thousand (Euro 556,503 thousand in 2010) and are summarised in the table below:

(in Euro thousands)	2011	2010	Change
Gains realized on non-current assets	16,523	297	16,226
Other technical income	54,291	74,405	(20,114)
Utilisation of provisions	164,768	39,852	124,916
Exchange differences	4,731	22,431	(17,700)
non recurring ncome	38,030	35,783	2,247
Gains realised on property and equipments	271	385	(114)
Other income	388,106	383,350	4,756
Total	666,720	556,503	110,217

Gains realised on non-current assets include the valuation gain of the investment in IGLI S.p.A., held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano, and reclassified to “Non-current assets or disposal group classified as held for sale”.

Utilisation of provisions refer for Euro 77 million to the reversal of provisions priorly accrued by Fondiaria-SAI and its subsidiary Milano Assicurazioni for charges connected to tax audits for 2005 and from 2006 to 2008 fiscal years. The reversal is due to the final settlement of the dispute with the Tax Authorities.

Other income includes the following amounts:

- Atahotels revenue offor Euro 128 million;
- Auto Presto & Bene revenues for Euro 69 million ;
- Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano revenue for Euro 61 million i. The properties owned by Immobiliare Fondiaria-SAI and Immobiliare Milano are treated as inventories and included among property and equipment: the related change in inventory amounts to Euro 9 million;
- revenues from the Group's retirement home subsidiaries for Euro 46 million;
- revenues from the agriculture business for Euro 10 million;
- revenue from the health services activities of the subsidiary Sistemi Sanitari S.c.r.l for Euro 10 million.

2.1 NET INSURANCE BENEFIT AND CLAIMS

Claims paid, sum of the Life insurance Classes and related expenses, gross of the quota ceded to reinsurers, amount to Euro 9,881,689 thousand, an increase of 8.98% compared to the previous year.

2.1.2 Insurance claims: amounts paid and changes in insurance contract liabilities

(in Euro thousands)	2011	2010	Change
Non-Life Insurance Sector			
Amounts paid	5,488,355	5,931,946	(443,591)
Change in recoveries	(167,944)	(143,211)	(24,733)
Change in other technical provision	(269)	584	(853)
Change in claims provision	751,863	166,632	585,231
Total Non-Life Insurance	6,072,005	5,955,951	116,054
Life Insurance Sector			
Amounts paid	4,393,334	3,135,301	1,258,033
Change in actuarial provision and other technical provision	(918,433)	2,513,322	(3,431,755)
Change in technical provision where investment risk is on policyholders and from pension fund management	721,290	677,000	44,290
Change in amounts to be paid	138,661	60,338	78,323
Total Life Insurance	4,334,852	6,385,961	(2,051,109)

Total Non-Life Insurance + Life Insurance	10,406,857	12,341,912	(1,935,055)
Amount paid	9,713,745	8,924,036	789,709
Change in provision	693,112	3,417,876	(2,724,764)

2.1.3 Insurance claims: quota ceded to reinsurers

(in Euro thousands)	2011	2010	Change
Non-Life Insurance Sector			
Amounts paid	166,130	200,859	(34,729)
Change in recoveries	4,970	(27,722)	32,692
Change in other technical provision	-	-	-
Change in claims provision	(23,912)	(3,648)	(20,264)
Total Non-Life Insurance	147,188	169,489	(22,301)
Life Insurance Sector			
Amounts paid	24,226	32,095	(7,869)
Change in actuarial provision and other technical provision	(6,319)	(13,870)	7,551
Change in amounts to be paid	992	1,257	(265)
Total Life	18,899	19,482	(583)
Total Non-Life Insurance + Life Insurance	166,087	188,971	(22,884)
Amount paid	195,326	205,232	(9,906)
Change in provision	(29,239)	(16,261)	(12,978)

Net change in the Non- Life insurance contract liabilities amounted to Euro 775,506 thousand, an increase of Euro 604,642 thousand compared to 2010.

Life insurance contract liabilities r, including provision for amounts to be paid, decreased by Euro 53,155 thousand (Euro 3,263,273 thousand in 2010).

For further details on net insurance benefit and claims related to 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 2011 fee and commission expenses amounted to Euro 15,855 thousand, a decrease of Euro 12,566 thousand,.

(in Euro thousands)	2011	2010	Change
Fee and commission expenses	15,855	28,421	(12,566)

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)	2011	2010	Change
Non-Life Insurance Sector			
Acquisition commissions and changes in insurance deferred acquisition costs	1,108,433	1,112,617	(4,184)
Other acquisition costs	213,502	213,942	(440)

Collection commissions	36,140	39,108	(2,968)
Reinsurers commissions and profit participation	(80,658)	(80,131)	(527)
Total Non-Life Insurance	1,277,417	1,285,536	(8,119)
<i>Life Insurance Sector</i>			
Acquisition commissions and changes in insurance deferred acquisition costs	97,982	111,126	(13,144)
Other acquisition costs	24,485	22,846	1,639
Collection commissions	7,921	8,873	(952)
Reinsurers commissions and profit participation	(1,182)	(1,394)	212
Total Life Insurance	129,206	141,451	(12,245)
Asset management fee	16,016	14,377	1,639
Other administration expenses	452,674	478,818	(26,144)
Total	1,875,313	1,920,182	(44,869)

As reported in the table below total acquisition costs for the year amounted to Euro 1,444,402 thousand:

(in Euro thousands)	2011	2010
Acquisition costs for the year	1,383,077	1,395,880
Amortisation of insurance deferred acquisition cost	61,325	64,651
Total acquisition costs	1,444,402	1,460,531

In relation to attachment 12, refer to the annexes reported at the end of the explanatory notes.

2.6 OTHER EXPENSES

Other expenses amounted to Euro 1,038,599 thousand (Euro 967,183 thousand in 2010) and are summarised in the table below:

(in Euro thousands)	2011	2010	Change
Other technical charges	247,015	281,458	(34,443)
Provisions	136,603	122,373	14,230
Write-downs of receivables	35,831	30,418	5,413
non recurring expenses	38,523	31,626	6,897
Depreciation of property, & equipment	14,959	13,964	995
Amortisation of intangible assets	43,093	68,199	(25,106)
Reduction in value of property, and equipment	22,461	7,717	14,744
Reduction in value of intangible assets	100,727	78,365	22,362
Exchange differences	2,867	6,693	(3,826)
Other expenses	396,520	326,370	70,150
Total	1,038,599	967,183	71,416

Other expenses include the followings:

- Atahotel operating expenses for Euro 79 million;

- Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano operating expenses for Euro 71 million;
- Labour costs and spare parts for Euro 68 million related to vehicles owned by the subsidiary Auto Presto & Bene;
- costs incurred by the retirement home subsidiaries of the Group for operating and personnel costs totally amounting to Euro 38 million;
- Saiagricola operating costs for Euro 6 million.

3. INCOME TAXES

(in Euro thousands)

	2011	2010	Change
Costs (revenues) for current taxes	138,693	16,309	122,384
Adjustments recorded in the year for current taxes of prior periods	122	2,208	(2,086)
Deferred tax liabilities arising in the year	182,894	146,284	36,610
Deferred tax liabilities utilised in the year	(26,953)	(41,223)	14,270
Deferred tax assets arising in the year	(753,582)	(279,600)	(473,982)
Deferred tax assets utilised in the year	55,301	67,557	(12,256)
Deferred tax costs/(revenues) from changes in tax rates or the imposition of new taxes	11,364	-	11,364
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 recognize used to reduce deferred taxes	-	-	-
Cost (revenues) relating to write-downs (recovery in values) of deferred tax assets recognized in previous years	14	11,363	(11,349)
Changes due to errors or change in estimates or accounting principles recognised in accordance with IAS 8	-	-	-
Total	(392,147)	(77,102)	(315,045)

The net tax benefit for the year amounted to Euro 392,147 thousand (Euro 77,102 thousand in 2010), and was due to the combined effect of the income taxes amounting to Euro 138,815 thousand and the net income from deferred tax for Euro 530,962 thousand.

Income taxes includes adjustments to taxes relating to previous years for Euro 122 thousand.

This amount was due to the increased taxes of Euro 305 thousand, whose the amount of Euro 250 thousand is related to higher IRES and IRAP taxes paid by the Parent Company Fondiaria-SAI. On the other hand, the lower current taxes resulting from tax refunds or adjustments to previous provisions amounted to Euro 182 thousand and are 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 4.82% for IRAP. To calculate the IRAP regional tax for the year, any increase or reduction in rates made by some regions with reference to particular categories was taken into account also through prudent valuations.

Income taxes also includes substitute income taxes for the year. Euro 101,831 refer to the substitute tax paid by the Parent Company after opting for the goodwill deduction allowed by Article 23 of Legislative Decree 98/2011 (converted with amendments into Law 111/2011).

In relation to the deferred taxes, this resulted in a reduction of the fiscal charge for Euro 530,962 thousand. These included the charge relating to net adjustments on deferred tax assets and liabilities previously recognised following the change in the nominal IRAP rate for Euro 11,364 thousand, whose Euro 6,394 thousand related to of the parent company Fondiaria-SAI and Euro 5,572 thousand of the subsidiary Milano Assicurazioni.

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 2011 – 2012 equal to 27.5%:

(in Euro thousands)	2011	2010	Change
Loss before taxes	(1,457,635)	(1,007,725)	(449,910)
Taxes on theoretical income (excluding regional tax)	(400,850)	(277,124)	(123,725)
Tax effect from changes in permanent differences	91,441	146,418	(54,977)
Tax effect from utilisation of previous years tax losses without allocation of deferred tax assets	(1,843)	(2,653)	810
Tax effect from share of results of associates	4,443	11,535	(7,092)
Tax effect from foreign tax rates	(5,434)	(4,323)	(1,111)
Tax effect from changes in the theoretical rate	-	-	-
Other differences	(84,606)	30,213	(114,819)
Taxes on income (excluding regional tax)	(396,849)	(95,934)	(300,914)
Regional taxes	4,702	18,832	(14,130)
Total income taxes for the year	(392,147)	(77,102)	(315,044)

For a better understanding of the reconciliation between the effective charge in the accounts and the theoretical income taxes the IRAP regional tax effect was not 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 91,441 thousand in the tax charge. The decrease compared to the previous year is principally due to the lower impact of the write-downs, not fiscally deductible, on the equity securities held pursuant to Article 86 of the Presidential Decree 917/1986 (PEX) recorded in the income statement and considered as permanent losses in value. The effect, in terms of higher taxes due, amounts to Euro 56,980 thousand compared to Euro 103,745 thousand in the previous year. On the other hand, in 2011, the most significant increases of a permanent nature, were the impairment on goodwill of Popolare Vita and the impairments on properties of some subsidiaries on which the relative deferred tax assets were not recorded on a prudent basis. The remaining increases refer to non deductible provisions and costs and include the charges incurred by the Parent Company and the subsidiary Milano Assicurazioni following settlement with the tax authorities relating to tax audits for the fiscal years from 2005 to 2008. Additionally the increases include, for Euro 7,762 thousand, the effect, in terms of higher taxes, related to the non deductibility of the loss contributed by the subsidiary TIKAL RE Fund.

The theoretical tax charge is reduced by Euro 1,843 thousand due to the utilisation of losses carried forward against which no correlated deferred tax asset was recorded by the foreign subsidiaries, such as Finsai International for Euro 953 thousand and DDOR Novi Sad for Euro 755 thousand.

With reference to the foreign subsidiaries, also the neutralisation of the impact on the theoretical tax charge of the results reported 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 5,434 thousand.

This change is principally due to the low corporate tax of the Irish companies Lawrence Life for Euro 2,783 thousand and Lawrence R.E. for Euro 1,807 thousand and of the Serbian subsidiary DDOR Novi Sad for Euro 731 thousand.

The other differences, which result in higher charges for Euro 84,606 thousand, originate from the combined effect of:

- lower taxes following the adjustments of deferred tax assets recorded in previous years by the Parent Company for Euro 8,705 thousand and Popolare Vita for 3,205 thousand;
- lower taxes for Euro 77,833 thousand due to the recognition, by the Parent Company, of the deferred tax assets on the goodwill recorded, net of the substitute tax due;
- higher income tax, for Euro 559 thousand, relating to the expected tax losses by some subsidiaries for which it was not considered appropriate, also on a prudent basis, to record deferred tax;

In relation to the changes in deferred tax liabilities, it should be noted that the provision, amounting to Euro 182,894 thousand, refers for Euro 125,846 thousand to the adjustments made, in accordance with IAS 39, on net charges on investments in securities recorded, in particular, in the Life Insurance Sector, because of the lower stock market prices recorded at the end of the year, and for Euro 13,966 thousand to the adjustment to goodwill and other intangible assets, made in accordance with IAS 38.

On the other hand, the reversal of deferred tax liabilities amounting to Euro 26,953 thousand refer for Euro 16,099 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 698,281 thousand.

Income taxes for the year amounted to Euro 753,582 thousand, whose Euro 115,432 thousand refer to the deduction of part of the change in the Non-Life insurance claims provision, Euro 47,485 thousand relating to the share price alignment, Euro 22,136 thousand relating to write downs on receivables from policyholders and Euro 15,875 thousand relating to taxes due to the lower depreciation rate applied on properties for IAS purposes. The account also includes Euro 206,718 thousand related to tax losses realised in the year, deemed reasonable based on the income expected a reasonable time period, and Euro 235,754 thousand relating to deferred taxes on the goodwill recorded by the Parent Company.

Meanwhile the reversals of prepaid taxes of Euro 55,301 thousand, include Euro 21,442 thousand relating to the reversal of deductions of greater fiscal losses on share after sales, Euro 9,873 thousand relating to the deduction of write-downs on receivables from policyholders in previous years and Euro 5,556 thousand relating to the reversal of the deduction of portions of the changes in non-life claims provision.

As regards the recoverability, also on a prudent basis, of the temporary differences relating to the deferred tax assets recorded at the end of the year, we point out the following:

- The recoverability of the deferred tax assets related to tax losses carried forward to future years is considered reasonable, given the amendments to the time limits introduced by Article 84 of Presidential Decree 917/1986, based on the forecast taxable earnings according to the business plan 2012-2014 and the forecast for subsequent years approved by the directors. In determining this tax basis, as provided for by tax regulations,

account was taken of the reversal of income component carried forward as a deduction, which gave rise to the recognition of deferred taxes at the end of 2011.

- In relation to the recoverability of deferred tax assets on the goodwill and write-down of receivables from policyholders, the valuations made also take into account of the provisions of Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010, which enables the transformation of the deferred tax assets into tax receivablesthat can be immediately compensated in 2012, and from which the Group intends to benefit. This option would therefore allow for an immediate “recovery” of a significant amount of the deferred tax assets on intangible assets and write-down of receivables from policyholders. In future years, the rules in question also increase the likelihood of recovery of any remaining prepaid tax.
- The recoverability of the deferred tax assets related to the change in the Non-Life Sector claims provision and other minor accounts is based on the evaluation of the reasonable certainty , also in viw of the certainty of the timing of the reversal of these amounts, which generated the respective temporary differences.

At the reporting date, the aggregate amount of the temporary differences relating to non-distributable profits of the subsidiaries did not lead to the recognition of deferred tax liabilities. This is due to the fact that the Group is able to control the timing of the elimination of these temporary differences. The temporary differences deriving from associates are of no significant importance.

4. PROFIT FROM DISCONTINUED OPERATIONS

Profit from discontinued operations relates to the above-mentioned gain of Euro 30.9 million on the sale of CityLife occurred in August 2011.

FURTHER INFORMATION

With reference to the nature of the costs for the year (IAS 1.93), in addition to that already listed in the accounts under “Other costs”, it is reported that the total cost of Group personnel amounts increased by 3% compared to the previous year.

Earning 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 Fondiaria SAI Group shares held and increased by the weighted shares from the capital increase in the year.

The diluted earnings (loss) per share is the same as the basic earnings per share as account was not taken of the potential savings shares for the stock option plans (expired in April) in the absence of any diluting effects.

In accordance with IAS 33, information is shown below for the calculation of the basic and diluted earnings (loss) per share:

	2011	2010
Loss for the year attributable to equity shareholders of the parent gross of profit from discontinued operations	(871,229)	(717,582)
Dividends distributed to the savings shareholders (Euro thousands)	(8,299)	(2,766)
Loss attributable to ordinary shareholders of the parent company (Euro thousands)	(879,528)	(720,348)
Weighted average number of ordinary shares to calculate the basis earning/(loss) per share	222,376,737	110,099,933
Loss per share	(3.96)	(6.54)
Loss for the year attributable to equity shareholders of the parent (Euro thousands)	(852,719)	(717,582)
Dividends distributed to the savings shareholders (Euro thousands)	(8,299)	(2,766)
Loss attributed to the ordinary shareholders of the parent company (Euro thousands)	(861,018)	(720,348)
Weighted average number of ordinary shares to calculate the basis earnings/(loss) per share	222,376,737	110,099,933
Loss per share	(3.87)	(6.54)
<i>Effect of the dilution:</i>		
Adjusted weighted average number of ordinary shares to calculate the diluted earnings per share	222,376,737	110,099,933
Diluted loss per share	(3.87)	(6.54)

It should be noted that:

- the loss attributed to ordinary shareholders of the parent company is calculated as loss for the year attributable to equity shareholders of the parent net of the portion of loss for the year attributable to savings shareholders;
- the weighted average number of ordinary shares in existence is net of the weighted average number of treasury shares held and is calculated on a pro-rata temporis on the basis of the number of shares before capital

increase, the number of shares issued at the end of the offer period and number of shares issued following the sale on the stock exchange of the rights not exercised;

- profit from discontinued operations are not significant.

Dividends paid and proposed

The table below provides information as per IAS 1.125a and 1.125b:

(in Euro thousands)	2011	2010
<hr/>		
<i><u>Declared and paid in the year (*)</u></i>		
Dividends on ordinary shares	-	48,503
Dividends on savings shares	-	19,235
<i><u>Proposal for approval by the Shareholders' Meeting</u></i>		
Dividends on ordinary shares	-	-
Dividends on savings shares	-	-

(*) concerning prior years.

Group solvency margin

In accordance with the provisions of the Supervisory Authority regarding the adjusted solvency margin and the application of the prudential filters, following the introduction of the new IAS/IFRS standards, for the year 2011 the ratio between the constituting elements and the amount of the adjusted solvency margin requested was just over 78% (97% as of December 31, 2010). 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 correct 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 30% of the constituting elements of the adjusted solvency margin and the impact in the year due to the exercise of this faculty on the calculation of the adjusted solvency is equal to 24 percentage points on the requested margin.

Therefore the adjusted solvency margin of the parent company amounted to 57% (83% as of December 31, 2010).

For the year 2012, the recovery of the solvency margin will be undertaken through the capital increase which the Board of Directors of Fondiaria-SAI proposed to the shareholders' meeting of the Parent Company called in extraordinary session on March 16, 2012 in first call and March 19, 2012 in second call.

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 performance.

The underlying logic in the application of this standard is to provide information regarding the manner in which the Group's results are created, and consequently on its overall operations, and particularly on those areas where profits and risks are concentrated.

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

To identify the primary segments, the Group analysed the risk-return profile of the sectors and examined 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 relating to human life.

Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the insurance contract liabilities of the Group and actively operates in the management and enhancement of investment properties.

Other Activities Sector, residual by nature, offers inter alia products and services in fund management, asset management, the agricultural and hotel sector. The identification of this residual segment is based on a discretionary valuation to illustrate the primary sources of risks and benefits for the Group.

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

Lastly note 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 operations in 2011 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	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1	INTANGIBLE ASSETS	803 797	819 528	587 761	688 496	1 204	591	70 128	79 119			1 462 890	1 587 734
2	PROPERTY, PLANT & EQUIPMENT	94 632	108 870	7 030	6 800	197 552	373 385	102 556	105 305	-26	-26	401 744	594 334
3	TECHNICAL RESERVES – REINSURANCE ASSETS	608 617	656 719	93 263	166 465							701 880	823 184
4	INVESTMENTS	7 974 622	8 490 085	23 525 365	24 928 694	1 382 478	1 537 243	1 287 925	1 455 186	-381 058	-397 335	33 789 332	36 013 873
4.1	Investment property	1 463 160	1 567 370	4 434	26 949	1 267 976	1 276 207	23 675	23 683			2 759 245	2 894 209
4.2	Investments in subsidiaries, associates and joint ventures	79 448	144 957	21 135	23 562	14 760	145 362	1 215	11 488			116 558	325 369
4.3	Investments held to maturity	0	0	601 755	594 107	0	0	0	0	-2 042	-1 969	599 713	592 138
4.4	Loans and receivables	716 893	612 608	2 118 511	1 606 049	41 286	38 717	1 128 490	1 227 682	-316 315	-325 845	3 688 865	3 159 211
4.5	Financial assets available for sale	5 689 702	6 132 297	11 793 990	13 988 757	55 581	74 082	115 565	170 828	-56 551	-63 082	17 598 287	20 302 882
4.6	Financial assets at fair value through profit & loss	25 419	32 853	8 985 540	8 689 270	2 875	2 875	18 980	21 505	-6 150	-6 439	9 026 664	8 740 064
5	OTHER RECEIVABLES	2 307 378	2 245 578	282 888	234 974	59 572	80 693	308 975	316 228	-618 072	-563 098	2 340 741	2 314 375
6	OTHER ASSETS	1 091 564	1 021 564	559 961	371 120	136 346	38 475	78 518	42 857	-62 949	-477 952	1 803 440	996 064
6.1	Deferred acquisition costs		52 249	30 301	35 354							30 301	87 603
6.2	Other assets	1 091 564	969 315	529 660	335 766	136 346	38 475	78 518	42 857	-62 949	-477 952	1 773 139	908 461
7	CASH AND CASH EQUIVALENTS	965 478	547 611	279 784	340 798	42 391	63 492	73 102	48 611	-384 173	-374 572	976 582	625 940
	TOTAL ASSETS	13 846 088	13 889 955	25 336 052	26 737 347	1 819 543	2 093 879	1 921 204	2 047 306	-1 446 278	-1 812 983	41 476 609	42 955 504
1	SHAREHOLDERS' EQUITY											1 556 708	2 550 105
2	PROVISIONS	252 102	284 981	30 417	31 371	16 661	18 755	23 130	5 530			322 310	340 637
3	INSURANCE CONTRACT LIABILITIES	12 610 322	11 887 849	22 497 183	22 940 123							35 107 505	34 827 972
4	FINANCIAL LIABILITIES	1 090 310	1 133 249	1 684 858	2 133 561	211 958	293 354	911 113	1 047 548	-754 966	-757 606	3 143 273	3 850 106
4.1	Financial liabilities at fair value through profit & loss	39 725	23 502	1 257 930	1 620 308	4 743	2 259	1 488	866			1 303 886	1 646 935
4.2	Other financial liabilities	1 050 585	1 109 747	426 928	513 253	207 215	291 095	909 625	1 046 682	-754 966	-757 606	1 839 387	2 203 171
5	PAYABLES	833 971	841 164	132 350	101 147	38 200	72 562	413 563	395 316	-625 994	-573 255	792 090	836 934
6	OTHER LIABILITIES	386 719	493 399	172 418	481 721	31 169	30 609	29 893	26 118	-65 476	-482 097	554 723	549 750
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES											41 476 609	42 955 504

Segment Income Statement

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1.1	Net premiums	6 792 056	6 854 805	3 735 288	5 730 492	0	0	0	0	0	0	10 527 344	12 585 297
1.1.1	Gross premiums written	7 096 685	7 162 227	3 753 573	5 749 276							10 850 258	12 911 503
1.1.2	Premiums ceded to re-insurers	-304 629	-307 422	-18 285	-18 784							-322 914	-326 206
1.2	Commission income	0		9 922	16 526			23 070	43 180	-8 559	-2 389	24 433	57 317
1.3	Net income from financial instruments recorded at fair value through profit and loss	-3 825	-7 028	326 782	399 632	-307	-601	-926	3 310	-25	-30	321 699	395 283
1.4	Financial income from investments in subsidiaries, associates and joint ventures	800	371	0	1	26	16 007	0	39 501	0	-85	826	55 795
1.5	Financial income from other financial instruments and property investments	343 510	401 001	777 318	805 903	47 060	39 180	70 191	78 297	-48 420	-42 984	1 189 659	1 281 397
1.6	Other income	509 210	463 529	89 675	42 556	88 705	126 128	648 691	618 145	-669 561	-693 855	666 720	556 503
1	TOTAL REVENUES AND INCOME	7 641 751	7 712 678	4 938 985	6 995 110	135 484	180 714	741 026	782 433	-726 565	-739 343	12 730 681	14 931 592
2.1	Net insurance benefit and claims	-5 924 817	-5 786 462	-4 315 953	-6 366 479	0	0	0	0	0	0	-10 240 770	-12 152 941
2.1.2	Amounts paid and changes in technical provision	-6 072 005	-5 955 951	-4 334 852	-6 385 961							-10 406 857	-12 341 912
2.1.3	Quota ceded to reinsurers	147 188	169 489	18 899	19 482							166 087	188 971
2.2	Fee and commission expenses	0		-7 822	-14 007			-8 033	-14 414			-15 855	-28 421
2.3	Financial expenses from investments in subsidiaries, associates and joint ventures	-1 792	-12 842			-4 305	-7 062	-16 035	-35 375			-22 132	-55 279
2.4	Financial expenses from other financial instruments and property investments	-462 799	-486 392	-308 942	-233 343	-217 384	-83 667	-26 842	-33 811	20 320	21 902	-995 647	-815 311
2.5	Management expenses	-1 578 501	-1 592 180	-198 744	-210 690	-193	-299	-312 881	-335 887	215 006	218 874	-1 875 313	-1 920 182
2.6	Other expenses	-753 014	-795 889	-212 915	-98 373	-115 318	-140 554	-448 591	-430 850	491 239	498 483	-1 038 599	-967 183
2	TOTAL COSTS AND EXPENSES	-8 720 923	-8 673 765	-5 044 376	-6 922 892	-337 200	-231 582	-812 382	-850 337	726 565	739 259	-14 188 316	-15 939 317
	PROFIT/(LOSS) BEFORE TAXES	-1 079 172	-961 087	-105 391	72 218	-201 716	-50 868	-71 356	-67 904	0	-84	-1 457 635	-1 007 725

**PART E - Information on
risks and on uncertainties**

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 in 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 assessing the impact that these risks can have on solvency and achieving targets.

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

- the **Economic Capital**;
- measures of **Risk Adjusted** profit;
- fixed operating limits including using **Value at Risk**.

The risk assessment model is based on an estimate of **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. The model is constantly changing and is regularly updated with the target so that is always adequate to the risks assumed, to the changes in the regulations and to technical and methodological innovations.

The government risk

In the Fondiaria-SAI Group, the Risk Management structure and process are placed within the wider internal control system, which is broken down into the following levels:

- line controls ensuring that operations are carried out properly (1st level controls);
- risk management controls aimed to measure risks and to identify strategies to manage them (2nd level controls);
- internal audit controls aimed to provide independent evaluation of the overall risk control and risk management system to improve organizational efficiencies (3rd level controls).

More in details the risk management system involves the following key players, carrying out different functions depending on their institutional roles, their expertise and information available:

- Board of Directors;
- Chief Executive Officer, General Manager and Senior Management;
- Risk Management Department;
- Compliance Department;
- Audit Department;
- Business and Process Owners Departments.

Board of Directors has ultimate responsibility for internal control system and must ensure its completeness, functionality and effectiveness.

Chief Executive Officer, General Manager and senior management with supervision duties are responsible for implementing and monitoring the internal control and risk management system, in line with the directives of the Board of Directors.

Compliance department identifies and assesses the risk of non-compliance with relevant legislation.

Audit department monitors and assesses the effectiveness and efficiency of the internal control system and indicates the corrective actions deemed necessary, and is also responsible for the execution of follow-up activities to verify both that the corrective interventions have been carried out and that the changes made to the system are effective.

Risk Management Department works, together with the other players involved in the risk management system, on defining and creating a management system for all risk-related activities, through the development and maintenance of risk measurement strategies, methods and tools. In particular, the Risk Management department is responsible for the followings:

- managing the development and completion of risk capital models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- undertaking regular monitoring of the risks through the reporting indicators;
- helping define the operating limits and relative tolerance thresholds assigned to the operating structures and draw up procedures for the prompt verification of these limits;
- preparing reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks trends and the violations of fixed operating limits;
- defining, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- carrying out stress tests to assess the economic and financial impact of adverse trends in the principal risk factors.

It carries out its function for all the insurance companies within the Fondiaria SAI Group and for all of subsidiaries which have entered into a specific service contract with it. For Group subsidiaries (including the respective direct subsidiaries) which have their own Risk Management department, the head office performs guidance and monitoring functions in addition to activities related to regulatory compliance, as provided for in the Annual Plan, relating to the Solvency II Project, or, ultimately, in relation to specific requests not included in the Plan.

The Risk Management, Compliance and Audit Departments are independent from the operating structures and report functionally and hierarchically to the Board of Directors. Furthermore the “Solvency II” directive attributes a key role to these departments, together with the actuarial department in overall governance.

In addition during 2011, the Company launched a procedure, now completed, for the critical review of the Audit, Compliance and Risk Management departments to identify, where necessary, any appropriate corrective interventions of an organisational and procedural nature.

Also, in 2011 the Board of Directors’ of Fondiaria-SAI approved the creation of a new organisational unit, called the “Intra- group Activities Unit”, reporting to the Chief Executive Officer, with the responsibility to review and monitor related party transactions, before, during and after their execution, in order to evaluate, on a case by case basis, conflicts of interest, and to ensure that the approval procedure for them is in line with the procedures adopted by the Board of Directors, as well as complying with current legal and regulatory provisions.

The Intra-group Activities Unit has also the duty to support the Internal Control Committee, the Remuneration Committee and the Board of Statutory Auditors, for their respective area, with reference to the duties attributed to

them by current regulations and/or by the Board of Directors concerning related party transactions, as well as any other bodies called upon to carry out their activities in respect of the transactions in question.

The risk management system involves specifically created committees which help to strengthen and integrate the risk management system of the Fondiaria SAI Group and that play an educational role with the Board of Directors aimed at enabling it to make more informed decisions.

In particular the Board of Directors' meeting of July 21, 2011 approved, pursuant to Article 17 of ISVAP Regulation No. 20/2008, ("Collaboration between functions and boards of control"), to set up the Control Function Coordination Committee including not only the Audit, Compliance and Risk Management departments, but also the Board of Statutory Auditors (through its Chairman), the Internal Control Committee (through its Lead Coordinator), the Supervisory Board pursuant to Legislative Decree No. 231/01 (through its coordinator) and the actuary appointed, as well as the head of the Intra-group Activities Unit, with the involvement, if necessary, of the independent auditor.

The coordination of this Committee, which exclusively relates to organizing and conducting Committee meetings in accordance with the respective agenda, with no management authority over the activities of the other control functions and which shall remain under the full exclusive and independent responsibility of the individual functions, is entrusted to the head of the Risk Management Department.

The Risk Map

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

These risks, known as "Second level risks" are:

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

Alongside these types of Risks, particular attention must be paid to Strategic Risk, i.e. the current or future risk of a drop in profits or of capital deriving from a change in the operating context or from bad corporate decisions, inadequate implementation of decisions or a failure to react swiftly and decisively to changes in the competitive environment.

The Risk Map, at Level I and II, is the basis for the Risk Management activity. This structure however is not a static fixed element within the Model, in that the approach adopted, as set out above, must take into account not only all current Risks, but also possible future risks, to anticipate any possible threats arising from the context in which the Group operates.

Table 7 –Map of Risks

	Non-Life Sector	Life Sector	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 contagion risk	√	√	√	√
Strategic Risk	√	√	√	√

The assessment of the above-mentioned quantifiable risks is determined using an ALM approach through the internal model utilising best practice procedures.

ALM estimate entails the shock analysis for the risk variables on both asset and liability accounts in the financial statements.

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

The financial risk assessments described below do not take into account the ALM approach. The compensation principle defined by that methodology is principally applied using a “Total Balance Sheet” approach defined by Solvency II.

Accounting standards marginally allow the adoption of this technique, so for the sake of clarity, we have refrained here from describing assessment inconsistent with the criteria according to which the financial statements are prepared.

During 2011, credit risk on government bonds was significant. This risk is not assessed using the QIS5 formula, while the internal model estimates the risk of default for the government component as well, on the basis of the issuer’s rating.

The significant amount of securities issued by the Italian government, the subsequent downgrading, as well as the volatility of the spread compared to risk free securities, significantly impacted on the assessment of this risk, which in the internal model takes on the greatest weight among market risks.

Life technical risks, including mortality and redemption and expense inflation, currently account for a reduced portion of technical risks.

Technical risks are also assessed using internal models and models proposed by the standard QIS5 formula.

The most significant component is the non-life underwriting risk, in particular the risk provision and the premium risk. The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements.

Life technical risks, including mortality and redemption and expense inflation, currently account for a reduced portion of technical risk.

Particular attention was nevertheless paid to the acceleration of life policy redemption es, which occurred in the final part of the year, especially in portfolios sold through the bancassurance channel, where there sensitivity to financial market volatility is greates.

At this time, this aspect is monitored based on specific scenario analysis; since due to the modelisation of this event may be premature due to the short period in which there was a significant amount of redemption.

Information on Operational Risks

Objectives and criteria of the financial risk management

The financial risk management objectives and policies, as well as the Group mitigation policies, are issued by resolution of the Board of Directors of the parent company Fondiaria-SAI using management parameters for the allocation of the securities portfolio and the use of financial derivatives.

The policy adopted aims to guarantee:

- adequate diversification, avoiding excessive concentration;
- readily liquid portion of investments;
- ensuring consistency between assets and liabilities using ALM policies;
- prudent management, limiting exposure in securities with low credit ratings;
- use of derivative instruments principally for hedging purposes.

In line with these objectives, specific operating limits are defined for all types of financial risks, also considering exposure to risk concentration.

The structure of the limits extends to the main asset classes comprising the investments and the limits are defined in terms of:

- maximum percentage per asset class out of total Assets Under Management (Total Investments);
- concentration per issuer/counterparty;
- rating;
- VaR;
- duration gap (differentiated between Non-Life and Life);
- minimum hedging on the strategic investments;
- liquidity understood as a 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, that these securities are intended to hedge. For the Non-Life Insurance Sector, the assets are selected mainly in view of foreseeable changes in the settlement of claims for which the provision is intended.

Market Risk

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

The Group monitoring system provides for assessment of the economic impact of these variables through VaR type measures such which permit:

- uniform risk measures which allow comparison of different instruments to be obtained;
- position limits to be determined;
- “risk-adjusted” measures to be created.

In particular, the measures adopted are:

- short-term VaR, i.e. the VaR calculated on a time period of ten working days;
- Risk Capital, i.e. the VaR calculated on a time period of one year.

The analysis of the VaR and risk capital of the equity and bond portfolio as of 31 December 2011, calculated at a confidence level of 99.5%, is shown below.

The analysis of the VaR and the Risk Capital of the equity and bond portfolio as of December 31, 2011, calculated at a confidence level of 99.5% is shown below.

Table 8 - Analysis of the values and of the Value at Risk as of December 31, 2011

Type	Composition % (tel quell quotation)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	5.84	11.92	0.14	12.06
Total Derivatives	0.04	N/A	0.00	N/A
Net equity exposure	5.88	7.57	0.14	7.71
Total Bonds and Funds	87.09	1.16	0.02	1.18
Total unlisted shares	3.07	6.19	0.05	6.24
Sub total	96.04	1.71	0.03	1.74
Other assets	3.96	1.24	0.01	1.25
Total	100.00	1.69	0.03	1.72

Table 9 - Analysis of the values and of the Value at Risk as of December 31, 2010

Type	Composition % (tel quell quotation)	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 unlisted shares	2.69	4.01	0.03	4.04
Sub 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

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.

Table 10 - Analysis of the values and Risk Capital as of December 31, 2011

Type	Composition % (tel quell quotation)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	5.84	42.90	0.66	43.56
Total Derivatives	0.04	N/A	0.00	N/A
Net equity exposure	5.88	35.56	0.65	36.21
Total Bonds and Funds	87.09	5.47	0.08	5.55
Total unlisted shares	3.07	25.95	0.23	26.18
Sub total	96.04	7.97	0.12	8.09
Other assets	3.96	5.88	0.05	5.93
Total	100.00	7.89	0.12	8.01

Table 11 - Analysis of the values and Risk Capital as of December 31, 2010

Type	Composition % (tel quell quotation)	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 unlisted shares	2.69	17.51	0.12	17.63
Sub 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

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 increase of the risk in terms of the portfolio Risk Capital compared to December 31, 2010 is due both to the equity component caused by increased market volatility and the debt component resulting from a significant drop in the risk free securities.

Interest rate risk

In relation to the interest rate risk, i.e. "the risk of unexpected losses deriving from an adverse movement in interest rates", the exposure of the Group principally regards debt securities and in particular long-term maturity. In order to limit this risk, the Group utilises a mixture of fixed income and variable rates securities. ALM aims to maintain a balance between the duration of assets and liabilities.

Through the use of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme interest rate scenario. The table below reports the sensitivity analysis of the value of the bond portfolio corresponding to a 50 bps increase and decrease in interest rates.

Table 12 – Sensitivity analysis of the bond component

(in Euro millions)

**+ 50 bps as of December, 31
2011****2010****- 50 bps as of December 31,
2011****2010**

Total	(430)	(444)	456	471
of which Non-Life	(53)	(58)	55	60
of which Life	(377)	(386)	401	411

The Held To Maturity and Loans and Receivables categories are not included

The table below shows the analysis of the duration, VaR and Risk Capital of the bond portfolio as of December 31, 2011 broken down by type of issuer and maturity.

Table 13 - Analysis of the bond component by VaR and Risk Capital maturity

Type	Composition % (tel quell quotation)	Macaulay Duration	VaR Rate %	Risk Capital Rate %
Government Euro	83.19	4.99	1.15	5.48
<i>Variable rate</i>	<i>19.23</i>	<i>0.69</i>	<i>0.23</i>	<i>1.39</i>
<i>Fixed rate</i>	<i>63.96</i>	<i>6.22</i>	<i>1.42</i>	<i>6.72</i>
0.0< <=1.5	11.26	0.82	0.29	0.23
1.5< <=3.0	7.73	2.23	0.80	2.84
3.0< <=5.5	14.63	3.67	1.14	5.13
5.5< <=7	3.91	5.46	1.74	8.51
>7	26.44	9.81	2.20	11.22
Corporate Euro	15.76	4.05	1.15	5.12
<i>Variable rate</i>	<i>0.30</i>	<i>0.13</i>	<i>0.00</i>	<i>1.10</i>
<i>Fixed rate</i>	<i>15.46</i>	<i>4.12</i>	<i>1.17</i>	<i>5.20</i>
0.0< <=1.5	1.67	0.93	0.33	0.37
1.5< <=3.0	5.34	2.22	0.76	2.70
3.0< <=5.5	3.64	3.98	1.26	5.79
5.5< <=7	2.27	5.37	1.63	7.94
>7	2.54	7.77	2.03	10.31
Euro Bond Funds	0.76	3.00	0.93	3.88
<i>Fixed rate</i>	<i>0.76</i>	<i>3.00</i>	<i>0.93</i>	<i>3.88</i>
1.5< <=3.0	0.76	3.00	0.93	3.88
Government Non Euro	0.20	4.01	0.24	0.92
<i>Variable rate</i>	<i>0.01</i>	<i>0.20</i>	<i>0.00</i>	<i>0.89</i>
<i>Fixed rate</i>	<i>0.19</i>	<i>4.14</i>	<i>0.25</i>	<i>0.92</i>
0.0< <=1.5	0.05	0.89	0.12	0.07
3.0< <=5.5	0.10	3.34	0.24	0.92
5.5< <=7	0.01	5.62	0.24	0.62
>7	0.04	9.89	0.41	2.01
Corporate Non Euro	0.09	0.97	0.09	0.18
<i>Variable rate</i>	<i>0.02</i>	<i>0.18</i>	<i>0.02</i>	<i>0.21</i>
<i>Fixed rate</i>	<i>0.08</i>	<i>1.12</i>	<i>0.10</i>	<i>0.17</i>
0.0< <=1.5	0.06	0.66	0.08	0.08
1.5< <=3.0	0.01	1.80	0.16	0.50
3.0< <=5.5	0.01	4.47	0.16	0.38

Total Bonds	99.24	4.84	1.14	5.41
Total	100.00	4.83	1.14	5.40

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.

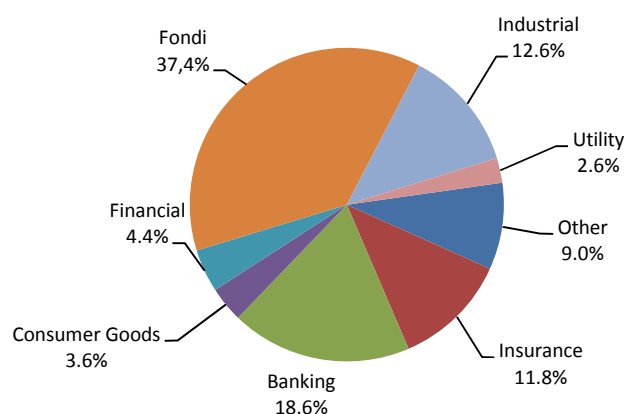
Equity risk, exchange risk and real estate risk

Equity risk i.e. the “risk of unexpected losses deriving from adverse changes in share prices” and the exchange risk i.e. the “risk of unexpected losses deriving from adverse changes in exchange rates” are valued as stochastic models adapted to the market.

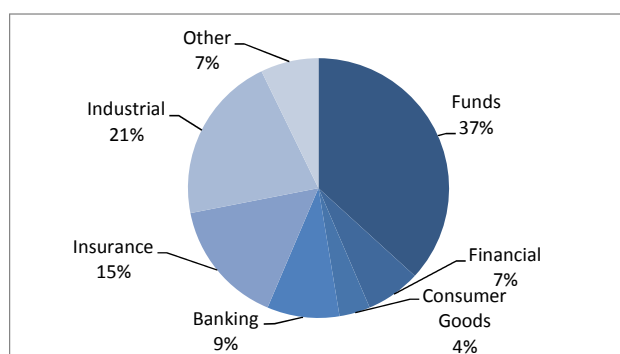
The asstes are valued using the volatility of the underlying securities or of their associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria is then used as input for the calculation of the VaR and Risk Capital.

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

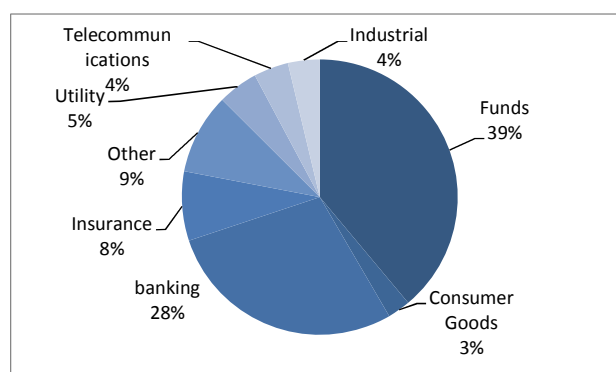
Graph 7 - Breakdown of the equity portfolio of the Fondiaria SAI Group



Graph 8 - Fondiaria SAI Group Life Sector



Graph 9 - Fondiaria SAI Group Life Sector



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

Table 14 – Sensitivity analysis of the listed equity portfolio

(in Euro millions)

As of December 31, 2011

As of December 31, 2010

Total	(85)	(145)
of which Non-Life	(34)	(82)
of which Life	(51)	(62)

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

Table 15 – VaR analysis relating to the equity and exchange portfolio

Type	Currency	Composition % (tel quell quotation)	VaR Rate Price%	VaR Exchange %	VaR Total %
Shares	Norwegian Crown	0.00	18.98	3.87	22.85
	Swedish Crown	0.00	19.14	3.93	23.07
	Euro	5.67	11.83	0.00	11.83
	Swiss Franc	0.04	16.05	7.39	23.44
	UK Sterling	0.13	14.34	4.05	18.39
	Total listed shares	5.84	11.92	0.14	12.06
Derivatives on shares	Euro	0.04	N/A	0.00	N/A
	Total Derivatives	0.04	N/A	0.00	N/A
	Net equity exposure	5.88	7.57	0.14	7.71
Bond funds	Euro	0.67	0.93	0.00	0.93
Bonds	US Dollar	0.14	0.23	5.61	5.84
	Euro	86.17	1.16	0.00	1.16
	Swiss Franc	0.10	0.15	7.53	7.68
	UK Sterling	0.01	0.02	4.06	4.08
	Japanese Yen	0.00	0.47	6.30	6.77
	Total Bonds and Funds	87.09	1.16	0.02	1.18
Shares	Serbian Dinar	0.00	7.51	4.65	12.16
	US Dollar	0.03	8.84	5.56	14.40
	Euro	3.05	6.17	0.00	6.17
	Total non-listed shares	3.08	6.19	0.05	6.24
	Total	96.05	1.71	0.03	1.74
	US Dollar	0.01	1.15	5.58	6.73
	Euro	3.95	1.24	0	1.24
	Other assets	3.96	1.24	0.01	1.25
	Total	100	1.69	0.03	1.72

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.

Table 16 – Risk Capital analysis relating to the equity and exchange portfolio

Type	Currency	Composition % (tel quell quotation)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	Norwegian Crown	0.00	67.89	18.22	86.11
	Swedish Crown	0.00	68.25	18.46	86.71
	Euro	5.67	42.59	0.00	42.59
	Swiss Franc	0.04	57.59	33.01	90.60
	UK Sterling	0.13	51.25	18.99	70.24
Total listed shares		5.84	42.90	0.66	43.56
Derivatives on shares	Euro	0.04	N/A	0.00	N/A
Total Derivatives		0.04	N/A	0.00	N/A
Net equity exposure		5.88	35.56	0.65	36.21
Bond funds	Euro	0.67	3.88	0.00	3.88
Bonds	US Dollar	0.14	0.93	25.71	26.64
	Euro	86.17	5.50	0.00	5.50
	Swiss Franc	0.10	0.33	33.60	33.93
	UK Sterling	0.01	0.57	19.02	19.59
	Japanese Yen	0.00	2.04	28.59	30.63
Total Bonds and Funds		87.09	5.47	0.08	5.55
Shares	Serbian Dinar	0.00	33.09	21.61	54.70
	US Dollar	0.03	38.06	25.50	63.56
	Euro	3.05	25.84	0.00	25.84
Total non-listed shares		3.08	25.95	0.23	26.18
Total		96.05	7.97	0.12	8.09
	US Dollar	0.01	5.43	25.6	31.03
	Euro	3.95	5.88	0	5.88
Other assets		3.96	5.88	0.05	5.93
Total		100	7.89	0.12	8.01

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, i.e. the risk related to the unexpected depreciation of the value of property, valuation of the exposure is made based on the type of investment and taking the fair value of the properties as reference. The analysis model for residential and commercial properties is adapted to a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

With reference to the above method described, the risk capital as of December 31, 2011 was 8.5% of the current value of the properties in the financial statements (Euro 3,957 million approx.).

Credit risk

The analysis of the credit risk is broken down as follows:

- **Counterparty Default Risk**, i.e. the risk of possible losses due to unexpected defaults by counterparts and debtors, excluding issuers of bond securities falling under spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to exposure in derivatives.
- **Spread Risk**, i.e. the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

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

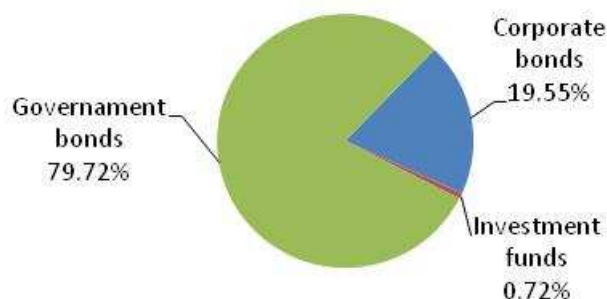
The first model evaluates the probability of default by the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a result of issuer “migration” from one rating class to another. This latter is considered more suitable for the overall determination of the Economic Capital. On the basis of these models, the Group’s exposure to credit risk is periodically monitored.

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

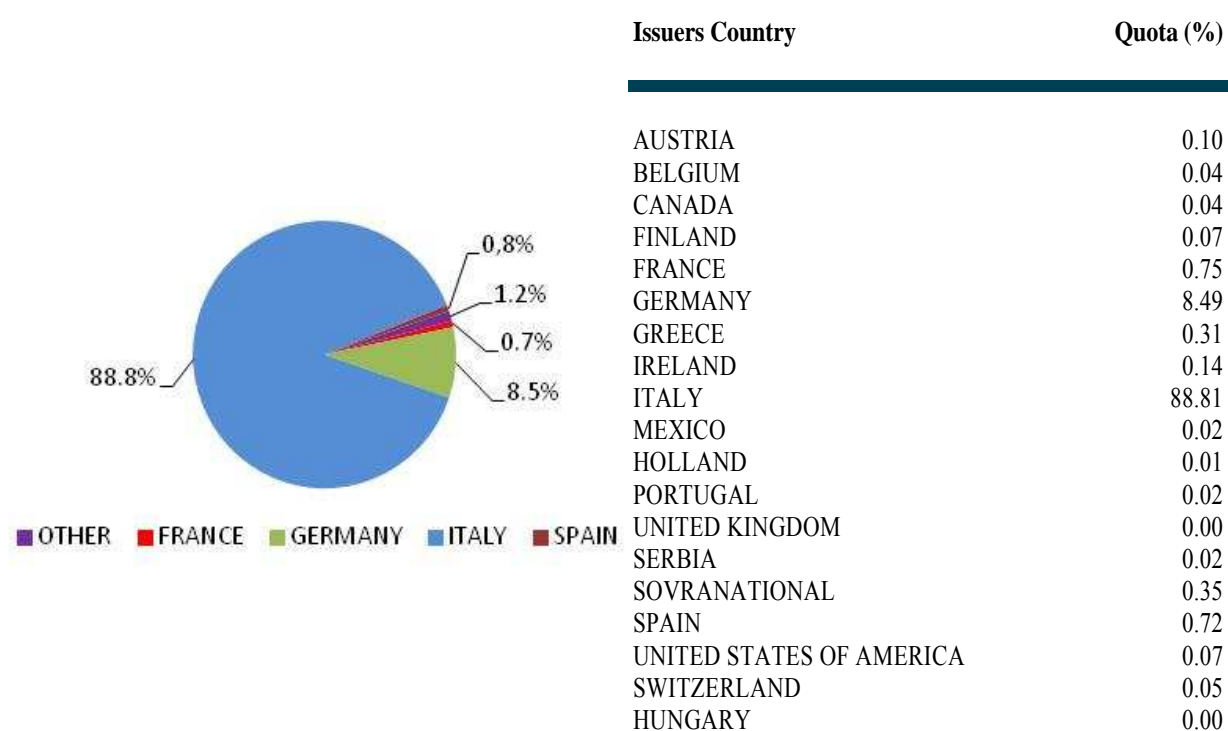
For the Group companies operating in the banking sector, credit risk is analysed through constant monitoring of the quality of the loans. Relating to the receivables from other banks constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. Receivables from customers principally involve secured guarantees and the allocation of capital is calculated using the regulatory coefficients. The internal control system reports the distribution and the migration between the various classes showing the anomalies.

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

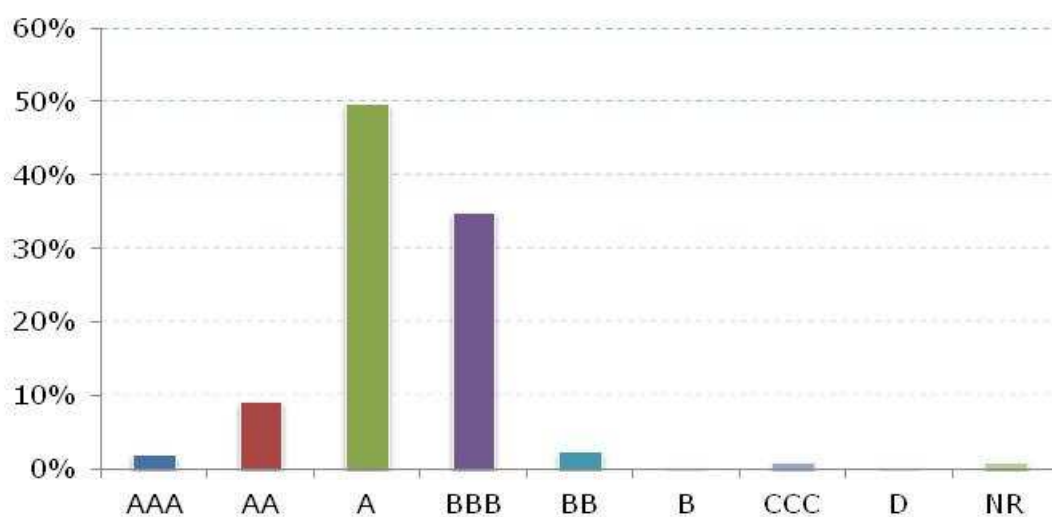
Graph 10 – Breakdown of the bond portfolio of the Fondiaria SAI Group



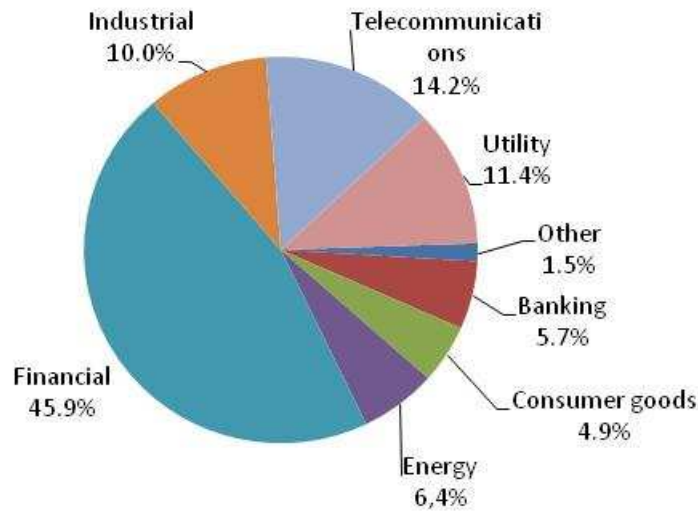
Graph 11 – Government bond portfolio by country of the Fondiaria SAI Group



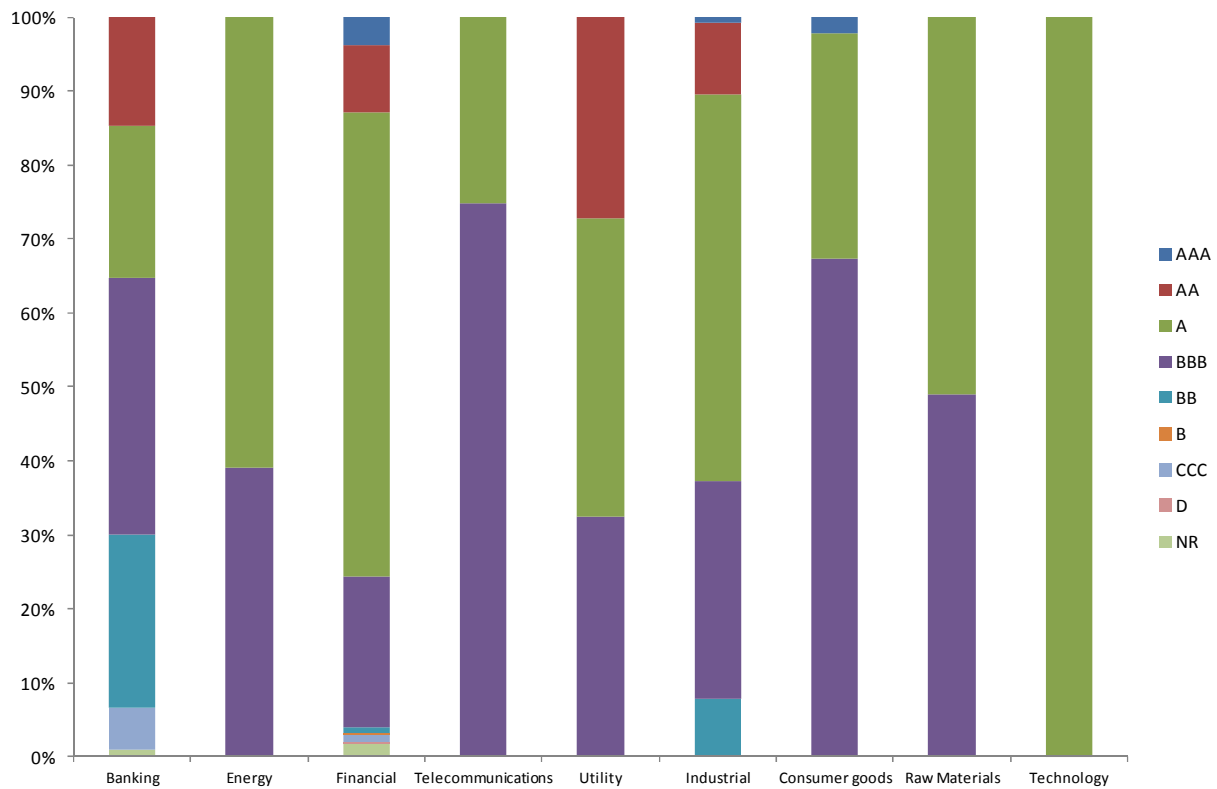
Graph 12 – Corporate bond portfolio by Standard & Poor's equivalent rating



Graph 13 – Corporate bond portfolio by segment of the Fondiaria SAI Group



Graph 14 - Corporate bond portfolio by sector and rating of the Fondiaria SAI Group



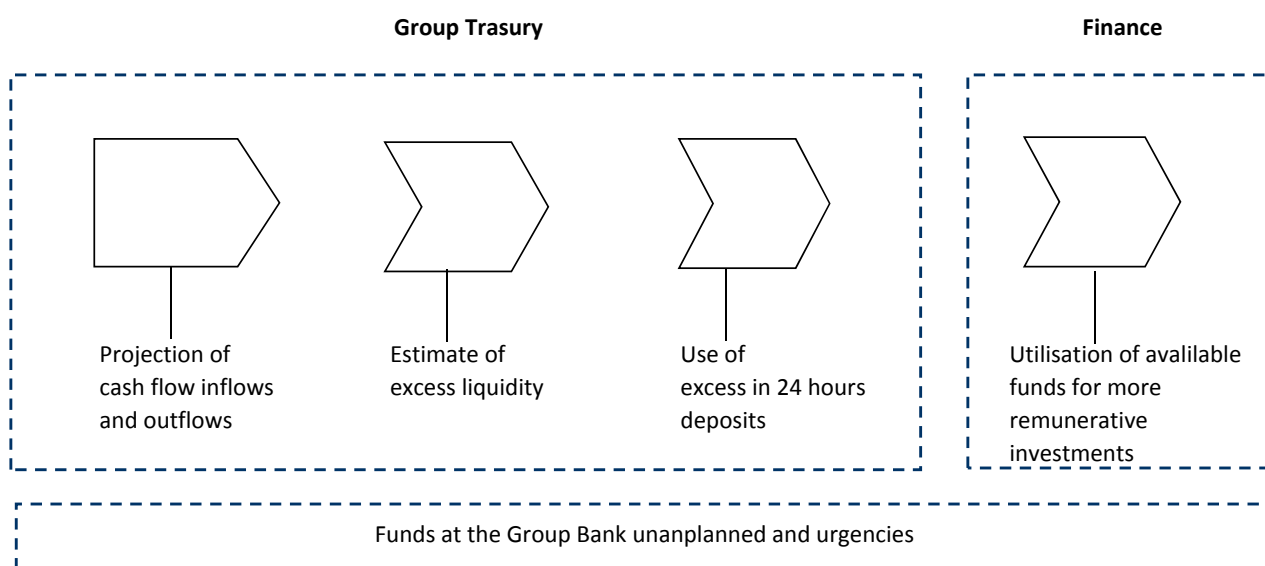
Liquidity risk

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

To manage its liquidity the Fondiaria SAI Group adopted an organisational system based on a centralized cash flows management through the Group Treasury. This system guarantees, not only rational monitoring of all the

inflows and outflows (assisted by daily cash pooling), also the optimisation of returns on the liquidity realised through the centralised management of the excess liquidity in respect of scheduled commitments. The Group Treasury activities aim ensuring a balance between themaintaining sufficient liquid funds to cover any unexpected commitment to policyholders and suppliers and allocating excess liquidity to more remunerative investment transactions.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



Investments in 24 hour time deposit s (so-called time deposits) are managed by bank counterparts according to the following criteria:

- maximisation of returns;
- reliability of the counterpart;
- diversification among several counterparts.

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

The Solvency II convergence project

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

As part of the update, aimed to ensure that the Programme is continually in line with the process for completion of the Solvency II regulation, the Fondiaria SAI Group also redefined the scope of application of its internal model also taking as a reference the evidence developed in participating in Quantitative Impact Study 5 (QIS 5).

Furthermore in the request for admission for pre-application of the internal model, the specific definition of the scope of application of the model was subject to test conducted in compiling the QIS 5 for all of the insurance companies of the Group.

From the comparative analysis of the risk estimates obtained by the standard formula and the internal model, it emerged that it was not advisable to use of the internal model for certain specific business lines and therefore certain companies with business concentrated on specific lines for which the internal model required adjustments and customization were excluded from the scope of application.

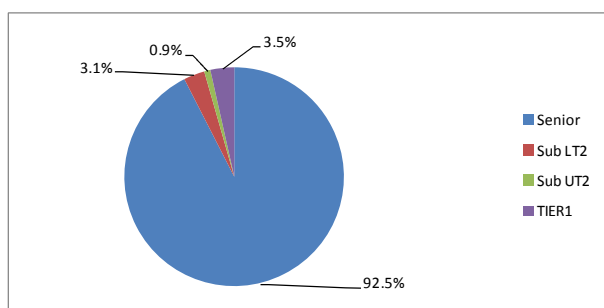
Debt classes

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

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

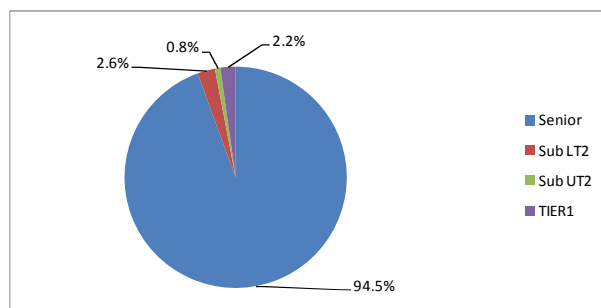
The breakdown of the debt portfolio of the two listed companies of the Group by category is shown below.

Graph. 15: Fondiaria-SAI



Seniority	Composition %
Senior	92.5
Sub LT2	3.1
Sub UT2	0.9
TIER1	3.5

Graph. 16: Milano Assicurazioni



Seniority	Composition %
Senior	94.5
Sub LT2	2.6
Sub UT2	0.8
TIER1	2.2

The breakdown by maturity of the financial liabilities with exclusion of those in which the investment risk is on the Life policyholders is shown below.

Financial liabilities

(in Euro millions)	as of December 31, 2011	as of December 31, 2010
up to 1 year	642	715
from 1 to 5 years	289	355
from 6 to 10 years	370	472
Over 10 years	696	698
Total	1,997	2,240

The main financial liabilities are subordinated liabilities, which account for approx. 53% of the total financial liabilities of the Group and more than half of these have maturity beyond 10 years.

Positions due within one year, on the other hand, mainly relate to deposits opened by BancaSai with its clients for Euro 232 million, deposits received from reinsurers for Euro 172 million and bank deposit opened by Group companies for Euro 139 million.

In relation to the subordinated liabilities, the table below shows by maturity or, if any, by possible call date, the contractual cash flows not discounted and the carrying value of the liabilities.

Subordinated liabilities

(in Euro millions)	as of December 31, 2011		1.1.3	as of December 31, 2010	
	Cash flow non discounted contracts	Carrying value		Cash flow non discounted contracts	Carrying value
up to 1 year	-	-		-	-
from 1 to 5 years	-	-		-	-
from 6 to 10 years	539	353		518	345
Over 10 years	994	696		1,176	696
Total	1,533	1,049		1,695	1,041

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 incoming and outgoing funds, with particular focus on those relating to redemptions. The assumptions utilised to create product tariffs and value amounts and risks, are periodically updated with the effective observations on the expected outflows.

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

(in Euro millions)	as of December 31, 2011	as of December 31, 2010
up to 1 year	2,426	2,089
from 1 to 5 years	13,564	13,138
from 6 to 10 years	5,674	6,700
Over 10 years	2,747	2,965
Total	24,411	24,892

The total, which refers to gross direct business, includes actuarial provisions for Euro 15,147 million (Euro 16,055 million as of December 31, 2010), technical provision where investment risk on policyholders and management of pension funds for Euro 7,666 million (Euro 6,951 million as of December 31, 2010), insurance contract liabilities of insurance companies for which the investment risk on policyholders for Euro 964 million (Euro 1,345 million as of December 31, 2010), and management of the pension funds for Euro 276 million (Euro 264 million as of December 31, 2010) and none for deposit accounting.

It also included the provision for sums payable of Euro 358 million as of December 31, 2011 (Euro 277 million as of December 31, 2010), which due to its nature has a residual expiry of less than twelve months.

Insurance liabilities of the Non-Life insurance sector

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

(in Euro millions)	as of December 31, 2011	as of December 31, 2010
up to 1 year	6,054	6,124
from 1 to 5 years	4,521	4,125
from 6 to 10 years	1,324	1,074
Over 10 years	517	382
Total	12,416	11,706

The total includes premium provision for Euro 2,707 million (Euro 2,741 million as of December 31, 2010), the claims provision for Euro 9,699 million (Euro 8,954 million as of December 31, 2010) and the other technical provision represented by the ageing reserve of the Health Class for Euro 9 million (Euro 11 million as of December 31, 2010).

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

In accordance with paragraphs 38 and 39 of IFRS 4, this section reports with separate disclosure for the Non-Life insurance and Life insurance sectors, information regarding the objectives in the management of the risks related to the insurance contracts and the policies adopted to contain them, the contractual clauses and the general conditions therein which have a significant effect on the amount, the timing and the level of uncertainty of future cash flows.

NON-LIFE INSURANCE SECTOR

The underlying risk elements in the management of the Non-Life insurance sector relates to underwriting risk (insufficient premiums to cover claims and expenses) and the provision risk (insufficient provisions to meet commitments assumed in respect of policyholders).

The underwriting risk is divided into mass risks, corporate risks and special risks. The mass risks, such as those relating to Motor TPL, Land Vehicles, as well as those relating to individual personal risks (Accident and Health), households (Residential and Civil Responsibility) and small enterprises (trades and commerce) are covered with predefined standard conditions which are determined by the central technical offices on the basis of existing regulations, by insurance market experience and by the specific experience of the Group.

In general, for mass risks and in any event, all risks where regulatory and standard tariff conditions exist, the underwriting takes place with the various agency networks utilising adequate IT procedures. Within standard parameters, the commercial networks must utilise a flexible tariff system which is monitored centrally. In the event that the needs of a specific Customer requires a change in the standard conditions, the granting of the exception is assessed and authorised by the Technical Department of the Company.

In relation to the corporate risks and special risks, which due to their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

Underwriting Risk

Mass risks

In the Motor TPL class, in which the Group is leader, and which represents the largest part of the portfolio, the important mass of statistical data held allows for preparing sophisticated “personalised” tariffs which take into account a large number of risk factors both subjective and objective. The base data available are in fact statistically significant and allow the use of multilevel analysis which, through “General Linear Models” permits the evaluation of the relationship between risk factors, highlighting all those features not directly identifiable with analysis only by single factor.

The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit timely corrective interventions against any changes in the technical trends and which may result in the introduction of direct compensation system.

Similar attention is given to the best customers whose loyalty is encouraged by means of incentive initiatives not only for existing contract, but also, with initiatives focused on the acquisition of new niche markets.

In the Land Vehicle class, which is traditionally a very important business area, the tariffs are established, in the case of the Fire and Theft guarantees, based on geographical location, and type of vehicle insured, in addition to the guarantees provided. The fully comprehensive insurance guarantee however is on the other hand a tariff based on the Bonus Malus class, on the age of the owner and the age of the vehicle insured. The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Also for the Non-Motor Classes, in mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience of the portfolio of the Group which is sufficiently large and stable to permit the setting of guarantees and prices suitable to the various risk types. In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of the medical history questionnaire which enables tariffs based on the individual conditions of the policyholder.

In general, for mass risks and in any event all risks where regulatory conditions and standard tariffs exist, underwriting takes place with adequate IT procedures and is carried out by the various agent networks that are trained for this.

Within the standard parameters, the commercial networks may adopt tariff flexibility which is monitored centrally. In those events in which the needs of a specific Customer require a change in the standard conditions, any granting of an exception is valued and authorised by the Groups' Technical Department.

Corporate Risks and Special Risks

In relation to the corporate risks and special risks, which due to their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

The agency networks have an independent underwriting limit by value and type of risk; above these limits the underwriting of risks is assisted by a network of appropriately trained technicians that value the risks and set the conditions on a case-by-case basis.

Collaterals

With particular reference to the Collateral Class, risk analysis is carried out in advance and careful selection undertaken by means of a double examination:

- under the objective profile, the examination of the nature and the specific characteristics of the original transaction, which prompted the request for the collateral, first aims to assign the transaction under review to categories of risks within the class on the basis of the regulations governing them; secondly, special attention is paid to verifying the features of the collateral contract which must always respect the right of appurtenance with regard to the principle obligation;
- under the subjective profile, the examination relates to the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterpart.

Both the aspects, objective and subjective, are carefully evaluated through the acquisition of specific financial documentation (financial statements, incorporation deeds, articles of association, Chamber of Commerce

certificates, Shareholders etc.) sent by the agencies to the Technical Department in the Region or head office. This documentation is updated with appropriate commercial information through specialised companies and with further inquiries relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity aims to quantify a total “underwriting limit” with the party, requested, within precise and contained limits, from the individual technician; beyond 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 carried out by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to the limits of the underwriting agreed.

All the collateral policies issued by the Class are appropriately protected through the placement of 50% in a proportional reinsurance agreement with 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.

Otherwise, in order to guarantee an adequate fractioning of the risk, containing the exposure points, the Group uses the Coinsurance instrument, as part of a reciprocal system only with those 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 are reported below.

Particular attention is given to the risk concentrations in certain classes, using appropriate calculation methods according to their specific characteristics.

The Fire Class, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this reason concentration valuations are made on a geographic, seismic and also a hydrogeological basis.

Exposure concentrations by seismic area are updated during the year and subsequently modelled once a year using principally the two universal products adopted by the international markets (RMS RiskLink DLM and EQECAT WorldCAT), but also utilising a third tool (AIR II)..

The relative results are subsequently analysed with the assistance of international operators, in order to achieve adequate reinsurance protection based on the two models utilised.

Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance cover per event.

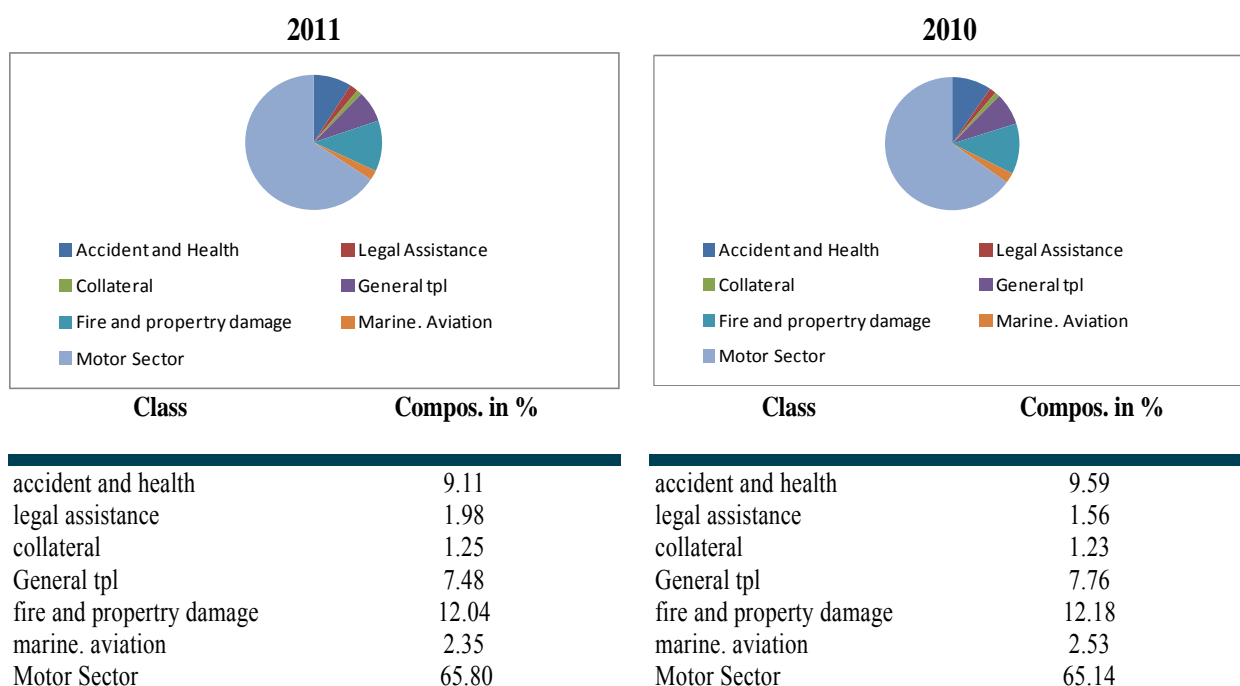
The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concern, in that the risks are protected based on the year of subscription.

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

Finally, it is reported that the underwriting in the Injury class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life insurance sector.

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

Graph 17 – Breakdown of the Group Non-Life Classes



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

The motor products were recently redefined in order to improve customer service and represent the market offering more closely.

The Motor TPL segment, due to its inherent characteristics, does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, also geographically distributed uniformly throughout the country, can absorb such events without significant impacts on the results.

In any event, for the events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed especially in the case of atmospheric events of extreme intensity or natural disaster (i.e. floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to reinsurance protection in common with the Fire Class.

In the Non-Motor Non-Life segment, the Group operates in all segments with the sole exception of the credit class which is underwritten on an irregular basis.

For some classes such as Legal Assistance and Protection, the underwriting at Group level is centralised in specialised single class insurance Companies such as Pronto Assistance and Europa Tutela giudiziaria; for the

other classes such as Transport and Merchandise, SIAT, that has specific and recognised expertise, undertakes a central role for the whole Group.

The risks of the other non-motor, Non-Life Classes are underwritten by all the insurance Companies of the Group principally through exclusive agency networks, but also through intermediaries and in some cases through multi mandate agency networks and bancassurance agreements.

Concentration risk and use of co insurers

The Group utilises co-insurance, i.e. the division of the risks into quotas established with other insurance Companies, both for commercial reasons at local level and to limit insurance exposure in the case of large risks.

In 2011, Group policies, already implemented in the previous years, confirmed the maintenance of the portfolio breakdown, with a prevalence of risks assumed in Exclusive Delegation: in fact no significant or substantial changes were made with respect to the underwriting strategies of the previous years.

With reference to the Collateral Class, in 2011 the policy relating to the underwriting of risks under Other delegations was characterised by a greater selection of insurance companies making coinsurance offers, favouring those that maintain underwriting policies similar to those of our Group.

In relation to Other delegations, in 2011 the weight of taxable premiums collected was 7.8%, a decrease on 2010 (9.4%). The weight of the total cost of the claims was 8.0%, a decrease on the previous year.

Provision risk

The second component of the insurance risk of the Non-Life classes, i.e. the provision risk, relates to the uncertainty connected to the use of the claims provision. This refers to the risk that the claims provision may not be sufficient to meet the commitments with policyholders or damages parties.

The provision risk, as related to the estimate of the provision, can be monitored from the basic information traceable from the claims “triangular”.

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to changes in Civil liability classes claims.

The tables below are compiled from official data from forms provided to the Supervisory Authority by the Fondiaria-SAI Group (ref. form 29 and attachment 1/29, form 29A).

Each piece of data on the “triangle” represents a snapshot of the generation cost as of December 31 of the year of observation, represented by the sum of the following components:

- cumulative payment in 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 as of 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, i.e. the largest diagonal of the triangle.

It is considered appropriate to represent changes in claims only for the civil liability classes (motor and general civil responsibility) since they are the Group’s most representative classes: over 83% 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 the 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)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated costs											
At the end of the year	2,948.9	3,214.3	3,246.0	3,346.0	3,300.0	3,138.0	3,028.6	3,222.9	3,042.2	2,825.4	
After one year	2,917.5	3,088.8	3,180.4	3,226.9	3,375.5	3,022.5	3,056.0	3,202.4	3,227.6		
After two years	2,977.1	3,110.4	3,145.4	3,194.8	3,416.6	3,121.6	3,184.6	3,430.2			
After three years	2,999.2	3,111.4	3,065.8	3,265.0	3,394.1	3,229.7	3,356.4				
After four years	3,048.9	3,131.3	3,106.7	3,283.7	3,500.7	3,364.3					
After five years	3,037.4	3,159.0	3,129.1	3,343.2	3,637.7						
After six years	3,084.6	3,219.4	3,195.4	3,431.1							
After seven years	3,128.2	3,255.8	3,245.7								
After eight years	3,177.6	3,301.6									
After nine years	3,202.1										
Est. final costs	3,202.1	3,301.6	3,245.7	3,431.1	3,637.7	3,364.3	3,356.4	3,430.2	3,227.6	2,825.4	33,022
Payments	3,068.3	3,133.5	3,053.0	3,149.7	3,233.7	2,967.8	2,852.3	2,770.4	2,283.3	1,121.5	27,634
Provision Amounts	133.8	168.1	192.7	281.4	403.9	396.5	504.1	659.8	944.2	1,704.0	5,389

(in Euro millions)

CLASS 13 (General TPL)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated costs											
At the end of the year	300.2	312.3	324.6	343.6	382.0	373.5	374.6	465.8	549.0	503.7	
After one year	293.3	350.8	337.0	360.7	371.6	371.6	388.8	440.3	510.2		
After two years	292.6	318.5	346.8	358.5	385.1	370.4	390.7	464.6			
After three years	297.2	325.8	350.6	359.8	378.6	382.3	420.6				
After four years	303.4	330.0	355.9	355.7	388.0	396.8					
After five years	305.2	336.6	350.5	364.2	405.0						
After six years	310.3	329.8	360.3	378.0							
After seven years	306.5	336.7	373.4								
After eight years	310.3	340.7									
After nine years	318.2										
Est. final costs	318.2	340.7	373.4	378.0	405.0	396.8	420.6	464.6	510.2	503.7	4,111
Payments	249.0	254.6	262.0	244.5	246.4	222.3	209.8	193.2	153.5	55.4	2,091
Provision Amounts	69.2	86.1	111.4	133.5	158.6	174.6	210.8	271.4	356.7	448.3	2,020

NOTE:

- 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)
 + provision **relating to the year of occurrence on claims reported** (in the year of observation)
 + **provision relating to the year of occurrence on late claims** (in the year of observation)
- the "estimated final cost" is the cost of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "provision amount" is the reserve relating to the year of occurrence in the last year of observation

12

The table below sets forth the situation of the claims for the companies within the Fondiaria-SAI Group and Milano Assicurazioni still open at the end of 2011, compared with the number of claims reported in the various years.

Generation	Number of reported claims ^(*)	Number of claims open	% on reported claims
2000	1,017,239	825	0.08
2001	996,787	1,362	0.14
2002	987,098	1,978	0.20
2003	959,946	2,762	0.29
2004	929,973	3,107	0.33
2005	929,388	4,816	0.52
2006	912,798	7,598	0.83
2007	882,694	9,512	1.08
2008	828,451	17,720	2.14
2009	865,000	31,729	3.67
2010	818,587	46,991	5.74
2011	749,328	155,265	20.72

(*) 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 February, 1, 2007

Generation	Number of reported claims	Number of claims open	% on reported claims
2007	428,094	2,906	0.68
2008	537,499	6,383	1.19
2009	665,073	15,668	2.36
2010	614,066	22,240	3.62
2011	549,100	86,351	15.73

Verification of 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 on the company after the year-end, in order to meet all claim costs that may arise on contracts which gave rise to the formation of the provision for the premium fraction.

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

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

LIFE INSURANCE SECTOR

The principal risk management elements in the Life insurance sector relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality, disability, expenses, redemption and catastrophic risks) for which reference should be made to the respective comments in the section “Information on risks and uncertainties”.

With reference to the traditional risk products, there are two segments which manage different types of insurance coverage:

- individual policies that mainly manage temporary coverage for death stipulated both in “stand alone” form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies;
- corporate policies that typically manage risks relating to the coverage conventionally called “assistance” and therefore referring in particular to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In addition to the traditional contracts which include savings and pension financial products (annuity and deferred capital), the portfolio also includes 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 policies segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in “stand alone” form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies.

To determine the tariffs of these products, the Group uses specific tariff forms based on official ISTAT statistics related to the mortality of the Italian population, adapted on the mortality history of the portfolio of its own policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or non-smoker. The amount insured is underwritten on the basis of fixed and standard rules, the “underwriting grid”. This grid is structured on the basis of a different step-up of capital insured for which there are different types of health events in accordance with the “International Guidelines” in the medical field.

Extra premium are also applied in cases where the professional and sporting activities undertaken by the insured and/or their health conditions are considered to increase the risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.

In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.

Also note that for amounts above a certain threshold, the underwriting of the risk is subject to explicit acceptance by a reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

The technical performance on the portfolio confirms the personalization historically applied to the statistical base adopted compared to the general ISTAT base. On the other hand longevity risk –(typically related to lifetime annuity) is currently marginal, due to the non significant presence of this type of contract in the Company's portfolio.

Corporate Policies

In the Corporate policies segment, the typical risks insured by the insurer relate to the coverage conventionally called “assistance” and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In consideration of the tariff structures used by the insurance companies within the Group for this type of contract, the verification that the insurance cover is due to an objective situation - an obligation of law and company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests for insurance cover based on the needs of single individuals are excluded methodologically in order to exclude the origin of all forms of no selection of the risk.

This fundamental rule is supplemented by further limitations relating to the fact that the determination of the capital or insured amount must also be based on an external rule, again in order not to allow a single individual any free determination.

The amount insured is underwritten based on standard variable rules (insurance grid) according to the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.

For amounts beyond a certain threshold, the underwriting of the risk is also subject to the explicit acceptance by a reinsurer.

Finally, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is paid to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.

Insurance companies use a specific tariff forms - determined on the basis not only of the general mortality/invalidity rate of the Italian population, but also specifically adapted to the claims trend of the company's portfolio - means the recurring monitoring of the trend both within the whole portfolio acquired and among individual policies considered sensitive in terms of exposure and overall capital.

The technical performance on the portfolio confirms the personalization historically applied to the statistical base adopted 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 portfolio.

This risk is however present in the company's portfolio, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated a specific complementary pension internally for employees.

In this area, the Group has for some time implemented a distribution policy concentrated on the creation of tariff forms which utilise the most updated statistic bases and a careful evaluation of guaranteed financial returns, subject to constant monitoring on 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 counterparts in order to avoid negative impacts on the company financial statements in the event of early redemption, which generally could result in a negative economic context for the insurer.

This is avoided with an internal regulation which requires a limit on the presence of these contracts is not greater than a determined percentage of the investments of the separated management whose contracts are related and the application of penalties for early redemption and appropriate notice periods for the exercise of the redemption.

Classification of risks associated with Life insurance products

The Group portfolio can be classified in three uniform macro-groups by technical characteristics and product offer:

- risk products, which protect the individual or his/her family guaranteeing a certain level of financial coverage against unexpected events;
- pure investment product to provide a better response to requests for solutions to the cash requirements of small and medium size enterprises as a replacement of alternative opportunities proposed by the financial market;
- medium-long term savings products also with regard to pensions.

In relation to the traditional products, within the first category are included all contracts with an important risk component in the event of death, as for the temporary death case and for mixed insurance; the second category includes contracts with a strong financial component such as the capitalisation and the third category mainly includes annuity contracts and deferred capital.

In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to fund baskets and equity or stock exchange indices.

A Life contract is classified as insurance if the insurance risk is significant, i.e. if the event insured can induce the insurer to pay significant additional amounts; “additional benefits” are intended as amounts paid when events occur in excess of those that would be paid in which the insured event 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 exists certain insurance products (i.e. covering death), certain financial products (i.e. capitalisation) and in addition, residually, products for which is necessary to make evaluations at individual contract level, in order to classify them.

LAT Model

To determine the LAT (Liability Adequacy Test) in order to evaluate the adequacy and the sufficiency of the provisions recorded in the local GAAP financial statements, a model was adopted which generates prospective cash flows, developed on the MoSes platform for Fondiaria-SAI, Milano Assicurazioni, Popolare Vita and Liguria Vita.

Lawrence Life does not require LAT for contracts classified as insurance as the provision accrued satisfy the minimum control requirements.

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

The table below shows the quantification in terms of policies.

Number of policies^(*) elaborated as of December 31, 2011

Sector	CAPITALIS.	PROD. OF RISK	SAVINGS AND PENSION	TOTAL
Fonditaria-SAI S.p.A.	37,461	114,996	265,059	417,516
Milano Ass.ni S.p.A.	16,058	95,713	101,754	213,525
Liguria Vita S.p.A.	2,293	9,466	7,620	19,379
Popolare Vita S.p.A.	1,638	-	92,442	94,080
Total	57,450	220,175	466,875	744,500

() for the collective a record was considered for each person insured*

The tariffs modelled for the purposes of the LAT calculation covered almost the entire portfolio of traditional contracts under IFRS 4 at the time of evaluation, as shown in the table below.

Breakdown of traditional portfolio by division as of December 31, 2011

(in Euro thousands)

Division	Provision elaborated	Total provision	% elaborated
Fonditaria-SAI S.p.A.	7,307,615	7,692,092	95.0
Milano Ass.ni S.p.A.	3,021,975	3,263,354	92.6
Liguria Vita S.p.A.	100,757	109,975	91.6
Popolare Vita S.p.A.	3,594,378	3,658,540	98.2
Total	14,024,725	14,723,961	95.3

The results obtained in the portfolio considered, in accordance with the methods described below, were thereafter 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 to value on an annual basis, the economic figures for the calculation of the needs, assuming that they are settled on maturity or after deferral of the corresponding capital.

For the premium cash flows, only those policies that were paid at the valuation date were considered for each specific tariff.

The recognition of benefits and premiums was achieved where applicable in accordance with the minimum guaranteed return and the cash flows discounted using a risk free market curve at the reporting date.

For contracts with specific assets, the discount rate was taken from the effective return of the assets hedging the insurance liabilities, taking into account the credit risk associated with the individual securities in the basket. The credit risk is assessed based on the probability of default assigned by Standard & Poor.

In the estimate of the amounts paid following early redemption of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific penalties of each tariff were considered.

For the full life tariffs, a contract duration of twenty years was utilised.

In defining the assumptions of future commissions payable to the network based on the premiums collected, reference was made to the corresponding loading of the tariffs which reflects the current commercial agreements in force.

The discounting of the future cash flows described above permitted the determination of the Company's commitments on a "best estimate" basis at the time 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 the Italian insurance market in addition to economic-financial scenarios at the valuation date.

Traditional Portfolio

The application of the LAT valuation model produced the following results, compared with the provision in the financial statements taking into account the actuarial provisions, the future expenses provisions, the additional provisions for interest guarantee and decreased by the commissions to be amortised described above.

The insurance contract liabilities net of the deferred liabilities to policyholders, these latter represented in accordance with the shadow accounting technique, nevertheless exceed the provisions calculated using the LAT model.

i

LAT valuation at as of December 31, 2011

(in Euro thousands)

COMPANY		CAPITALIS.	PROD. OF RISK	SAVINGS & PENSION	TOTAL
Fondiaria-SAI	LAT prov.	2,173,168	626,881	4,257,225	7,057,274
	Tot. per Accounts	2,323,511	740,958	4,713,747	7,778,216
	Balanced prov.	2,305,308	731,732	4,655,052	7,692,092
	Additional prov.	7,533	5,792	36,849	50,175
	Expenses prov.	10,671	4,762	30,295	45,728
	DAC	-	1,328	8,450	9,778
Milano Ass.ni	LAT prov.	537,452	509,910	1,920,165	2,967,567
	Tot. per Accounts	571,213	596,850	2,136,502	3,304,565
	Balanced prov.	567,384	588,687	2,107,283	3,263,354
	Additional prov.	155	7,680	27,492	35,327
	Expenses provs.	3,675	2,828	10,122	16,625
	DAC	-	2,345	8,396	10,741
Liguria Vita	LAT prov.	15,777	15,721	68,432	99,930
	Tot. per Accounts	17,358	18,618	75,401	111,377
	Balanced prov.	16,977	18,416	74,582	109,975
	Additional prov.	-	21	83	104
	Expenses provs.	381	182	735	1,298

	DAC	-	-	-	-
Popolare Vita	LAT prov.	158,698	-	3,398,399	3,557,097
	Tot. per Accounts	165,018	-	3,563,750	3,728,768
	Balanced prov.	161,569	-	3,496,971	3,658,540
	Additional prov.	2,972	-	64,000	66,972
	Expenses prov.	477	-	2,778	3,255
	DAC	-	-	-	-

Notes:

- Revaluation of benefits: 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, 2011

(in Euro thousands)

COMPANY		UNIT-LINKED	INDEX-LINKED	TOTAL
Fondiarria-SAI	LAT prov.	18,635	106,033	124,668
	Tot. per Accounts	20,110	106,901	127,011
	Class D prov.	19,372	105,649	125,021
	Additional prov.	511	183	694
	Expenses prov.	227	1,069	1,296
	DAC	-	-	-
Milano Ass.ni	LAT prov.	-	128,728	128,728
	Tot. per Accounts	-	129,507	129,507
	Class D prov.	-	128,091	128,091
	Additional prov.	-	373	373
	Expenses prov.	-	1,043	1,043
	DAC	-	-	-
Liguria Vita	LAT prov.	-	5,252	5,252
	Tot. per Accounts	-	5,282	5,282
	Class D prov.	-	5,213	5,213
	Additional prov.	-	-	-
	Expenses prov.	-	68	68
	DAC	-	-	-

Popolare Vita	LAT prov.	148,398	2,569,713	2,718,111
	Tot. per Accounts	151,891	2,573,051	2,724,942
	<i>Class D prov.</i>	151,744	2,561,571	2,713,315
	<i>Additional</i>			
	<i>prov.</i>	247	4,086	4,333
	<i>Expenses prov.</i>	-	7,394	7,394
	<i>DAC</i>	100	-	100

Notes:

- Revaluation of benefits: 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 provision

With reference to the commitments assumed in respect of policyholders, the breakdown of the Life provision for the Group' companies, as set out below, shows that more than 60% (64.7%) equal to Euro 11,620 million relate to policies with guaranteed returns of 1% to 3%, while 15.7% (equal to Euro 2,814.2 million) relate to policies with guaranteed return of 3% to 5%.

In comparison, the provisions for non-guaranteed contracts are modest (Euro 168.6 million) while, compared to the previous year, the provisions with guaranteed interest rates at expiry decreased from Euro 3,547.9 million in 2010 to Euro 2,801.9 million in 2011 and the rprovision for contracts with guarantees connected to specific assets increased from Euro 531.0 million in 2010 to Euro 535.9 million in 2011.

Insurance provision of the Life segment: guarantee return (*)

(in Euro millions)	2011	2010
Provision with guaranteed annual interest rate	14,443.0	15,269.8
0% - 1%	8.9	5.9
from 1% to 3%	11,619.9	12,037.0
from 3% to 5%	2,814.2	3,226.9
Provisions with non-guaranteed interest rate	168.6	152.1
Provisions related to specific assets	535.9	531.0
Provisions with guaranteed interest rate at expiry	2,801.9	3,547.9
Total	17,949.4	19,500.8

(*) The total includes the amount of the direct gross actuarial reserves and the insurance contract liabilities where the investment risk on the policyholders.
Companies considered: Fondiaria-SAI, Milano Assicurazioni, Popolare Vita and Liguria Vita.

Information on operational risks

The Operational Risk Management framework

The Fondiaria-Sai Group developed a framework for identifying, measuring, monitoring and managing the Operational Risks, which relates to “the risk of losses deriving from the inefficient people, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the activity of services providers (outsourcing risk)”. Based on the Operational Risk Management framework, the relationships and the reciprocal impacts between Operational Risks and the risks indicated in the Risk Map, including compliance and reputational risk, are also taken into account with the aim of assessing the direct and indirect effects of events relating to operational risks. In particular, the method of analysis used is aimed at understanding, of the causes of 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 the achievement of targets set.

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

In carrying out its activities, the Risk Management department relies, according to the Group organisational model, on the cooperation with the Risk and Control Manager (RRC), who report hierarchically to the Process owners and functionally to the Risk Management 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 EIOPA Solvency II guidelines are based. This classification, structured on three levels was modified for the second and the third levels to adjust it to the specifics of internal analysis criteria and methods. The first level of the classification is shown below.

Table 17 – 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

Activity carried out

During the year, the business process risk self-assessment activity continued according to a quantitative and qualitative method based on questionnaires, which led to identifying the most significant risks in terms of economic impact. The questionnaires were constructed making reference to the risks identified following an analysis of the individual processes carried out in cooperation with the Audit Department, with the support of process owners and on previous audits.

With regard to a general business continuity plan, recognition activity was completed on the Group's principal

business processes and operating locations, aimed at defining minimum operating requirements under emergency conditions in principal catastrophic impact scenarios (Business Impact Analysis).

On the IT risk management front, some assessments were made regarding the vulnerability of the information system, concentrating efforts in particular on assessing the infrastructure managed by the outsourcer FSST and some applications exposed to the Internet.

IT risk management and business continuity also include the long-standing activities for overseeing the disaster recovery plans, which are managed operationally by the outsourcer FSST, but managed and verified both in the preparatory and in the test stages by the Operational Risk Management, IT, Business Continuity and Data Quality units.

The activity relative to defining a data quality management model under the Solvency II convergence plan, was developed with a pilot programme that laid a foundation for a data dictionary and a method of cataloguing and representing controls. At the same time, a specific operational project was begun to improve the quantity and quality of information on catastrophic risk in the Corporate Non-Life insurance sector.

Other risks

Risks associated with investee companies in the banking and financial sector

Following the entry into force of the 7th update of Bank of Italy Circular 216 and based on indications provided by the Parent Company, approved by the Board of Directors, BancaSai and Finitalia adopted the simplified method to calculate the new capital requirements. The new method is used for the “first pillar”, which relates to credit, counterparty, market, exchange and operational risks.

As stated in the above-mentioned regulation, application of the other two pillars – “Prudent Control Process” (ICAAP or Internal Capital Adequacy Assessment Process) and “Public Information” – within the banking groups is under the direct control of the senior management of the Group. The company functions undertaking risk analysis, management and monitoring, particularly in relation to credit risk, use tools that are fully integrated within the decision-making process, which also permit for periodic performance information (reports and performance indicators) to be obtained.

For the details of these risks, pursuant to Article 2428 of the Italian Civil Code, see below.

BancaSai

Banking activity is based both on deposits from the public and on the lending business and is innate to the monetary and credit intermediation function typical and exclusive to banks. Comprehensive risk management not only protects business continuity in terms of engaging in typical activity, but aims to make the bank’s organisational and operational model more efficient even from the standpoint of risk-return optimisation.

The business area of BancaSai is geared toward both traditional intermediation and toward offering more strictly financial services. Therefore the services offered do not only involve financial activities, such as deposits, loan transactions, payment services, operations in money market instruments and interest rate contracts, but also include investment services involving financial instruments, in particular the activity of receiving and executing proprietary and third-party orders and trades.

Added to this also are accessory services, such as advice on investments in financial instruments, foreign exchange intermediation (when associated with the provision of investment services), and custody and administration of financial instruments.

The loan provision activity is an essential element of the core business of BancaSai, and consequently credit risk

represents the main risk component. Besides the loans provided, it also concerns securities held, loan guarantees relative to guarantees issued or commitments assumed to disburse funds. Special emphasis is given to optimising the cost of credit risk, which involves the evolution of loan processes (provision, monitoring and recovery) and the inclusion of risk measurements (likelihood of default, risk exposure and correlation to risk factors).

The Bank's organisational structure aims to ensure adequate oversight of credit risk management, in a logic of separation between business, provision and control functions.

The assumption of credit risk is governed by an articulated structure of operational delegations and levels of decision-making autonomy, defined by the Board of Directors, which involves the entire loan cycle process, from the initial examination phase to the final revocation or recovery phase.

Different entities are therefore assigned responsibilities for risk assessment and assumption activities, observing the credit autonomy limits provided for by the Institution's General Regulations in line with the sales network's presence in local areas.

Controlling credit risk is the responsibility of the Risk Committee, which coordinates the actions of the Loan Department and the Risk Management Department. The former primarily controls the progress of individual positions and overall portfolios, while the latter ensures that capital resources are adequate to the risk associated with the bank portfolio.

The Risk Management Department ensures the observance of capitalisation requirements, quantifying the risk weighted assets against the bank book's credit and counterparty risk according to rules defined by the "Basel II" regulatory framework.

For the purposes of determining the internal capital allocation for credit risk, BancaSai uses the standardised method for determining regulatory requirements for credit risk. Consequently, the internal capital allocation for credit risk is equal to the capital requirements defined according to First Pillar regulations and subject to quarterly reporting to the Bank of Italy. In line with the ICAAP proportionality criterion, which provides for the use of standardised methodologies for Class 2 and Class 3 banks, BancaSai has also defined a series of stress tests aimed at assessing balance sheet impacts in keeping with hypothetical scenarios relative to deterioration rates, loyal customer migration rates and the downgrading of rated corporate and institutional counterparties.

The standardised method provides, very briefly, for the clustering of exposures into different analysis classes (Bank of Italy regulatory portfolios), depending on the nature of the counterparty, the technical form or the status of the relationship and the application of different weighting factors to each portfolio. In addition, the prudential supervision regulations allow the intermediary to use specific credit risk mitigation (CRM) techniques.

The different departments are called upon to carry out ongoing management and monitoring activity based on defined skills and rationales correlated to customer segmentation and risk, with the aid of procedures (based on an internal rating system) capable of capturing any irregular situations arising. Properly gauging creditworthiness is central to credit risk management, not just in the embryonic examination phase, but throughout the entire life of a relationship.

The heart of the risk management, measurement and control system is the Credit Rating System (CRS), a comprehensive customer creditworthiness assessment system, which works by evaluating different sorts of information on loan customers (or customers in the process of receiving loans).

In relation to credit risk mitigation techniques, the departments assigned to credit risk control, the Loan and Risk Management Departments, carry out periodic evaluations, especially on financial and property collateral, for the purposes of verifying their equivalent value and the degree of coverage for the exposure secured.

As provided for by prudential regulations, credit risk mitigation takes on a special role in reference to calculating capital absorption. In terms of credit risk mitigation (CRM) techniques, BancaSai has adopted simplified methods, considering the complexity and specific characteristics of its operations, applied both for real and personal loan guarantees. In both cases, according to the "principle of substitution", the weighting relative to the instrument provided as loan security or to the guarantor is applied to the secured exposure portion.

Through the different CRM techniques, the bank has equipped itself with organisational rules aimed at ensuring

observance of both the general and the specific admissibility requirements that must be met at the time of creating the guarantee and throughout its duration.

Finitalia

The organisational structure is based on separation between the credit provision and the credit control and management functions, ensuring adequate supervision. The granting of credit is undertaken using a profile of the potential borrower and based on their capacity for borrowing and capacity to generate sufficient cash flows to meet the repayments on the pre-established payment dates.

Finitalia has implemented a credit assessment process that takes into consideration all the information acquired from internal and external databanks, using customer knowledge in both banking/financial and insurance terms, and obtaining a customer profile based on all the relationships in progress with the Fondiaria-SAI Group. Loan applications are processed and analysed through semi-automated procedures by personnel in accordance with the levels of authority assigned and included in the management system. During the credit provision process, Finitalia obtains secured and/or personal guarantees aimed at mitigating risk. All loans granted, except those for SMEs, have insurance cover in the event of customer death/disability/illness.

All “insurance” customers financed are required, at the time of the loan request, to sign a specific insurance assignment in favour of Finitalia on all existing insurance contracts as security in the event of insolvency. For customers referred by BancaSai branches, in the event of lack of regular repayment, the possibility is also provided to obtain the sums or cash present for any reason upon simple request addressed to the customer at BancaSai.

For customers of the Business Partner product line, where repayment of instalments is made mainly through direct salary deductions, the leaving indemnity available at the company is normally assigned, or the amounts present in the customer’s pension fund, in the event of termination of the employment relationship. General Management is directly responsible for analysing and classifying non-performing loans, as well as verifying impairment testing. The impairment test criteria provide for segmentation of the portfolio by uniform product categories and by different risk classes to which the average statistical percentage losses obtained by analysing historical data are applied. Finitalia has adopted, for the purposes of the calculation of the capital requirements necessary for credit risk, the simplified standardised calculation method, in accordance with that of the Banking Group. In order to permit correct monitoring of the risks of the BancaSai Banking Group, Finitalia provides Fondiaria-SAI with specific data extractions on a monthly basis in order to provide a general overview of the credit risk trend at consolidated level. The management and recovery of non-performing loans is undertaken through standardised and automated procedures within the management system, classifying the various loans by expiry band.

The entire process is undertaken by the Credit Recovery area, in conjunction with the Insurance area if any insurance guarantees exist.

The various credit recovery phases are based on the amount overdue and type of credit (credit card or personal loan), beginning with solicitation letters and/or telephone calls for small insolvencies, up to debt collectors and other legal action for significant amounts overdue. The eventual write-off of the position, where such conditions exist, only takes place after exhaustion of the entire recovery process, any relative legal action and through the acquisition of additional information.

PART F - Transactions with related parties

Disclosure in the consolidated financial statements on “Related Party transaction” 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.

The Fondiaria-SAI Board of Directors’ meeting held on December 23, 2011 voted unanimously and upon a prior favourable opinion of all independent directors the updating of the previous version of the document “Rules of conduct for carrying out significant transactions and procedures for carrying out transactions with related parties”, prepared pursuant to Article 4 of the Regulation issued by Consob with Resolution 17221 of 12 March 2010, as amended by Resolution 17389 of 23 June 2010.. The new procedures were published on the Company’s internet website on December 23, 2011 and applied from January 1, 2012. For 2011 and previous years, the existing provisions remain valid. In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties as per ISVAP Regulation No. 25 of May 27, 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

The tables below sets forth report the economic and financial figures concerning transactions with related parties which took place in 2011 or, relating to real estate projects started in previous years and not yet completed.

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

Account balance

(in Euro thousands) COUNTERPARTY	as of December 31, 2011		as of December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Parent company	181	1,770	202	19,267
Associates	106,131	837	108,214	12,646
Group companies	7	8	7	8
Other related parties	460,221	18,572	324,556	36,884
TOTAL	566,540	21,187	432,979	68,805

(in Euro thousands) NATURE	as of December 31, 2011		as of December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Real estate activities	272,123	7,827	313,011	41,087
Insurance activities	199	3,988	-	109
Financial activities	293,198	5,349	118,364	21,732
Service provided	949	-	1,322	-
Services received	63	2,319	282	2,162
Compensations for corporate officers	8	1,704	-	3,705
Remuneration Senior Mgt	-	-	-	10
TOTAL	566,540	21,187	432,979	68,805

(in Euro thousands) COUNTERPARTY	as of December 31, 2011		as of December 31, 2010	
	Income	Charges	Income	Charges

Holding company	211	2,133	229	2,372
Associates	31,242	30,777	31,065	31,144
Group companies	-	-	-	-
Other related parties	39,902	104,257	85,174	118,714
TOTAL	71,355	137,167	116,468	152,230

(in Euro thousands)	as of December 31, 2011		as of December 31, 2010	
NATURE	Income	Charges	Income	Charges
Real estate activities	35,627	79,333	85,786	93,539
Insurance activities	33,992	16,574	29,213	20,382
Financial activities	1,076	3,051	356	167
Service provided	644	-	1,080	-
Services received	-	7,654	-	14,749
Compensation for corporate officers	16	10,597	33	17,845
Remuneration Senior Mgt	-	19,958	-	5,548
TOTAL	71,355	137,167	116,468	152,230

Financial cash flows

(in Euro thousands)	as of December 31, 2011		as of December 31, 2010	
COUNTERPARTY	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Holding company	353	1,149	352	2,018
Associates	44,954	61,226	24,263	36,477
Group companies	-	-	-	-
Other related parties	36,119	118,526	32,850	145,372
TOTAL	81,426	180,901	57,465	183,867

(in Euro thousands)	as of December 31, 2011		as of December 31, 2010	
NATURE	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Real estate activities	45,345	104,149	25,137	113,219
Insurance activities	34,002	16,999	28,138	18,615
Financial activities	841	22,544	3,205	11,488
Service provided	1,158	-	985	-
Services received	80	7,892	-	19,720
Compensation for corporate officers	-	9,359	-	15,277
Remuneration Senior Mgt.	-	19,958	-	5,548
TOTAL	81,426	180,901	57,465	183,867

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 Associated companies** refer to:

- Euro 64 million with the associate Garibaldi S.c.a and Euro 14.5 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 7.8 million), Sviluppo Centro Est S.r.l. (Euro 8 million), Metropolis S.p.A (Euro 4.1 million) and Penta Domus S.r.l. (Euro 1.2 million);

- Euro 2.5 million for loans granted by of Immobiliare Fondiaria-SAI to the associate Progetto Alfiere S.p.A..

In relation to transactions with associates resulting in **real estate related assets** Euro 2.8 million represents receivables due towards the subsidiary Immobiliare Lombarda S.p.A. from CityLife S.r.l. for work and services provided in relation to the project in the former Fiera Milano area. CityLife S.r.l. was sold in August 2011 however the Statement of financial position shows the balances in existence up until the date of deconsolidation.

The principal transactions with other related parties resulting in **real estate assets** mainly refer to:

- Euro 72.6 million total advance payments made during previous years to Avvenimenti e Sviluppo Alberghiero S.r.l. by Milano Assicurazioni S.p.A., in relation to the fulfillment of real estate contracts on the construction area at Via Fiorentini, in Rome. The amount recorded is net of write downs of Euro 29.9 million made on the basis of an updated expert appraisal on the building under construction. In fact the changed economic and financial environment (increase in discount rates and objective difficulties in achieving sustainable profits), the difficulties for real estate operators in obtaining credit and the significant slowdown in the demand (purchases and sales have dropped significantly) have prompted the expert to adopt a more conservative valuation approach compared to previous years. It should be noted that this transaction, 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. As, under the corporate structure of Avvenimenti e Sviluppo Alberghiero s.r.l this company is a related party of Milano Assicurazioni, as well as of the parent company Fondiaria-SAI, the appropriate fairness and legal opinions from independent experts were obtained for this transaction. The fairness opinions confirmed the congruity of both the sales price for the surface area and the purchase price for the building under construction. In 2011, no further amounts were paid as the construction work was suspended while awaiting the stipulation of the new planning agreement with the Municipality of Rome, in replacement of the agreement of August 8, 2000;
- Euro 92.4 million refers to the inventory of the real estate project relating 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 92.4 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 evaluation includes Euro 9.6 million incurred by the company Sepi 97 S.r.l. for planning and 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 57 million of advance payments made to IM.CO.S.p.A. by Milano Assicurazioni S.p.A. in the current year for Euro 17.6 million and in previous years for Euro 52 million in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell’Isola).
The amount above is net of a write-down of Euro 12.6 million, made based on an updated appraisal of the building under construction by independent experts engaged for this purpose, which takes into account the deterioration of the outlook for the real estate sector, as indicated above.
With reference to the above transaction, we would point out that, with a deed dated December 22, 2005, Milano Assicurazioni S.p.A. sold the said land to IM.CO. S.p.A. for the price of Euro 28.8 million, plus VAT, and that with subsequent deed dated November 15, 2006, after the prospective vendor obtained planning permission, Milano Assicurazioni S.p.A. purchased from IM.CO. S.p.A., at the price of Euro 93.7 million, plus VAT, full ownership of the property to be built on the land in question, comprising a building of 12 floors above ground, in addition to the ground floor, the mezzanine floor and 3 basement floors.
Prior its execution, in compliance with the corporate governance principles adopted by the company, the transaction was examined and approved by the Board of Directors at the meetings held on October 20, 2005 and November 10, 2005.

During the execution of the works, whose completion was originally scheduled for April 30, 2008, the parties mutually agreed to make some changes which regard to the qualitative aspects of the complex. As a result of these changes, it was necessary to agree with the vendor the postponement of the delivery deadline, approved by the Board of Directors' meeting held on February 18, 2009, which also took into account suspension due to the administrative procedures.

Due to a further work suspension imposed by the court authorities – which ended by order of the Appeals Court, with certification of the full regularity of the procedure adopted by the municipal authorities – in 2010 the parties reached an agreement to update the project taking into account its location within an urban redevelopment intervention known as “Porta Nuova” which entails a significant upgrading of the area.

Hence the need to modify the architectural features of the future property to allow for maximum flexibility in distributing internal spaces and thus creating a building that lends itself to a broader spectrum of possible leases bringing it in line with market trends.

In a private deed of amendments dated March 8, 2011 and – once the construction permit became effective – in a subsequent notarized deed of amendment dated August 2, 2011, the parties agreed that the said changes may be quantified at Euro 5.4 million, which amount is to be understood as full and final settlement of any mutual claim by either party against the other for the work stoppage period as well as the consequent delayed delivery of the building based on the new project, provided that this take place within the completion date scheduled for December 31, 2012.

Therefore the sales price applicable at the moment of transfer of ownership of the complex, based on the new project, was reviewed and agreed at Euro 99.1 million, plus tax.

Since IM.CO. is a related party of the Company, this transaction falls within the category for which Milano Assicurazioni, in compliance with the provisions issued on the subject by Consob, has recently adopted specific procedures: the independent expert, Scenari Immobiliari, was therefore asked to prepare an opinion confirming the adequacy of the overall price of Euro 99.1 million. A legal opinion was also requested from Studio Legale Raynaud & Partners, which expressed a positive opinion on the signing of the abovementioned deed. The foregoing was subject to a resolution by the Board of Directors of Milano Assicurazioni on 23 February 2011. In 2011, an amount of Euro 13.6 million was capitalised on the basis of the construction progress in addition to the amount of Euro 4 million paid at the time of the stipulation of the private deed of amendment;

- Euro 11.6 million related to advance payments made by payable to Immobiliare Fondiaria-SAI S.r.l. to IM.CO. S.p.A. for the future acquisition of a hotel complex with an attached wellness currently under construction in the municipality of S. Pancrazio Parmense (Parma). The company appointed an independent expert to carry out an appraisal of the initiative as of December 31, 2011. On the basis of this appraisal the Company has written down the asset for approx. Euro 11.7 million;
- Euro 10.5 million in 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 5.8 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, together with Euro 2.2 million incurred for planning and design work activities with MI.PR.AV. S.r.l.;
- Euro 1.5 million refers to charges incurred with I.C.E.IN. S.p.A. and capitalised by the Tikal Real Estate Fund. for improvements and work necessary to comply with regulations on its own building located in Via Tucidide in Milan;

The transactions resulting in financial assets with other related parties refer to:

- Euro 125.6 million related to the bond issued by Unicredit S.p.A. underwritten respectively by Milano Assicurazioni S.p.A. for Euro 67.3 million and Fondiaria-SAI S.p.A. for Euro 58.3 million.
- Euro 20.4 million of credit facilities granted by the subsidiary BancaSai. Of these, approximately Euro 11.6 million and Euro 8.8 million are held against Sinergia Holding S.p.A. and IM.CO. S.p.A., respectively, while the remainder of Euro 3.7 million relates to receivables due from physical persons. In relation to such loans, guarantees were provided for Euro 7.9 million by IM.CO. S.p.A. and Euro 12 million by Sinergia Holding S.p.A. With regard to Sinergia Holding S.p.A., the pledge guaranteeing the opening of a current account credit facility and a bullet loan of Euro 7 million refers to units of the closed-end speculative property investment fund “UNO-FONDO SVILUPPO” managed by Zero SGR S.p.A..
- Euro 20.5 million of deposit of the Parent Company and other companies within the Group with Unicredit S.p.A..
- Euro 11.4 million of receivable respectively of Fondiaria-SAI S.p.A. for 9 million and Milano Assicurazioni S.p.A. for Euro 2.4 million with Unicredit S.p.A., in relation to the Margin Call Unicredit Bank which was paid to the counterparty against the market changes in the underlying derivative instruments.
- Euro 6.9 million with Unicredit S.p.A. relates to the capitalisation of the expenses concerning the share capital increase in July 2011, in favour respectively of Milano Assicurazioni S.p.A. for Euro 5.9 million and Fondiaria-SAI S.p.A. for Euro 1 million.

The **real estate liabilities toward Other Related Parties** refer to:

- trade payables due by Milano Assicurazioni S.p.A. to IM.CO. for Euro 2.2 million for invoices to be received in relation to the mentioned above real estate project relating to the land located at Via Confalonieri - Via de Castillia Milan (Lunetta dell’Isola) and for work on the building at Via Lancetti in Milan;
- trade payables due by Tikal R.E. Fund to I.C.E.IN. S.p.A. for Euro 1.5 million in relation to work on the building at Via Tucidide Milan;
- trade payables due by the subsidiary Marina di Loano S.r.l. to h Marcora Costruzioni S.p.A. for Euro 1.2 million in relation to construction work at the Loano touristic port;
- trade payables due by Immobiliare Lombarda S.p.A. to SO.GE.PI S.r.l. for Euro 1 million for invoices to be received.

Financial liabilities with other related parties refer on, the other hand, to current accounts held by other related parties, both physical persons and legal entities, at the subsidiary BancaSai for a total of Euro 4.3 million.

Liabilities for services received from other related parties amount to Euro 1.0 million and relate to invoices to be received.

Lastly, payables are shown for compensations due to Directors and Statutory Auditors, payable in 2012, relative to the Parent Company (Euro 0.7 million) and to the subsidiaries (Euro 1.0 million).

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

Real estate income from associates mainly refers to construction revenues of Euro 30 million payable to Immobiliare Lombarda by the associate CityLife S.r.l. for the project in the former Fiera di Milano area. We

would point out that CityLife S.r.l. was sold in August 2011, but that the income statement reflects income up until the date of deconsolidation.

Real estate income from other related parties refers to:

- Euro 3.8 million, which represents income from the valuation of the work performed by Marcora Costruzioni S.p.A. on the Port of Loano construction project for the subsidiary Marina di Loano S.r.l..

As from 2010, the transactions with the Group's pension funds are considered as related party transactions. Insurance income from other related parties includes therefore not only premiums for Non-Life and Life policies of Euro 7.5 million, but also the premiums that the Fondiaria-SAI Group Employee Pension Fund and the Fondiaria-SAI S.p.A. Group Executive Pension Fund paid to Fondiaria-SAI (Euro 16.2 million) and to Milano Assicurazioni S.p.A. (Euro 10.1 million). These payments are for the investment in life policies of the contributions collected from policyholders.

Charges to the Parent Company for services received include personnel costs of employees at the Parent Company for Euro 2 million.

With regard to property-related charges from associates, the amount of Euro 30.2 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"). Tre Torri Contractor S.c.r.l. was sold at the end of 2011, however the income statement reflects the company's expenses up until the date of deconsolidation.

- Property-related charges from other related parties refer mainly to: Euro 29.9 million incurred by Milano Assicurazioni S.p.A. from the company Avvenimenti e Sviluppo Alberghiero S.r.l., relative to the write-down made on the basis of an updated valuation survey of the building under construction in the site located at Via Fiorentini in Rome.
- Euro 12.6 million incurred by Milano Assicurazioni S.p.A. from IM.CO. S.p.A., in relation to the real estate operation concerning the land located in Milan at Via Confalonieri - Via de Castillia (Lunetta dell'Isola).
- The amount indicated is for the write-down made on the basis of an updated appraisal of the building under construction by independent experts engaged for this purpose, which takes into account the deterioration of the economic outlook in the real estate sector.
- Euro 3.8 million representing costs incurred by Marina di Loano S.r.l. from Marcora Costruzioni S.p.A. for work in progress on the Port of Loano project;
- Euro 1 million incurred by Immobiliare Lombarda S.p.A. from SO.GE.PI. S.r.l. for technical management and rental/leasing services for the real estate managed by the Group.;

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::

- A total of Euro 5.6 million (of which, among the principal amounts, we report Euro 1.42 million to the lawyer Rapisarda Fausto for legal advice; Euro 1.59 million to Law Firm Studio Legale Associato d'Urso Gatti e Bianchi for legal advice; Euro 0.35 million to the lawyer Geronimo La Russa for legal advice; Euro 0.32

million to the lawyer Vincenzo La Russa for legal advice; Euro 0.25 million to Salvatore Ligresti for technical-real estate consultancy; Euro 0.25 million to the Law Firm Studio Spiniello for tax advice; Euro 0.2 million to the lawyer Barbara De Marchi for legal advice; Euro 0.12 million to SO.GE.PI. S.r.l. for technical-real estate consultancy and Euro 0.32 million to Gilli S.r.l. for marketing services) •.

- Insurance charges in respect of other related parties are due to: settlement of claims, against redemption or expiry of Life insurance Policies against premiums previously received for Euro 6.7 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 1.9 million.

Residual charges with other related parties include compensation to members of the boards of directors and statutory auditors of Group companies for Euro 10.6 million and salaries of senior managers with strategic responsibilities for Euro 8.8 million. With reference to the latter, we note that no component of this remuneration falls within the scope of point 16 of IAS 24.

Lastly, on 6 April 2011, the Board of Directors approved the terms and conditions of the agreement between the Parent Company and Mr Fausto Marchionni, former Chief Executive Officer of Fondiaria-SAI and Milano Assicurazioni, regarding the termination of his employment contract. In particular, the agreement calls for a gross payment to Mr Marchionni of Euro 11.2 million, settled during the current year, as a supplement to his employee leaving indemnity.

As Mr. Marchionni is considered a related party of the Company in his role as Director, the transaction was subject to examination by the Remuneration Committee and examined by an independent expert in order to establish the material correctness of the criteria adopted for the calculation of the amount and its appropriateness.

- Commitments relating to real estate transactions with other related parties included: Euro 38 million yet to be paid for the completion of the Milano-Isola and Rome, Via Fiorentini real estate operations. These operations, undertaken in previous years, resulted in the sale by the subsidiary Milano Assicurazioni to third parties of the above-mentioned building areas and the purchase of the buildings to be constructed 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 38.8 million, and to Isola S.c.a., for Euro 9 million. Euro 28.8 million in payments yet to be made by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for design work in the Castello Area (FI).;
- Euro 3.3 million refers to payments yet to be made by Meridiano Secondo S.r.l. to the related party I.C.E.IN. S.p.A in relation to demolition and reconstruction work in the area owned by the subsidiary Meridiano Secondo S.r.l., together with the design work carried out by MI.PR.AV. S.r.l.;
- Euro 2 million for the residual amount yet to be paid by Immobiliare Lombarda S.p.A. to IM.CO. S.p.A. for the purchase of the hotel complex with attached wellness centre under construction in the town of S. Pancrazio Parmense (Parma).
- Euro 1.9 million yet to be paid to Marcora Costruzioni S.p.A. by the subsidiary Marina di Loano S.p.A. in relation to the real estate project involving the Port of Loano.

In relation to certain property projects in the process of completion under pre-construction purchase and sale contracts (such as the construction of the hotel complex in San Pancrazio Parmense, the construction areas located at Via Fiorentini in Rome or Lunetta dell'Isola in Milano), we would point out that the Group companies and, in particular, Immobiliare Fondiaria-SAI for the former project and Milano Assicurazioni for the latter two, will

become the owners of these buildings only after these are completed and approved. Furthermore, the Group companies have already made payments on account against the amount owed for the acquisition against presentation of state of advancement reports on the work carried out.

In the event that the vendors (including IM.CO and Avvenimenti e Sviluppo Alberghiero, subsidiaries of Sinergia Holding di Partecipazioni S.p.A. and all Group related parties) are no longer able to fulfil their obligations, the Group companies are exposed to the risk of losing their right to the delivery of the assets that are the subject of the abovementioned contracts, remaining creditors for the sums paid on account, given that the real estate projects in progress are not covered by secured guarantees.

The valuations of the real estate projects were made on the assumption that the counterparties belonging to the related party, Sinergia Holding di Partecipazioni Group, continue to operate on a going concern basis, also in consideration of the debt renegotiation that the Sinergia Group is conducting with its creditor banks. Consequently, in the absence of the above assumptions, full recovery of the investment could be difficult for the Group, save for the legal protection provided by current law.

Furthermore, the write-downs made on the above-mentioned projects, given that they show a lower valuation than the amounts paid in advance in relation to the state of advancement of the work carried out, already constitute adequate protection from the risks mentioned above.

Finally, the said related parties recently asked the Group companies involved in the project for the payment of additional amounts due to presumed changes to the original plans. These requests, regarding which the due inquiries are underway, do not seem well-founded and have therefore been rejected for the time being.

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 44 million.

Insurance-related cash inflows from other related parties comprised premiums paid on Non-Life and Life policies of Euro 7.5 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 16.2 million) and to Milano Assicurazioni S.p.A. (Euro 10.1 million). These payments are for investing the contributions collected from Life policyholders.

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 47.8 million.

Real-estate-related cash outflows to other related parties refer to:

- •Payment of invoices by Marina di Loano S.r.l. to Marcora Costruzioni S.p.A. for Euro 25.3 million, relating to the work in progress for the project involving the construction of the Port of Loano.
- •Euro 24.5 million for the payment of invoices by Milano Assicurazioni S.p.A. to IM.CO S.p.A. in relation to the property project on land located in Milan at Via Confalonieri - Via de Castilia (Lunetta dell'Isola) and for work performed at the Via Lancetti property, also in Milan.

- •Payments of Euro 0.9 million made during the current year by Immobiliare Lombarda S.p.A. to So.ge.p.i. S.r.l. for technical management and rental/leasing services for property managed by Immobiliare Lombarda S.p.A.
- •Euro 0.5 million paid by Meridiano Secondo S.r.l. to I.C.E.IN. S.p.A. for construction work carried out in the area owned by the former at Via Gioia in Milan.
- 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 6.7 million.;
- ayment of contributions owed by Group companies to the Fondiaria-SAI Group Employee and Executive Pension Funds of Euro 8.5 million. These payments are governed by the contractual agreements in force;
- commissions paid to insurance intermediaries for Euro 1.8 million.
- Cash outflows to associates concern: Payments of Euro 10.3 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 2.2 million) and Penta Domus S.r.l. (Euro 0.4 million).

Payments by the Parent Company for services received include personnel cost recharges to the Parent Company for Euro 1 million.

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

- Euro 6.7 million relating to technical-administrative and legal consultancy fees.

The remaining outflows to other related parties refer to remuneration paid to directors for positions held in Group companies, for Euro 9.4 million, and payment of salaries to executives with strategic responsibilities, for 8.8 million and a settlement of Euro 11.2 million paid to Dr Fausto Marchionni, as specified above.

We would point out that, at 31 December 2011, assets relating to transactions with related parties (including associates) accounted for approximately 1.3% of the total assets in the consolidated financial statements, while liabilities amounted to 0.05% of consolidated liability items, excluding equity items.

Similarly, net cash flows with related parties absorbed 14.6% of the net liquidity deriving from continuing operations, as shown in the consolidated cash flow statement at 31 December 2011.

The companies Immobiliare Costruzioni IM.CO. S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A., Avvenimenti e Sviluppo Alberghiero S.r.l., Laità S.r.l. and Gilli Communication 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. In fact, Immobiliare Costruzioni IM.CO. S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A., Avvenimenti e Sviluppo Alberghiero S.r.l. and Gilli Communication S.r.l. are related parties of the Issuer in that directors Jonella Ligresti, Giulia Maria Ligresti and Gioacchino Paolo Ligresti have declared to hold interests and equity investments in Sinergia Holding di Partecipazioni S.p.A., which controls those companies directly or indirectly. With reference to the above, Sinergia Holding di Partecipazioni is a subsidiary of Starlife S.A. (“Starlife”), a Luxembourg-based company, the share capital of which, according to information made public by the interested parties, is held as follows: 25% by Giulia Maria Ligresti; 25% by Jonella Ligresti; 25% by Gioacchino Paolo Ligresti; and 25% by Salvatore Ligresti; no single party controls

Starlife pursuant to Article 93 of the TUF.

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)	2011	2010
Remuneration	9,058	10,750
Bonus and other incentives	-	-
Non-monetary benefits	226	72
Total	9,284	10,822

The remuneration of directors is based on the average market remuneration levellevels, while bonuses and other incentives are normally determined ex-post in relation to results achieved and/or in relation to particular transactions.. The table excludes post-employment benefits.

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 Fondiaria-SAI S.p.A.:

Type of service	Party providing the services	Company	Remunerati on (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,714
b) certification work	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,757
c) fiscal consulting	-	-	-
d) other services	Ernst & Young Financial Business Advisors S.p.A.	Fondiaria-SAI	50
Total fees in the year			3,521

n.b. fees excluding VAT

The following table sets forth breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI's subsidiaries:

Type of service	Party providing the services	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	1,419
	Network Ernst & Young	Foreign subsidiary companies	330
b) certification work	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	489
c) fiscal consulting	Network Ernst & Young	Foreign subsidiary companies	-
	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	19
d) other services	Network Ernst & Young	Foreign subsidiary companies	16
	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	-
	Ernst & Young Financial-Business Advisors S.p.A.	Foreign subsidiary companies	107
Total fees in the year			2,381

Excluding VAT

PART G - 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.

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the financial statements are as follows:

	2011	2010
US Dollar	1.2939	1.3362
UK Sterling	0.8353	0.86075
Japanese Yen	100.2	108.65
Swiss Franc	1.2156	1.2504
Serbian Dinar	106.177	106.0450

Milan, March 26, 2012

For the Board of Directors

Mr. Emanuele ERBETTA

ADDITIONAL DISCLOSURE TO THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2011, REQUESTED BY CONSOB PURSUANT TO ARTICLE 114, PARAGRAPH 5, OF LEG. DECREE NO. 58 OF FEBRUARY 24, 1998 .

With letter dated April 16, 2012 (protocol No. DCG/12029856), in relation to the shareholders' meeting scheduled to be held on April 23, 2012 in first call and on April 24, 2012 in second call, and concerning, among other issues, the approval of the annual and consolidated financial statements for the year ended December 31, 2011, CONSOB has requested Fondiaria-SAI S.p.A. (the "Company), pursuant to article 114, para. 5, of Leg. Decree No. 58 of February 24, 1998, to provide the information and disclosures outlined below, and provide as an attachment to the 2011 Annual Report.

The information and disclosures requested by CONSOB are illustrated below.

In relation to the information in the Directors' Report on the "ISVAP inspections", provide further details on the issues notified by ISVAP in relation to the corporate governance system, the control systems – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation or updating compared to that outlined in the same report, considering that the "the significant issues identified currently do not comprise the basis for the initiation of a punitive procedure".

The supplementary information on the issues notified by ISVAP in relation to the corporate governance system and the controls system – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation, is reported below.

In particular, ISVAP noted deficiencies related to:

- the operational procedures of the Board of Directors and the investigative work of the Board;
- the absence of preliminary planning by the Board of Directors in relation to a number of resolutions concerning operations of strategic importance;
- the organisational activities of the Board of Directors;
- the Internal Control Committee activities, the lack of examination concerning the control and data recording systems for related parties and the absence of evaluations concerning the substantial correctness of transactions carried out with such parties;
- within the activities of the Capital Management Committee;
- the organisation of the control related roles and their operation concerning a number of specific matters, the adequacy of the department itself, in addition to its coordination with the Compliance Committee and the coordination of the control roles;
- the Supervisory Board activities concerning the verifications of the Organisation, Management and Control model;
- the absence of a comprehensive evaluation of the financial needs concerning property initiatives both in the start-up phase and in the execution phase, with the consequent liquidity risks which the company remedied with the progressive sale of assets;

- the absence of proper management in relation to transactions with related parties concerning the adequacy of the preliminary investigation and the evaluation of the risk profiles, the adoption of specific procedures concerning the method to identify the operations to be subjected to evaluations by independent experts and the manner to select such experts and the carrying out of specific analysis on a number of operations identified by the control managers.

In relation to the corrective measures put in place by the Company or currently being implemented, reference should be made to the section “ISVAP inspections” in the present Directors’ Report.

In relation to the significant issues identified by ISVAP concerning the corporate governance of the real estate segment of the Group, the reorganisation is currently in progress and has already:

- established the operational guidelines for a Real Estate Committee to be constituted shortly, which responds to the need to create a decision making and coordination centre for all of the strategic activities;
- established that investment activity will be carried out through the listed companies Fondiaria-SAI and Milano Assicurazioni or through special vehicle companies controlled by them. In some specific cases, the Group may also take part in initiatives through minority holdings; for this purpose two specific departments were created - real estate advisory and real estate asset management, which respectively evaluate and analyse real estate opportunities and define the management strategy of the portfolio, controlling the operation of the service providers and
- involve Immobiliare Lombarda S.p.A., engaged also in a series of Group real estate servicing activities, in supporting the decisions, implementing the relevant strategies within its ambit.

Following the inspections carried out, ISVAP notified the Company of assessments in accordance with Article 326, paragraph 1, of Legislative Decree 209/2005, with the formal beginning of a sanction procedure in order to establish the amount of the penalty between a minimum of Euro 12,000 to a maximum of Euro 120,000 in relation to the inspections carried out on governance issues and of a minimum of Euro 15,800 to a maximum of Euro 145,400 in relation to assessments made on the claims cycle of the Motor TPL class.

Taking account of that reported in the notes in relation to “irregularities and failings deriving from the absence of formalised procedures and adequate control systems [identified by ISVAP] in relation to both the operational manner of the management and settlement of claims, and the inventory-taking activities” describe the above-stated “irregularities and failings” in addition to the initiatives put in place to overcome the issues met.

A summary of the principal irregularities and failings met by ISVAP and the principal actions taken are listed below:

- Issues concerning the operational procedures and the activities concerning the settlement network, with particular reference to:
 - The automatic allocation of the closure date for the claim, in relation to which ISVAP reported as imprudent the allocation to the previous year of claims closed in the first days of each year;
 - The closure of the claim, with direct expenses still pending;
 - The establishment of the natural claims reserve, i.e. that between the policyholders of the same Company, for which requests were made which could be considered the management component (valued directly by the settlement network and therefore to be considered as the effective technical commitment) instead of as the debt owing;

- The automatic closure of claims without any action by the settlement network;
- Other irregularities reported concerning the opening or management of reported claims or the non recognition in the Motor TPL insurance register of the name of the damaged party, in addition to other minor observations concerning the payment of “closed” claims or with an initial zero balance reserve, disputed claims closed without statement of reasoning, the non updating of the unchanged claims reserve, the unjustified closure of reopened claims and other issues met with documented evidence and claims recorded on IT systems.

The Company provided evidence and reasoning to support the various procedures adopted and the variety of situations met, establishing however their availability and willingness (which in the meantime is completed or underway), to deal with the considerations expressed by the Institute concerning:

- strengthening the control of the Networks by the Claims Structure, requiring the network, with related communication, to operate with the necessary attention to avoid the critical issues observed by the Institute;
- further the verification activities on compliance with the procedures, in relation to the strengthening policy of the “Quality Control” unit mentioned above, preparing a control model, supplemented in a relative organisational procedure focused on the operational deficiencies highlighted by the Institute. In relation to this, the results from the execution of the new controls are currently subject to notifications to the Claims Structure (in relation to the non-fulfillment of duties by Settlement officers) and the Commercial Structure (for those of the Agencies) in order to implement the necessary actions;
- draw up an operational manual (which in the meantime has been issued and published) with all of the provisions issued in relation to the various stages of the claims cycle, circulated immediately to the claims structure (in progress, by the managers), in order to ensure an effective communication of content.

- Issues concerning the inventory-taking procedures of the settlement network, in relation to which ISVAP noted “inaction” in relation to the duly completed review and updating of the inventory reserve, in addition to issues concerning the drawing up of the “average cost” values allocated automatically to each of the claims categories in relation to the establishment of the inventory reserve.

Also in this case, the Company provided a detailed analysis concerning the procedures in place and the relative reasoning behind the choices made, reporting the amount of irregularities met to be of a much smaller percentage compared to the observations of the Institute. In addition the Company demonstrated its immediate availability to satisfy the requests of ISVAP, promptly introducing also significant actions; the following examples are noted:

- In order to strengthen communications between the Management and the Claims Network and to develop the activities of the network, from 2012 the Company intends to extend the inventory-taking period dedicated to the analytical review of values allocated to the reserve for each prior year claim from the beginning of July to the end of November (previously ending in the middle of October);
- In order to better control the activities of the settlement officer, the “confirmation” function within the system will be replaced with the mandatory recording by the settlement officer of the new reserve value, even if the amount is unchanged;
- Finally, in relation to the establishment of the “statistical reserve” and the allocation of the “average cost” values, a new table has already been issued, which now allows the establishment with greater accuracy of the average cost values. In addition, processes have been established concerning the drawing up of the table and its periodic validation (e.g. evaluation of statistical significance), in addition

to the application of the table (for example structures to be involved, time periods, operational manners).

The actions taken to remedy the issues stated above have been appointed to a Claims Task Force introduced in December 2011 and coordinated by the Risk Management structure, the objective of which is to ensure control of the activity underway (of a most engaging nature as seen above) to strengthen the controls and the adjustment of the claims management and assessment procedures, therefore consolidating the claims database. The Task Force produces, on approximately a monthly basis, an update report of the individual activities which are periodically shared with the Internal Control Committee of the Company. Therefore at the end of 2011 the Internal Audit Department has prepared an intervention plan (to be carried out between December 2011 and July 2012 and currently in progress) in order to verify the correct implementation of the corrective actions identified by the Company, in relation to all claims management operations and information flows which were highlighted by the Institute and at the end of 2011 had drawn up a specific intervention on the process and the operation of the settlement network in relation to inventory-taking. These activities have been carried out in coordination with the Compliance Department for the respective responsibilities and are in line with the implementation deadlines established for the individual corrective actions.

In relation to the role of the settlement network in the reserve formation process, describe the various operational manners adopted in the inventory-taking in 2010 compared to that of 2011 which required a strengthening of the residual prior generation reserves.

To better set out this issue, it was considered necessary first of all to establish the general inventory-taking procedure of the reserves made by the settlement network.

In recent years (in an unchanged manner) the inventory taking operation by the Claims Structure for the definition of the reserves of the individual claims is carried out from the beginning of the second half of the year. Specific communications are issued before the beginning of the procedure which contain the guidelines, the timelines and the indications given by the IT Structure for the extraction of the inventory-taking tables. In generale, le modalità risultano le seguenti:

- Prior years: the tables (generated in July) concern all claims, within the ambit of the Claims Structure, open at the beginning of the inventory-taking, independently of the class and type of damage. Vengono pertanto inventariati tutti i sinistri aperti al momento dell'apertura della sessione.
- Current year: the tables (generated in October) concern only some types of damage, within the ambit of the Claims Structure, open at the beginning of the inventory-taking but with the claim made by September 30.

The “managed” Motor TPL claims with only physical damage, non motor claims, such as Fire damage – only Acqua Condotta guarantee - “managed” Motor TPL claims in the last quarter, which are therefore evaluated based on the statistical “average cost” are not subject to inventory taking.

The operational technical guidelines are based on, for a correct evaluation of damage, the completion of the investigation phase in relation to the definition of the amount, of the situation in terms of responsibility allocated and the extent of the contractual guarantee: independently of the relevant year the reserve valuation is an estimate of the “current cost”.

Considering that stated above, in terms of the strengthening of the residual Motor TPL reserves between 2010 and 2011, two effects have impacted the results:

- Regulatory and judicial developments, with the extension of the use of tables for the settlement of Non-Property damage (the so-called Milan Court Tables). These tables, issued in the first half of 2009, in the course of 2010 and 2011 have resulted in a progressive adjustment of the average values, with particular regard to fatal claims. The Milan Tables, introduced in June 2009, established new parameters for the valuation of physical damage greater than 9% of Permanent Invalidity and fatal injury: The impact of the possible application of these tables on the entire risk portfolio was estimated in 2010 to imply a revaluation of the overall Motor TPL reserves of approx. 14%. In 2010 however the tables of the Milan Court have been applied only to a certain part (approx. 60%) of the country; this implied therefore the adoption of different valuation criteria for the above stated damage and therefore the need for revaluations. In 2010, the two structures influenced greatest by the above stated criteria, those of Serious Professional Injury and Professional Disputes, carried out further investigations concerning the analysis of the individual tables of their claims portfolio subject to inventory taking (regarding the zones or the tables which have been applied), in order to simulate the impact on the revaluation of the reserves of the estimate of these damages taking account of the application of the most onerous evaluations established by the Milan tables: following this review, a first adjustment of the sums allocated to the reserve was made. This revaluation process was made only in relation to the inventory-taking of the subsequent year, following the Cassation Court judgment of June 2011 which adopted the Milan Court Tables as a fair value criteria of damage, which at this point had been extended to all of the Italian regions;
- Organisational issues: in the spring of 2011, an organisational adjustment was made to the Claim Structure with the creation of the Technical Structure which concerns fatal claims, claims with a value greater than Euro 300,000 for Motor TPL and Euro 100,000 for non motor claims and the generation No. 10 and Court Dispute: this restructuring in 2011 resulted in a review of the practices and a new technical valuation of damage more in line with the parameters of the Milan Court tables, also in light of the Cassation court judgment which in June 2011 which – as previously stated – substantially extended the application of the above Tables to all Italian Courts.

Describe the method for the establishment of the “average cost of accepted claims” adopted in 2011, provide also the reasons for which the Company “renewed compared to the past” this method; show for the years 2005-2010 the “average cost for accepted claims” by the company, comparing with the corresponding market values.

With closure of the 2011 financial year, the Company strengthened the average cost of accepted current generation claims (or the average cost of current generation managed claims already settled in the same year and those allocated to the reserve for settlement in coming years), increasing the average value to Euro 4,190, compared to Euro 3,900 in 2010.

In order to establish the current year reserve for managed claims, the average costs of accepted claims was adopted, based on:

- the results of the Fisher-Lange and Chain-Ladder actuarial models, adopted as the benchmark models for the entire Motor TPL claims reserve portfolio;
- analytical evaluation made by the settlement officers and valuing of the statistical average cost for claims not involved in the inventory-taking;
- average cost of accepted claims of the market in 2010, adjusted for inflation;

Among other issues, it is noted that the average statistical cost of 2011 was drawn up based on the new table, issued in November 2011, based on the adoption of a linear generalised model.

The adoption of these methods in the 2011 financial statements took place also in response to that highlighted by ISVAP on September 29, 2011: the Institute in fact did not consider the value of Euro 3,900 as prudent, indicated as the average cost for accepted current generation claims in the calculation of the 2010 reserves, in that the analysis of the 2010 market data highlighted the value of the indicator, net of the IBNR component, of Euro 4,058; this average cost amounted to Euro 4,079 if considering the market data net of that relating to the Fondiaria Sai portfolio. As the market data from the 2010 financial statements was published by ISVAP on February 2, 2012 and as the only data published concerning the valuation of the claims reserves concerning the 2009 and previous financial statements, given that the parameter established by ISVAP indicated for the three year period 2007-2009 a value of approx. Euro 3,900, based on the stability over the 3-year period and the absence of further information, it could have been reasonably considered to be stable also for 2010.

The value of the average cost of accepted claims adopted by the Company between 2005 and 2010 and the corresponding market value (all amounts are net of the IBNR provision) are listed below. For greater clarity, for both aspects, the separate data between Paid and Reserved is reported; this allows greater clarity in how the Reserved Average Cost of the Company is always greater than the market average, and how the comparison between the Average Accepted Claims Costs (where the Company presents lower values than the market) is therefore generated by an effect of the different mix between the Paid and Reserved, most likely attributed to a differing current settlement policy of the Company compared to the market.

Average cost	2005	2006	2007	2008	2009	2010
Fondiaria-SAI S.p.A.						
Accepted claims	3.896	3.895	3.791	3.771	3.846	3.900
<i>Paid</i>	<i>1.869</i>	<i>1.961</i>	<i>2.028</i>	<i>2.226</i>	<i>2.245</i>	<i>2.300</i>
<i>Reserved</i>	<i>8.599</i>	<i>9.034</i>	<i>9.302</i>	<i>9.644</i>	<i>8.138</i>	<i>9.309</i>
Market						
Accepted claims	4.046	4.099	3.909	3.913	3.903	4.058
<i>Paid</i>	<i>2.154</i>	<i>2.198</i>	<i>2.229</i>	<i>2.372</i>	<i>2.362</i>	<i>2.428</i>
<i>Reserved</i>	<i>7.531</i>	<i>7.658</i>	<i>7.466</i>	<i>7.455</i>	<i>7.330</i>	<i>7.933</i>

Concerning the declaration issued by the Appointed Actuary, on the request of the company, in relation to the fact that the Motor TPL reserves for 2011 “*may at this point be considered in line with the market averages*” show for the years 2005-2010 the comparison of the claims reserves established by the Fondiaria Group compared to the market averages.

It should be noted that the sentence reported in the Directors’ Report (“*It is noted that the Appointed Actuary, on request of the Company, stated that at this point the Motor TPL reserves may be considered in line with the market averages*”), represents a partial summary of that established by the Appointed Actuary at the meeting of the Board of Directors of March 15, 2012, to which he was invited to attend, a sentence which therefore must be placed and interpreted in a wider context.

In particular at the above stated meeting of the Board of Directors the appointed Actuary of the Company, referring to an estimate range of the values in relation to which he declared the adequacy of the claims reserve at December 31, 2011 of the vehicle and pleasure boat TPL division of the Company - in response to a specific question highlighted that a) the company is in line with the principal competitors in the class; b) but also these latter – except for very rare exceptions – do not establish positive ranges in relation to the actuarial valuations of claims reserve sufficiency for the vehicles and pleasure boat TPL class.

Taking account of the issues drawn up by ISVAP on September 29, 2011 and November 17, 2011 in relation to the “observations concerning the calculation of the actuarial models, with highlighting of irregularities in the statistical projections”, establish if the Group considered it necessary also for 2011 to utilise the same Motor TPL Appointed Actuary and if the actuarial models adopted by this latter had been amended compared to the previous years. Provide further detailed information in relation to a “close and prudent selection of the parameters applied to the models, assuming a historical series if considered reliable and repeatable” compared to the procedure utilised in the previous years.

The Group decided to employ the services also for 2011 of the same Appointed Actuary. For the valuation of the claims reserves for the financial statements 2008, 2009 and 2010, the Appointed Actuary adopted an appropriate methodological approach (the LDP Paid and Fisher-Lange methodologies), confirmed also in 2011, and the valuation choices were supported by technical elements shown in the relative Actuarial Reports on the technical reserves of the Motor TPL and Pleasure Boats classes. From 2010, the actuarial models were however implemented by each type of management.

In relation however to the actuarial models utilised by the Company and applied by the Strategic Planning and Operational Control Structure to ensure the valuation of the Claims Reserve in terms of Last Cost (or therefore, taking account of the probability that the claim is not settled in the year, but must be reserved also for one or more following years) it was confirmed also for 2011:

- the adoption of a more responsive and weighted actuarial model, establishing the same approach both for the Company and for Milano Assicurazioni S.p.A.; in particular the Fisher Lange (weighted at 35%), taking account that the high number of criteria utilised in this model increases the risk of variability) and the Chain Ladder Paid (weighted at 65%). **More specifically:**
- The valuation of the Chain-Ladder model was carried out in such a manner to consider payment for up to 15 years.
 - The Fisher-Lange model utilised for the 2010 financial statements was drawn up utilising the model for the year of the claim and adapted subsequently. From 2011 the process was optimised, moving to a dynamic type model which is used more frequently in actuarial practice.

- **a specific focus was placed on the close and prudent construction of the reference data bases and on the selection of the parameters applied to the models, utilising historical series considered reliable and repeatable. Specifically:**
 - From the 2011 financial statements, it was considered necessary to introduce an estimate of the claims reserve separately for the Ordinary TPL claims (occurring since 2006), the No Card claims and the Managed Card claims (subsequent to 2007), considering to have reached, by the 5th year of direct indemnity, an adequate level of maturity of these historic series;
 - Another discontinuity compared to past years was the fact that the totality of claims was examined without carrying out any distinction between the type of event and delay. An estimate of the final reserve achieved by the model including the IBNR provision follows, cancelling in this way the estimated risk of the IBNR model present however until the 2010 financial statements; the future inflation rate employed in the Fisher-Lange was 4%, broken down as follows: inflazione endogena pari al 2% come da best practice del mercato assicurativo; inflazione esogena pari al 2%, tenuto conto che l'inflazione programmata è pari all'1,5% e quella IPCA all'1,7% (fonte Documento di Decisione di Finanza Pubblica).
 - Relating to the estimate of the payment times of the Fisher-Lange model, only the irregular and non repeatable values were excluded, reliably selected.
 - The development factors (link ratios) of the Chain-Ladder model were selected calculating the average of all the historical series available without making any subjective selections.

Provide the reasons for which it was not considered appropriate to consider the revaluation of the claims reserve following the insufficiency noted by ISVAP at December 31, 2010 as a correction of the error of the previous year in compliance with IAS 8.

As noted, the Motor TPL claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process to calculate the last cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

From a regulatory point of view, in fact Article 27 of ISVAP Regulation No. 16 establishes that the claims cost is valued in compliance with the last cost principle based on a projection from historical data and reliable and that, for the divisions in which the settlement process is slow or in which the analytical evaluation does not enable the consideration of all the future expected charges, the company must utilise also in the analytical valuations statistical-actuarial methodologies or valuation systems which consider the future development of costs.

The multi-phased process for the determination of the Motor TPL claims reserve (from the inventory-taking phase to that of the establishment of the last cost through utilisation of the actuarial statistical models) is informed by a multitude of parameters and competing variables which cannot be isolated and pinpointed as independent elements, nor re-measurable in a future time period on a “like-for-like” basis. These include, for example purposes and non exhaustive:

- The initial valuation of the settlement network;
- The subsequent valuation of the settlement network;
- The average costs paid by claim duration for closed claims;
- The rate of closed claims broken down by unaccepted and reopened;

- The status of the initial reserve;
- The judicial outlook in relation to claim damages;
- The general and sector rate of inflation;
- Differing weights allocated to the actuarial statistical methodologies drawn up by the professional practice.

As indicated in the accounting principles, the current generation is valued based on the average cost, which is determined taking account of the best currently available information.

However the claims reserves, at like-for-like receivable due dates, of the obsolescence of inventory and the determination of the fair value of a number of financial assets and liabilities, may not be precisely measured, but may only be estimated, in order to reasonably determine its sufficiency.

The introduction of predictive elements characterise the claims reserve such as the estimated items and in confirmation of this, Article 4 of the above-stated ISVAP Regulation No. 16, establishing the general valuation principles of the financial statement reserves, introduces the concept of sufficiency of technical reserves, which were considered reasonably estimatable, and for the definition includes elements of flexibility in the valuation criteria.

Based on that commented upon above, the estimate of the reserve involves valuations based on the most recent reliable information available at the date of the preparation of the financial statements. In relation to claims not yet settled and concerning prior generations the review of the estimate was in line and recurring: this was carried out considering the changes in the circumstances on which the estimates were based, of the new information available and/or based on greater experience (including the updating of the historical database of the claims parameters, the result of the changes in the initial reserve, the judicial outlook cited on a number of occasions in the notes to the financial statements and concerning the Supreme Court judgment in June 2011 which adopted, as a reference criteria for non-property damage compensation, the Milan Court Tables).

By its nature, the review of the estimate was therefore not correlated to previous years and therefore did not correct the error as per IAS 8.

In relation to this it is noted that ISVAP, in relation to the deficiency noted on the 2010 current generation, made reference to 2010 market data concerning the average cost of accepted claims, by definition not available (it could not be reasonably assumed that it would be available in such a timeframe) at the moment of valuation of the claims reserve for the 2010 financial statements, reported in the written inspection of 29/9/2011 and subsequently to the market in February 2012.

Therefore the increase in the Motor TPL claims reserve in the 2011 financial statements should be considered, in line of that outlined above, as the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of the information available at the time of the preparation of the above-stated financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

In relation to the information concerning the issues related to the Board of Statutory Auditors in accordance with Article 2408 of the civil code contained in the Directors' Report, provide information on:

- a) for each of the operations highlighted, (i) the state of the advancement of the investigation on the conclusions and the proposals drawn up by the Board of Statutory Auditors in the report prepared by the Shareholders' Meeting of March 19, 2012, in addition to that on the other operations subject to further examination, (ii) the initiatives undertaken and to be undertaken, establishing also if legal actions are intended (for example, damage for compensation, settlement of contracts, request for penalties, triggering of sureties), except for any decision concerning the transactions subject to the claim, which are undertaken, also in the negative outcome, by the Company carrying out the operation with related parties and to be treated in compliance with the procedures adopted in accordance with Regulation No. 17221 of March 12, 2010;**
- b) information concerning the composition of and the duties allocated to the Committee of Independent Directors which has been appointed, among others, to identify the independent experts which, from an economic, real estate and legal viewpoint, assist the Company in analyses concerning the activities carried out to date by the Committee.**

In relation to the information regarding the issues highlighted by the Board of Statutory Auditors, in accordance with Article 2408 of the civil code, contained in the Directors' Report, the following is noted.

As previously reported, the Board of Directors in the meeting of March 23, 2012 unanimously approved the mandating of a committee, comprising exclusively of independent directors, to identify the consultants to be entrusted – possibly jointly with Milano Assicurazioni – to further examine the issues relating to the procedure as per Article 2408.

The committee of independent directors selected the legal consultants as Mr. Francesco Gianni and Mr. Valerio Di Gravio. These professionals will operate alongside Mr. Carlo Pedersoli, who was appointed to a similar role by the Board of Directors of the subsidiary Milano Assicurazioni. It was also agreed together with the subsidiary Milano Assicurazioni to appoint jointly, both for the accounting and real estate aspects, consultants respectively in the form of PricewaterhouseCoopers and REAG. It will be the duty of the Committee of Independent Directors to interview the above-stated consultants in relation to the investigations requested, coordinating the activities and ensuring a timely conclusion for a prompt and exhaustive reporting to the Boards involved.

The Company formed an internal team in order to report and provide to the consultants all of the necessary documentation or that considered useful for the carrying out of their appointment. A data room was therefore prepared which is constantly updated, also based on the requests of the above stated professionals. Currently, a number of meetings have already taken place between the appointed consultants and the members of the above-stated team. The consultants have already begun to examine the documentation present in the data room. These analysis are preparatory to the carrying out of all further evaluations concerning the possibility of undertaking initiatives and to take legal steps of any nature.

Considering the significant amount of documentation to be analysed, the consultants have communicated the virtual impossibility to reach in a short timeframe a proper opinion in relation to the issues established concerning the procedure in accordance with Article 2408 of the civil code: currently it is not possible to reply in detail concerning the initiatives to be undertaken in relation to the individual operations subject to the claims reported to the Board of Statutory Auditors. It is stated in this regard that the mandate of the above-mentioned professionals is not limited to respond to the questions raised in the Board of Statutory Auditors' report, but extended to a complete examination of each of the operations highlighted, also under the specific profile to identify the necessary initiatives, legal and extra legal actions to be undertaken to protect the company.

Therefore at the shareholders' meeting of the Company scheduled for April 23/24, 2012, at which the 2011 financial statements will be approved, they will not be in a position to respond in a comprehensive manner to any shareholder questions on the matter.

The advancement of the work and its conclusion will be subject to specific updating, in compliance with the primary requirement to inform the market.

In relation to the information on the integration project with the Unipol Group contained in the Directors' Report, provide information on:

- a) the implementation of the procedures for transactions with related parties in accordance with Regulation No. 17221 of March 12, 2010 in relation to the integration project with the Unipol Group;**
- b) the state of advancement of the negotiations and the manner and the timeframe with which the Committee of Independent Directors called to evaluate the interest of the Company to participate in the integration project and the extent and substantial correctness of the relative conditions, including any decision concerning share swap ratios of the proposed merger.**

Following the binding agreement, signed on January 29, 2012 between the Unipol Group and Premafin concerning the acquisition by the Unipol Group of control of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, the Board of Directors of the Company appointed on the same date, a committee of independent directors which will express opinions concerning the legal and economic issues concerning the proposed merger.

In compliance with the provisions of the regulation of the Company in relation to the transactions with related parties, the Company, on the indication of the committee, appointed Citigroup Global Markets Limited, a company headed by Citigroup Inc., to assist the committee in the necessary activities to prepare the opinion required by the above stated regulation and by applicable laws.

According to that reported by the members of the committee, the advisor Citigroup is comprehensively and efficiently carrying out that requested by the committee, carrying out analyses and valuations and reporting results in frequent meetings and/or telephone conferences, in addition to participating on the request of the committee at meetings with the management and advisors of the company involved in the proposed operation. In this context, the committee is continually and promptly updating on the developments of the analysis and the valuations carried out.

At the time of issue of the present document, the Board of Directors of the Company is meeting which, following the proposal of the Unipol Group on the integration project communicated to the market on April 16, 2012, will examine the above-stated proposal. The result of this Board meeting will be subject to a separate press release to which reference should be made for further details.

Milan, April 19, 2012

The Chief Executive Officer

Emanuele ERBETTA

DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Fondiaria-SA) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI) affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
 - the accuracy of the information on company operations and
 - the application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January 01, 2011 - December 31, 2011.
2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2011 is based on a Model defined by Fondiaria-SAI in accordance with the “Internal Control – Integrated Framework” and “Cobit” which represent benchmarks for internal control systems generally accepted at international level.
3. It is also declared that:
 - 3.1. the consolidated financial statements at 31/12/2011:
 - a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
 - b) correspond to the underlying accounting documents and records;
 - c) provide a true and correct representation of the economic, balance sheet and financial situation 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 26, 2012

The Chief Executive Officer

Mr. Emanuele ERBETTA

*The Executive Responsible
for the preparation of the corporate accounting documents*

Mr. Massimo DALFELLI

Independent boards reports

Board of Statutory Auditors' Report

To the Shareholders

Your Company has prepared the Consolidated Financial Statements at 31/12/2011 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 Balance Sheet, 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 31/12/2011 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, 2011 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 852,719 and Euro 1,036,952 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.

As illustrated in the notes to the financial statements, we highlight the significant revaluation of the residual load of the Motor TPL claims reserves, amounting to Euro 810 million (relating to prior year claims managed), impairments on “available-for-sale” capital financial instruments of Euro 373 million, write-downs on real estate projects of Euro 342 million, as well as the write-down of the goodwill on the subsidiary Popolare Vita of Euro 101 million.

As highlighted by the company in the financial statements, in relation to the adjusted solvency margin, the coverage is over 78%, despite the option permitted by Isvap Regulation No. 37 of March 15, 2011 being exercised which resulted in an improvement of approx. 23%. Consequently, against the current adjusted solvency situation, it will be necessary, also pursuant to Article 227 of the Private Insurance Code, to draw up an intervention plan to eliminate the deficiency noted. The proposed share capital increase should be viewed in this context.

Finally, we attest that the structure of the consolidated financial statements are considered correct and conform with legislative requirements.

Turin, March 30, 2012

The Board of Statutory Auditors

Mr. Benito MARINO

Mr. Marco SPADACINI

Mr. Antonino D’AMBROSIO

ADDITIONAL DISCLOSURE TO THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2011, REQUESTED BY CONSOB PURSUANT TO ARTICLE 114, PARAGRAPH 5, OF LEG. DECREE NO. 58 OF FEBRUARY 24, 1998 .

With letter dated April 16, 2012 (protocol No. DCG/12029856), in relation to the shareholders' meeting scheduled to be held on April 23, 2012 in first call and on April 24, 2012 in second call, and concerning, among other issues, the approval of the annual and consolidated financial statements for the year ended December 31, 2011, CONSOB has requested Fondiaria-SAI S.p.A. (the "Company"), pursuant to article 114, para. 5, of Leg. Decree No. 58 of February 24, 1998, to provide the information and disclosures outlined below, and provide as an attachment to the 2011 Annual Report.

The information and disclosures requested by CONSOB are illustrated below.

In relation to the information in the Directors' Report on the "ISVAP inspections", provide further details on the issues notified by ISVAP in relation to the corporate governance system, the control systems – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation or updating compared to that outlined in the same report, considering that the "the significant issues identified currently do not comprise the basis for the initiation of a punitive procedure".

The supplementary information on the issues notified by ISVAP in relation to the corporate governance system and the controls system – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation, is reported below.

In particular, ISVAP noted deficiencies related to:

- the operational procedures of the Board of Directors and the investigative work of the Board;
- the absence of preliminary planning by the Board of Directors in relation to a number of resolutions concerning operations of strategic importance;
- the organisational activities of the Board of Directors;
- the Internal Control Committee activities, the lack of examination concerning the control and data recording systems for related parties and the absence of evaluations concerning the substantial correctness of transactions carried out with such parties;
- within the activities of the Capital Management Committee;
- the organisation of the control related roles and their operation concerning a number of specific matters, the adequacy of the department itself, in addition to its coordination with the Compliance Committee and the coordination of the control roles;
- the Supervisory Board activities concerning the verifications of the Organisation, Management and Control model;
- the absence of a comprehensive evaluation of the financial needs concerning property initiatives both in the start-up phase and in the execution phase, with the consequent liquidity risks which the company remedied with the progressive sale of assets;

- the absence of proper management in relation to transactions with related parties concerning the adequacy of the preliminary investigation and the evaluation of the risk profiles, the adoption of specific procedures concerning the method to identify the operations to be subjected to evaluations by independent experts and the manner to select such experts and the carrying out of specific analysis on a number of operations identified by the control managers.

In relation to the corrective measures put in place by the Company or currently being implemented, reference should be made to the section “ISVAP inspections” in the present Directors’ Report.

In relation to the significant issues identified by ISVAP concerning the corporate governance of the real estate segment of the Group, the reorganisation is currently in progress and has already:

- established the operational guidelines for a Real Estate Committee to be constituted shortly, which responds to the need to create a decision making and coordination centre for all of the strategic activities;
- established that investment activity will be carried out through the listed companies Fondiaria-SAI and Milano Assicurazioni or through special vehicle companies controlled by them. In some specific cases, the Group may also take part in initiatives through minority holdings; for this purpose two specific departments were created - real estate advisory and real estate asset management, which respectively evaluate and analyse real estate opportunities and define the management strategy of the portfolio, controlling the operation of the service providers and
- involve Immobiliare Lombarda S.p.A., engaged also in a series of Group real estate servicing activities, in supporting the decisions, implementing the relevant strategies within its ambit.

Following the inspections carried out, ISVAP notified the Company of assessments in accordance with Article 326, paragraph 1, of Legislative Decree 209/2005, with the formal beginning of a sanction procedure in order to establish the amount of the penalty between a minimum of Euro 12,000 to a maximum of Euro 120,000 in relation to the inspections carried out on governance issues and of a minimum of Euro 15,800 to a maximum of Euro 145,400 in relation to assessments made on the claims cycle of the Motor TPL class.

Taking account of that reported in the notes in relation to “irregularities and failings deriving from the absence of formalised procedures and adequate control systems [identified by ISVAP] in relation to both the operational manner of the management and settlement of claims, and the inventory-taking activities” describe the above-stated “irregularities and failings” in addition to the initiatives put in place to overcome the issues met.

A summary of the principal irregularities and failings met by ISVAP and the principal actions taken are listed below:

- Issues concerning the operational procedures and the activities concerning the settlement network, with particular reference to:
 - The automatic allocation of the closure date for the claim, in relation to which ISVAP reported as imprudent the allocation to the previous year of claims closed in the first days of each year;
 - The closure of the claim, with direct expenses still pending;
 - The establishment of the natural claims reserve, i.e. that between the policyholders of the same Company, for which requests were made which could be considered the management component (valued directly by the settlement network and therefore to be considered as the effective technical commitment) instead of as the debt owing;

- The automatic closure of claims without any action by the settlement network;
- Other irregularities reported concerning the opening or management of reported claims or the non recognition in the Motor TPL insurance register of the name of the damaged party, in addition to other minor observations concerning the payment of “closed” claims or with an initial zero balance reserve, disputed claims closed without statement of reasoning, the non updating of the unchanged claims reserve, the unjustified closure of reopened claims and other issues met with documented evidence and claims recorded on IT systems.

The Company provided evidence and reasoning to support the various procedures adopted and the variety of situations met, establishing however their availability and willingness (which in the meantime is completed or underway), to deal with the considerations expressed by the Institute concerning:

- strengthening the control of the Networks by the Claims Structure, requiring the network, with related communication, to operate with the necessary attention to avoid the critical issues observed by the Institute;
- further the verification activities on compliance with the procedures, in relation to the strengthening policy of the “Quality Control” unit mentioned above, preparing a control model, supplemented in a relative organisational procedure focused on the operational deficiencies highlighted by the Institute. In relation to this, the results from the execution of the new controls are currently subject to notifications to the Claims Structure (in relation to the non-fulfillment of duties by Settlement officers) and the Commercial Structure (for those of the Agencies) in order to implement the necessary actions;
- draw up an operational manual (which in the meantime has been issued and published) with all of the provisions issued in relation to the various stages of the claims cycle, circulated immediately to the claims structure (in progress, by the managers), in order to ensure an effective communication of content.

- Issues concerning the inventory-taking procedures of the settlement network, in relation to which ISVAP noted “inaction” in relation to the duly completed review and updating of the inventory reserve, in addition to issues concerning the drawing up of the “average cost” values allocated automatically to each of the claims categories in relation to the establishment of the inventory reserve.

Also in this case, the Company provided a detailed analysis concerning the procedures in place and the relative reasoning behind the choices made, reporting the amount of irregularities met to be of a much smaller percentage compared to the observations of the Institute. In addition the Company demonstrated its immediate availability to satisfy the requests of ISVAP, promptly introducing also significant actions; the following examples are noted:

- In order to strengthen communications between the Management and the Claims Network and to develop the activities of the network, from 2012 the Company intends to extend the inventory-taking period dedicated to the analytical review of values allocated to the reserve for each prior year claim from the beginning of July to the end of November (previously ending in the middle of October);
- In order to better control the activities of the settlement officer, the “confirmation” function within the system will be replaced with the mandatory recording by the settlement officer of the new reserve value, even if the amount is unchanged;
- Finally, in relation to the establishment of the “statistical reserve” and the allocation of the “average cost” values, a new table has already been issued, which now allows the establishment with greater accuracy of the average cost values. In addition, processes have been established concerning the drawing up of the table and its periodic validation (e.g. evaluation of statistical significance), in addition

to the application of the table (for example structures to be involved, time periods, operational manners).

The actions taken to remedy the issues stated above have been appointed to a Claims Task Force introduced in December 2011 and coordinated by the Risk Management structure, the objective of which is to ensure control of the activity underway (of a most engaging nature as seen above) to strengthen the controls and the adjustment of the claims management and assessment procedures, therefore consolidating the claims database. The Task Force produces, on approximately a monthly basis, an update report of the individual activities which are periodically shared with the Internal Control Committee of the Company. Therefore at the end of 2011 the Internal Audit Department has prepared an intervention plan (to be carried out between December 2011 and July 2012 and currently in progress) in order to verify the correct implementation of the corrective actions identified by the Company, in relation to all claims management operations and information flows which were highlighted by the Institute and at the end of 2011 had drawn up a specific intervention on the process and the operation of the settlement network in relation to inventory-taking. These activities have been carried out in coordination with the Compliance Department for the respective responsibilities and are in line with the implementation deadlines established for the individual corrective actions.

In relation to the role of the settlement network in the reserve formation process, describe the various operational manners adopted in the inventory-taking in 2010 compared to that of 2011 which required a strengthening of the residual prior generation reserves.

To better set out this issue, it was considered necessary first of all to establish the general inventory-taking procedure of the reserves made by the settlement network.

In recent years (in an unchanged manner) the inventory taking operation by the Claims Structure for the definition of the reserves of the individual claims is carried out from the beginning of the second half of the year. Specific communications are issued before the beginning of the procedure which contain the guidelines, the timelines and the indications given by the IT Structure for the extraction of the inventory-taking tables. In generale, le modalità risultano le seguenti:

- Prior years: the tables (generated in July) concern all claims, within the ambit of the Claims Structure, open at the beginning of the inventory-taking, independently of the class and type of damage. Vengono pertanto inventariati tutti i sinistri aperti al momento dell'apertura della sessione.
- Current year: the tables (generated in October) concern only some types of damage, within the ambit of the Claims Structure, open at the beginning of the inventory-taking but with the claim made by September 30.

The “managed” Motor TPL claims with only physical damage, non motor claims, such as Fire damage – only Acqua Condotta guarantee - “managed” Motor TPL claims in the last quarter, which are therefore evaluated based on the statistical “average cost” are not subject to inventory taking.

The operational technical guidelines are based on, for a correct evaluation of damage, the completion of the investigation phase in relation to the definition of the amount, of the situation in terms of responsibility allocated and the extent of the contractual guarantee: independently of the relevant year the reserve valuation is an estimate of the “current cost”.

Considering that stated above, in terms of the strengthening of the residual Motor TPL reserves between 2010 and 2011, two effects have impacted the results:

- Regulatory and judicial developments, with the extension of the use of tables for the settlement of Non-Property damage (the so-called Milan Court Tables). These tables, issued in the first half of 2009, in the course of 2010 and 2011 have resulted in a progressive adjustment of the average values, with particular regard to fatal claims. The Milan Tables, introduced in June 2009, established new parameters for the valuation of physical damage greater than 9% of Permanent Invalidity and fatal injury: The impact of the possible application of these tables on the entire risk portfolio was estimated in 2010 to imply a revaluation of the overall Motor TPL reserves of approx. 14%. In 2010 however the tables of the Milan Court have been applied only to a certain part (approx. 60%) of the country; this implied therefore the adoption of different valuation criteria for the above stated damage and therefore the need for revaluations. In 2010, the two structures influenced greatest by the above stated criteria, those of Serious Professional Injury and Professional Disputes, carried out further investigations concerning the analysis of the individual tables of their claims portfolio subject to inventory taking (regarding the zones or the tables which have been applied), in order to simulate the impact on the revaluation of the reserves of the estimate of these damages taking account of the application of the most onerous evaluations established by the Milan tables: following this review, a first adjustment of the sums allocated to the reserve was made. This revaluation process was made only in relation to the inventory-taking of the subsequent year, following the Cassation Court judgment of June 2011 which adopted the Milan Court Tables as a fair value criteria of damage, which at this point had been extended to all of the Italian regions;
- Organisational issues: in the spring of 2011, an organisational adjustment was made to the Claim Structure with the creation of the Technical Structure which concerns fatal claims, claims with a value greater than Euro 300,000 for Motor TPL and Euro 100,000 for non motor claims and the generation No. 10 and Court Dispute: this restructuring in 2011 resulted in a review of the practices and a new technical valuation of damage more in line with the parameters of the Milan Court tables, also in light of the Cassation court judgment which in June 2011 which – as previously stated – substantially extended the application of the above Tables to all Italian Courts.

Describe the method for the establishment of the “average cost of accepted claims” adopted in 2011, provide also the reasons for which the Company “renewed compared to the past” this method; show for the years 2005-2010 the “average cost for accepted claims” by the company, comparing with the corresponding market values.

With closure of the 2011 financial year, the Company strengthened the average cost of accepted current generation claims (or the average cost of current generation managed claims already settled in the same year and those allocated to the reserve for settlement in coming years), increasing the average value to Euro 4,190, compared to Euro 3,900 in 2010.

In order to establish the current year reserve for managed claims, the average costs of accepted claims was adopted, based on:

- the results of the Fisher-Lange and Chain-Ladder actuarial models, adopted as the benchmark models for the entire Motor TPL claims reserve portfolio;
- analytical evaluation made by the settlement officers and valuing of the statistical average cost for claims not involved in the inventory-taking;
- average cost of accepted claims of the market in 2010, adjusted for inflation.

Among other issues, it is noted that the average statistical cost of 2011 was drawn up based on the new table, issued in November 2011, based on the adoption of a linear generalised model.

The adoption of these methods in the 2011 financial statements took place also in response to that highlighted by ISVAP on September 29, 2011: the Institute in fact did not consider the value of Euro 3,900 as prudent, indicated as the average cost for accepted current generation claims in the calculation of the 2010 reserves, in that the analysis of the 2010 market data highlighted the value of the indicator, net of the IBNR component, of Euro 4,058; this average cost amounted to Euro 4,079 if considering the market data net of that relating to the Fondiaria Sai portfolio. As the market data from the 2010 financial statements was published by ISVAP on February 2, 2012 and as the only data published concerning the valuation of the claims reserves concerning the 2009 and previous financial statements, given that the parameter established by ISVAP indicated for the three year period 2007-2009 a value of approx. Euro 3,900, based on the stability over the 3-year period and the absence of further information, it could have been reasonably considered to be stable also for 2010.

The value of the average cost of accepted claims adopted by the Company between 2005 and 2010 and the corresponding market value (all amounts are net of the IBNR provision) are listed below. For greater clarity, for both aspects, the separate data between Paid and Reserved is reported; this allows greater clarity in how the Reserved Average Cost of the Company is always greater than the market average, and how the comparison between the Average Accepted Claims Costs (where the Company presents lower values than the market) is therefore generated by an effect of the different mix between the Paid and Reserved, most likely attributed to a differing current settlement policy of the Company compared to the market.

Average cost	2005	2006	2007	2008	2009	2010
Fondiaria-SAI S.p.A.						
Accepted claims	3.896	3.895	3.791	3.771	3.846	3.900
<i>Paid</i>	<i>1.869</i>	<i>1.961</i>	<i>2.028</i>	<i>2.226</i>	<i>2.245</i>	<i>2.300</i>
<i>Reserved</i>	<i>8.599</i>	<i>9.034</i>	<i>9.302</i>	<i>9.644</i>	<i>8.138</i>	<i>9.309</i>
Market						
Accepted claims	4.046	4.099	3.909	3.913	3.903	4.058
<i>Paid</i>	<i>2.154</i>	<i>2.198</i>	<i>2.229</i>	<i>2.372</i>	<i>2.362</i>	<i>2.428</i>
<i>Reserved</i>	<i>7.531</i>	<i>7.658</i>	<i>7.466</i>	<i>7.455</i>	<i>7.330</i>	<i>7.933</i>

Concerning the declaration issued by the Appointed Actuary, on the request of the company, in relation to the fact that the Motor TPL reserves for 2011 “*may at this point be considered in line with the market averages*” show for the years 2005-2010 the comparison of the claims reserves established by the Fondiaria Group compared to the market averages.

It should be noted that the sentence reported in the Directors’ Report (“*It is noted that the Appointed Actuary, on request of the Company, stated that at this point the Motor TPL reserves may be considered in line with the market averages*”), represents a partial summary of that established by the Appointed Actuary at the meeting of the Board of Directors of March 15, 2012, to which he was invited to attend, a sentence which therefore must be placed and interpreted in a wider context.

In particular at the above stated meeting of the Board of Directors the appointed Actuary of the Company, referring to an estimate range of the values in relation to which he declared the adequacy of the claims reserve at December 31, 2011 of the vehicle and pleasure boat TPL division of the Company - in response to a specific question highlighted that a) the company is in line with the principal competitors in the class; b) but also these latter – except for very rare exceptions – do not establish positive ranges in relation to the actuarial valuations of claims reserve sufficiency for the vehicles and pleasure boat TPL class.

Taking account of the issues drawn up by ISVAP on September 29, 2011 and November 17, 2011 in relation to the “observations concerning the calculation of the actuarial models, with highlighting of irregularities in the statistical projections”, establish if the Group considered it necessary also for 2011 to utilise the same Motor TPL Appointed Actuary and if the actuarial models adopted by this latter had been amended compared to the previous years. Provide further detailed information in relation to a “close and prudent selection of the parameters applied to the models, assuming a historical series if considered reliable and repeatable” compared to the procedure utilised in the previous years.

The Group decided to employ the services also for 2011 of the same Appointed Actuary. For the valuation of the claims reserves for the financial statements 2008, 2009 and 2010, the Appointed Actuary adopted an appropriate methodological approach (the LDP Paid and Fisher-Lange methodologies), confirmed also in 2011, and the valuation choices were supported by technical elements shown in the relative Actuarial Reports on the technical reserves of the Motor TPL and Pleasure Boats classes. From 2010, the actuarial models were however implemented by each type of management.

In relation however to the actuarial models utilised by the Company and applied by the Strategic Planning and Operational Control Structure to ensure the valuation of the Claims Reserve in terms of Last Cost (or therefore, taking account of the probability that the claim is not settled in the year, but must be reserved also for one or more following years) it was confirmed also for 2011:

- the adoption of a more responsive and weighted actuarial model, establishing the same approach both for the Company and for Milano Assicurazioni S.p.A.; in particular the Fisher Lange (weighted at 35%), taking account that the high number of criteria utilised in this model increases the risk of variability) and the Chain Ladder Paid (weighted at 65%). **More specifically:**
- The valuation of the Chain-Ladder model was carried out in such a manner to consider payment for up to 15 years.
 - The Fisher-Lange model utilised for the 2010 financial statements was drawn up utilising the model for the year of the claim and adapted subsequently. From 2011 the process was optimised, moving to a dynamic type model which is used more frequently in actuarial practice.

- **a specific focus was placed on the close and prudent construction of the reference data bases and on the selection of the parameters applied to the models, utilising historical series considered reliable and repeatable. Specifically:**
 - From the 2011 financial statements, it was considered necessary to introduce an estimate of the claims reserve separately for the Ordinary TPL claims (occurring since 2006), the No Card claims and the Managed Card claims (subsequent to 2007), considering to have reached, by the 5th year of direct indemnity, an adequate level of maturity of these historic series;
 - Another discontinuity compared to past years was the fact that the totality of claims was examined without carrying out any distinction between the type of event and delay. An estimate of the final reserve achieved by the model including the IBNR provision follows, cancelling in this way the estimated risk of the IBNR model present however until the 2010 financial statements; the future inflation rate employed in the Fisher-Lange was 4%, broken down as follows: inflazione endogena pari al 2% come da best practice del mercato assicurativo; inflazione esogena pari al 2%, tenuto conto che l'inflazione programmata è pari all'1,5% e quella IPCA all'1,7% (fonte Documento di Decisione di Finanza Pubblica).
 - Relating to the estimate of the payment times of the Fisher-Lange model, only the irregular and non repeatable values were excluded, reliably selected.
 - The development factors (link ratios) of the Chain-Ladder model were selected calculating the average of all the historical series available without making any subjective selections.

Provide the reasons for which it was not considered appropriate to consider the revaluation of the claims reserve following the insufficiency noted by ISVAP at December 31, 2010 as a correction of the error of the previous year in compliance with IAS 8.

As noted, the Motor TPL claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process to calculate the last cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

From a regulatory point of view, in fact Article 27 of ISVAP Regulation No. 16 establishes that the claims cost is valued in compliance with the last cost principle based on a projection from historical data and reliable and that, for the divisions in which the settlement process is slow or in which the analytical evaluation does not enable the consideration of all the future expected charges, the company must utilise also in the analytical valuations statistical-actuarial methodologies or valuation systems which consider the future development of costs.

The multi-phased process for the determination of the Motor TPL claims reserve (from the inventory-taking phase to that of the establishment of the last cost through utilisation of the actuarial statistical models) is informed by a multitude of parameters and competing variables which cannot be isolated and pinpointed as independent elements, nor re-measurable in a future time period on a “like-for-like” basis. These include, for example purposes and non exhaustive:

- The initial valuation of the settlement network;
- The subsequent valuation of the settlement network;
- The average costs paid by claim duration for closed claims;
- The rate of closed claims broken down by unaccepted and reopened;
- The status of the initial reserve;

- The judicial outlook in relation to claim damages;
- The general and sector rate of inflation;
- Differing weights allocated to the actuarial statistical methodologies drawn up by the professional practice.

As indicated in the accounting principles, the current generation is valued based on the average cost, which is determined taking account of the best currently available information.

However the claims reserves, at like-for-like receivable due dates, of the obsolescence of inventory and the determination of the fair value of a number of financial assets and liabilities, may not be precisely measured, but may only be estimated, in order to reasonably determine its sufficiency.

The introduction of predictive elements characterise the claims reserve such as the estimated items and in confirmation of this, Article 4 of the above-stated ISVAP Regulation No. 16, establishing the general valuation principles of the financial statement reserves, introduces the concept of sufficiency of technical reserves, which were considered reasonably estimatable, and for the definition includes elements of flexibility in the valuation criteria.

Based on that commented upon above, the estimate of the reserve involves valuations based on the most recent reliable information available at the date of the preparation of the financial statements. In relation to claims not yet settled and concerning prior generations the review of the estimate was in line and recurring: this was carried out considering the changes in the circumstances on which the estimates were based, of the new information available and/or based on greater experience (including the updating of the historical database of the claims parameters, the result of the changes in the initial reserve, the judicial outlook cited on a number of occasions in the notes to the financial statements and concerning the Supreme Court judgment in June 2011 which adopted, as a reference criteria for non-property damage compensation, the Milan Court Tables).

By its nature, the review of the estimate was therefore not correlated to previous years and therefore did not correct the error as per IAS 8.

In relation to this it is noted that ISVAP, in relation to the deficiency noted on the 2010 current generation, made reference to 2010 market data concerning the average cost of accepted claims, by definition not available (it could not be reasonably assumed that it would be available in such a timeframe) at the moment of valuation of the claims reserve for the 2010 financial statements, reported in the written inspection of 29/9/2011 and subsequently to the market in February 2012.

Therefore the increase in the Motor TPL claims reserve in the 2011 financial statements should be considered, in line of that outlined above, as the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of the information available at the time of the preparation of the above-stated financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

In relation to the information concerning the issues related to the Board of Statutory Auditors in accordance with Article 2408 of the civil code contained in the Directors' Report, provide information on:

- c) for each of the operations highlighted, (i) the state of the advancement of the investigation on the conclusions and the proposals drawn up by the Board of Statutory Auditors in the report prepared by the Shareholders' Meeting of March 19, 2012, in addition to that on the other operations subject to further examination, (ii) the initiatives undertaken and to be undertaken, establishing also if legal actions are intended (for example, damage for compensation, settlement of contracts, request for penalties, triggering of sureties), except for any decision concerning the transactions subject to the claim, which are undertaken, also in the negative outcome, by the Company carrying out the operation with related parties and to be treated in compliance with the procedures adopted in accordance with Regulation No. 17221 of March 12, 2010;**
- d) information concerning the composition of and the duties allocated to the Committee of Independent Directors which has been appointed, among others, to identify the independent experts which, from an economic, real estate and legal viewpoint, assist the Company in analyses concerning the activities carried out to date by the Committee.**

In relation to the information regarding the issues highlighted by the Board of Statutory Auditors, in accordance with Article 2408 of the civil code, contained in the Directors' Report, the following is noted.

As previously reported, the Board of Directors in the meeting of March 23, 2012 unanimously approved the mandating of a committee, comprising exclusively of independent directors, to identify the consultants to be entrusted – possibly jointly with Milano Assicurazioni – to further examine the issues relating to the procedure as per Article 2408.

The committee of independent directors selected the legal consultants as Mr. Francesco Gianni and Mr. Valerio Di Gravio. These professionals will operate alongside Mr. Carlo Pedersoli, who was appointed to a similar role by the Board of Directors of the subsidiary Milano Assicurazioni. It was also agreed together with the subsidiary Milano Assicurazioni to appoint jointly, both for the accounting and real estate aspects, consultants respectively in the form of PricewaterhouseCoopers and REAG. It will be the duty of the Committee of Independent Directors to interview the above-stated consultants in relation to the investigations requested, coordinating the activities and ensuring a timely conclusion for a prompt and exhaustive reporting to the Boards involved.

The Company formed an internal team in order to report and provide to the consultants all of the necessary documentation or that considered useful for the carrying out of their appointment. A data room was therefore prepared which is constantly updated, also based on the requests of the above stated professionals. Currently, a number of meetings have already taken place between the appointed consultants and the members of the above-stated team. The consultants have already begun to examine the documentation present in the data room. These analysis are preparatory to the carrying out of all further evaluations concerning the possibility of undertaking initiatives and to take legal steps of any nature.

Considering the significant amount of documentation to be analysed, the consultants have communicated the virtual impossibility to reach in a short timeframe a proper opinion in relation to the issues established concerning the procedure in accordance with Article 2408 of the civil code: currently it is not possible to reply in detail concerning the initiatives to be undertaken in relation to the individual operations subject to the claims reported to the Board of Statutory Auditors. It is stated in this regard that the mandate of the above-mentioned professionals is not limited to respond to the questions raised in the Board of Statutory Auditors' report, but extended to a complete examination of each of the operations highlighted, also under the specific profile to identify the necessary initiatives, legal and extra legal actions to be undertaken to protect the company.

Therefore at the shareholders' meeting of the Company scheduled for April 23/24, 2012, at which the 2011 financial statements will be approved, they will not be in a position to respond in a comprehensive manner to any shareholder questions on the matter.

The advancement of the work and its conclusion will be subject to specific updating, in compliance with the primary requirement to inform the market.

In relation to the information on the integration project with the Unipol Group contained in the Directors' Report, provide information on:

- c) the implementation of the procedures for transactions with related parties in accordance with Regulation No. 17221 of March 12, 2010 in relation to the integration project with the Unipol Group;**
- d) the state of advancement of the negotiations and the manner and the timeframe with which the Committee of Independent Directors called to evaluate the interest of the Company to participate in the integration project and the extent and substantial correctness of the relative conditions, including any decision concerning share swap ratios of the proposed merger.**

Following the binding agreement, signed on January 29, 2012 between the Unipol Group and Premafin concerning the acquisition by the Unipol Group of control of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, the Board of Directors of the Company appointed on the same date, a committee of independent directors which will express opinions concerning the legal and economic issues concerning the proposed merger.

In compliance with the provisions of the regulation of the Company in relation to the transactions with related parties, the Company, on the indication of the committee, appointed Citigroup Global Markets Limited, a company headed by Citigroup Inc., to assist the committee in the necessary activities to prepare the opinion required by the above stated regulation and by applicable laws.

According to that reported by the members of the committee, the advisor Citigroup is comprehensively and efficiently carrying out that requested by the committee, carrying out analyses and valuations and reporting results in frequent meetings and/or telephone conferences, in addition to participating on the request of the committee at meetings with the management and advisors of the company involved in the proposed operation. In this context, the committee is continually and promptly updating on the developments of the analysis and the valuations carried out.

At the time of issue of the present document, the Board of Directors of the Company is meeting which, following the proposal of the Unipol Group on the integration project communicated to the market on April 16, 2012, will examine the above-stated proposal. The result of this Board meeting will be subject to a separate press release to which reference should be made for further details.

Milan, April 19, 2012

The Chief Executive Officer

Mr. Emanuele ERBETTA

Auditors' Report

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, 2011 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.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 5, 2011.
3. In our opinion, the consolidated financial statements of the FONDIARIA-SAI Group at December 31, 2011 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 resolution of the shareholders' meeting of FONDIARIA-SAI S.p.A held on March 19, 2012 related to the capital increase which is part of the intervention plan required by the Supervisory Authority. The capital strengthening has the purpose, together with other actions, to restore the Group's solvency margin above the minimum requirement. Further, the Directors state that said resolution will be effective independently from the integration project with Unipol and in the event that the integration project would not be feasible, they will act without any delay to obtain the necessary authorizations to execute the capital increase.

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, 2011.¹

Turin, March 31, 2012

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 Directors' Report and the specific section on Corporate Governance and the Company's Ownership Structure are not included in this Offering Circular.

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	EUROSAL FINANZIARIA DI PARTECIPAZIONE SRL	086	G	11	100,00	100,00	100,00	100,00
5	FINSAL INTERNATIONAL SA	092	G	11	19,92	99,99	100,00	100,00
6	SAIAGRICOLA SPA	086	G	11	92,01	97,51	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	100,00	100,00	100,00	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	100,00	100,00	100,00	100,00
12	SRP SERVICES SA	071	G	11	0,00	100,00	100,00	100,00
13	COLPETRONE SRL	086	G	11	0,00	97,51	100,00	100,00
14	CONSORZIO CASTELLO	086	G	10	0,00	98,43	99,57	100,00
15	DIALOGO ASSICURAZIONI SPA	086	G	1	0,00	63,29	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	89,02	100,00	100,00
20	MILANO ASSICURAZIONI SPA	086	G	1	61,10	63,39	63,40	100,00
21	NUOVE INIZIATIVE TOSCANE SRL	086	G	10	96,88	98,86	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	63,39	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 SRL	086	G	11	64,16	87,29	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	63,39	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	86,88	100,00	100,00
45	INIZIATIVE VALORIZZAZIONI 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	11	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	79,92	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	69,38	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	97,51	100,00	100,00
58	SOGENT SRL	086	G	11	0,00	63,39	100,00	100,00
59	TIKAL R.E. FUND	086	G	10	59,65	82,06	95,01	100,00
60	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	086	G	11	0,00	100,00	100,00	100,00
61	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	086	G	1	0,00	63,37	99,97	100,00
62	LIGURIA VITA SPA	086	G	1	0,00	63,37	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	63,39	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	78,10	97,22	100,00	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	63,39	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 ALBERGHE	086	G	11	51,00	82,06	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	63,39	100,00	100,00
79	ITALRESIDENCE SRL	086	G	11	0,00	82,06	100,00	100,00

(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

Company	State	Activity (1)	Type (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	Book value
FIN. PRIV. SRL	086	11	b	28,57	28,57	28,57	20 495 161,19
SOFIGEA SRL in liquidation	086	11	b	14,91	19,66	22,41	0,00
UFFICIO CENTRALE ITALIANO SRL	086	11	b	14,14	21,38	25,52	130 135,80
MB VENTURE CAPITAL FUND	050	11	b	30,00	30,00	30,00	199 100,00
FINADIN SPA	086	11	b	0,00	40,00	40,00	0,00
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA	086	11	b	0,00	27,38	27,38	3 354 847,26
BORSETTO SPA	086	10	b	0,00	28,48	44,93	2 890 925,29
GARIBALDI SCA	092	11	b	0,00	20,28	32,00	56 118 720,00
METROPOLIS SPA	086	10	b	0,00	18,85	29,73	0,00
PROGETTO ALFIERE SPA	086	10	b	0,00	19,00	19,00	1 361 656,68
SERVIZI IMMOBILIARI MARTINELLI SPA	086	10	b	0,00	12,68	20,00	128 905,40
A7 SRL	086	10	b	0,00	12,68	20,00	266 161,60
SOAIMPIANTI – ORGANISMI DI ATTESTAZIONE S in liquidation	086	11	b	21,64	21,64	21,64	317 114,00
GLOBAL CARD SERVICE SRL	086	11	a	0,00	60,20	95,00	0,00
PENTA DOMUS SPA	086	10	b	0,00	12,68	20,00	0,00
FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	086	11	b	51,00	51,00	51,00	3 378 669,00
SVILUPPO CENTRO EST SRL	086	10	b	0,00	25,36	40,00	0,00
IGLI SPA	086	11	b	0,00	27,23	33,33	0,00
QUINTOGEST SPA	086	11	b	49,00	49,00	49,00	449 667,89
DDOR AUTO DOO	289	11	a	0,00	99,99	100,00	13 447,41
DDOR GARANT	289	11	b	0,00	40,00	40,00	534 825,99
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	086	11	b	30,07	30,07	30,07	1 574 338,91
BUTTERFLY AM SARL	092	11	b	0,00	28,57	28,57	6 757 538,31
VALORE IMMOBILIARE SRL	086	10	b	0,00	31,69	50,00	6 100 000,00
HOTEL TERME SI SAINT VINCENT SRL	086	11	a	0,00	82,06	100,00	1 213 261,82
ITAL H&R SRL	086	11	a	0,00	82,06	100,00	20 687,00
TOUR EXECUTIVE SPA	086	11	a	0,00	82,06	100,00	129 021,15
ATA BENESSERE SRL in liquidation	086	11	a	0,00	82,06	100,00	28 377,00
ISOLA SCA	092	11	b	0,00	18,74	29,56	11 095 720,00

(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	2 759 245	0	2 759 245
Other buildings	315 500	0	315 500
Other tangible assets	86 244	0	86 244
Other intangible assets	95 153	0	95 153

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				Total book value	
							Financial assets held for trading		Financial assets at fair value through profit & loss			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Equity securities and derivatives at cost											0	0
Equity securities at fair value					1 171 370	1 528 791	351	574	30 248	31 928	1 201 969	1 561 293
<i>of which listed securities</i>					917 963	1 322 705	351	574	30 248	31 928	948 562	1 355 207
Debt securities	599 713	592 138	2 465 849	1 825 970	15 636 678	17 952 179	34 240	80 030	8 038 695	7 678 402	26 775 175	28 128 719
<i>of which listed securities</i>	599 713	592 138	808 874	879 218	15 592 964	17 906 627	22 102	29 632	2 803 184	3 364 535	19 826 837	22 772 150
Fund units					788 143	819 961	19 015	7	617 109	459 893	1 424 267	1 279 861
Bank Loans and receivables			636 315	685 582						0	636 315	685 582
Interbank loans and receivables			29 147	78 590						0	29 147	78 590
Deposits with reinsurers			24 895	27 417						0	24 895	27 417
Financial asset components of insurance contracts				0						0	0	0
Other loans and receivables			512 968	538 678						0	512 968	538 678
Non-hedging derivatives				0			28	41	236 669	417 917	236 697	417 958
Hedging derivatives				0					12 328	0	12 328	0
Other financial investments			19 691	2 974	2 096	1 951			37 981	71 272	59 768	76 197
Total	599 713	592 138	3 688 865	3 159 211	17 598 287	20 302 882	53 634	80 652	8 973 030	8 659 412	30 913 529	32 794 295

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

(in thousands of Euro)

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	2011	2010	2011	2010	2011	2010
Assets in accounts	8 624 071	8 289 275	275 932	263 993	8 900 003	8 553 268
Inter-group assets*	6 044	6 320		0	6 044	6 320
Total Assets	8 630 115	8 295 595	275 932	263 993	8 906 047	8 559 588
Financial liabilities in accounts	963 677	1 344 519	275 932	263 993	1 239 609	1 608 512
Technical provision in accounts	7 666 345	6 950 978		0	7 666 345	6 950 978
Inter-group liabilities*				0	0	0
Total Liabilities	8 630 022	8 295 497	275 932	263 993	8 905 954	8 559 490

* Assets and liabilities eliminated in consolidation

Details of the technical provisions - reinsurance amount

(in thousands of Euro)

	Direct business		Indirect business		Total book value	
	2011	2010	2011	2010	2011	2010
Non-Life provisions	374 395	425 251	234 222	231 468	608 617	656 719
Unearned premium provision	80 682	83 240	76 330	71 164	157 012	154 404
Claims provision	293 713	342 011	157 892	160 304	451 605	502 315
Other provisions					0	0
Life provisions	48 395	117 657	44 868	48 808	93 263	166 465
Provision for claims to be paid	1 867	1 117	1 280	1 434	3 147	2 551
Actuarial provisions	46 528	116 540	43 588	47 374	90 116	163 914
Technical provisions where investment risk is borne by policyholders and from pension fund management					0	0
Other provisions					0	0
Technical provisions attributed to reinsurers	422 790	542 908	279 090	280 276	701 880	823 184

Details of technical provisions

(in thousands of Euro)

	Direct business		Indirect business		Total book value	
	2011	2010	2011	2010	2011	2010
Non-Life provisions	12 491 112	11 784 061	119 210	103 788	12 610 322	11 887 849
Unearned premium provision	2 740 036	2 776 392	1 810	1 545	2 741 846	2 777 937
Claims provision	9 740 723	8 995 352	117 400	102 243	9 858 123	9 097 595
Other provisions	10 353	12 317			10 353	12 317
<i>of which provisions set aside following the liability adequacy test</i>					0	0
Life provisions	22 478 237	22 920 460	18 946	19 663	22 497 183	22 940 123
provision for claims to be paid	358 409	277 038	2 281	759	360 690	277 797
Actuarial provisions	15 146 572	16 054 508	16 665	18 904	15 163 237	16 073 412
Technical provisions where investment risk is borne by policyholders and from pension fund management	7 666 345	6 950 978			7 666 345	6 950 978
Other provisions	-693 089	-362 064			-693 089	-362 064
<i>of which provisions set aside following the liability adequacy test</i>					0	0
<i>of which deferred liabilities to policyholders</i>	-772 473	-454 658			-772 473	-454 658
Total Technical provisions	34 969 349	34 704 521	138 156	123 451	35 107 505	34 827 972

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					
	2011	2010	2011	2010	2011	2010	2011	2010
Equity financial instruments							0	0
Sub-ordinated liabilities					1 049 467	1 041 446	1 049 467	1 041 446
Liabilities from financial contracts issued by insurance companies deriving	0	0	1 239 609	1 608 512	0	0	1 239 609	1 608 512
Liabilities from contracts for which the investment risk is borne by policyholders			963 677	1 344 519			963 677	1 344 519
Liabilities from the management of pension funds			275 932	263 993			275 932	263 993
Liabilities from other contracts							0	0
Deposits received from reinsurers					171 542	248 006	171 542	248 006
Financial liability components of insurance contracts							0	0
Debt securities issued					99 013	108 305	99 013	108 305
Payables to bank clients					232 171	303 753	232 171	303 753
Interbank payables							0	0
Other loans obtained					130 192	145 611	130 192	145 611
Non-hedging derivatives	206	820	839				1 045	820
Hedging derivatives	7 649	2 023	53 623	33 863			61 272	35 886
Other financial liabilities			1 960	1 717	157 002	356 050	158 962	357 767
Total	7 855	2 843	1 296 031	1 644 092	1 839 387	2 203 171	3 143 273	3 850 106

Details of insurance technical provisions

(in thousands of Euro)

		2011			2010		
		Gross amount	reinsurers' share	Net amount	Gross amount	reinsurers' share	Net amount
Non-Life Division							
NET PREMIUMS		7 096 685	-304 629	6 792 056	7 162 227	-307 422	6 854 805
a	Premiums written	7 059 924	-311 829	6 748 095	7 204 029	-319 148	6 884 881
b	Change in unearned premium provision	36 761	7 200	43 961	-41 802	11 726	-30 076
NET CHARGES RELATING TO CLAIMS		-6 072 005	147 188	-5 924 817	-5 955 951	169 489	-5 786 462
a	Amount paid	-5 488 355	166 130	-5 322 225	-5 931 946	200 859	-5 731 087
b	Change in claims provision	-751 863	-23 912	-775 775	-166 632	-3 648	-170 280
c	Change in recoveries	167 944	4 970	172 914	143 211	-27 722	115 489
d	Change in other technical provisions	269		269	-584	0	-584
Life Division							
NET PREMIUMS		3 753 573	-18 285	3 735 288	5 749 276	-18 784	5 730 492
NET CHARGES RELATING TO CLAIMS		-4 334 852	18 899	-4 315 953	-6 385 961	19 482	-6 366 479
a	Sums paid	-4 393 334	24 226	-4 369 108	-3 135 301	32 095	-3 103 206
b	Change in provision for sums to be paid	-138 661	992	-137 669	-60 338	1 257	-59 081
c	Change in actuarial provision	912 409	-6 319	906 090	-2 531 842	-13 869	-2 545 711
d	Change technical provisions where investment risk borne by policyholders and from pension fund management	-721 290		-721 290	-677 000	0	-677 000
e	Change in other technical provisions	6 024		6 024	18 520	-1	18 519

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 2011	Total income and expenses 2010
							Valuation gains	Write-back of value	Valuation losses	Impairment			
Investment results	986 150	315 621	-111 633	276 420	-172 678	1 293 880	144 619	270	-254 712	-634 500	-744 323	549 557	919 647
a from property investments	0	87 830	-58 281	34 625	-82	64 092			-72 463	-243 671	-316 134	-252 042	-17 022
b from investments in subsidiaries, associates and joint ventures		826	-20 205			-19 379			-1 927		-1 927	-21 306	516
c from investments held-to-maturity:	34 789	94	-5	704	-28	35 554					0	35 554	68 584
d from loans and receivables	165 262	1	0	775	-6 711	159 327	35	270		-17 835	-17 530	141 797	106 012
e from financial assets available for sale	601 713	61 548	-9 881	176 257	-135 472	694 165				-372 994	-372 994	321 171	366 082
f from financial assets held for trading	5 159	18	-44	3 495	-1 091	7 537	2 407		-6 841		-4 434	3 103	-7 379
g from financial assets at fair value through profit & loss	179 227	165 304	-23 217	60 564	-29 294	352 584	142 177		-173 481		-31 304	321 280	402 854
Other receivables results	13 805	77	-79	0	0	13 803					0	13 803	14 182
Cash and cash equivalents result	11 700	0	-576	0	0	11 124					0	11 124	7 423
Financial liabilities result	-71 173	0	-627	0	0	-71 800	999	0	-3 683	0	-2 684	-74 484	-74 353
a from financial liabilities held for trading					0	0	999		-3 683		-2 684	-2 684	-192
b from financial liabilities at fair value through profit & loss					0	0					0	0	0
c from other financial liabilities	-71 173	0	-627	0	0	-71 800					0	-71 800	-74 161
Payables result	-5 768	0	-1	174	0	-5 595	0	0	0	0	0	-5 595	-5 014
Total	934 714	315 698	-112 916	276 594	-172 678	1 241 412	145 618	270	-258 395	-634 500	-747 007	494 405	861 885

Details of insurance management expenses

(in thousands of Euro)

		Non-Life Division		Life Division	
		2011	2010	2011	2010
Gross commissions and other		-1 358 075	-1 365 667	-130 388	-142 845
a	Acquisition commissions	-1 056 191	-1 055 123	-92 938	-111 916
b	Other acquisition expenses	-213 502	-213 942	-24 485	-22 846
c	Change in deferred acquisition costs	-52 242	-57 494	-5 044	790
d	Collection commissions	-36 140	-39 108	-7 921	-8 873
Commissions and profit participation		80 658	80 131	1 182	1 394
Investment management charges		-10 156	-6 274	-5 761	-7 804
Other administration expenses		-290 928	-300 370	-63 777	-61 435
Total		-1 578 501	-1 592 180	-198 744	-210 690

Details of other Comprehensive consolidated income items

	Allocation		Adjustments from reclassifications to Income Statement		Other changes		Total changes		Income tax		Balance	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Currency translation reserve	-174	-48 631				-4 110	-174	-52 741			-56 772	-56 598
Gain or loss from financial assets available for sale	-758 336	-162 902	136 887	186 939			-621 449	24 037	286 897	97 173	-677 262	-55 813
Gain or loss on cash flow hedging instruments	-12 153	-16 524					-12 153	-16 524	5 135	6 318	-36 348	-24 195
Gain or loss on a net foreign investment hedge							0	0			0	0
Change in net equity of holdings	-3 990	-1 208					-3 990	-1 208			372	4 362
Change in revaluation reserve of intangible assets							0	0			0	0
Change in revaluation reserve of tangible assets		-8 763					0	-8 763		974	0	0
Income/(charges) on non-current assets or disposal group classified as held for sale						675	0	675			0	0
Actuarial gains and losses and adjustments to employee defined benefit plans	-7 254	-2 511					-7 254	-2 511	3 812	532	-19 229	-11 975
Other	-18	-7 172					-18	-7 172			45 191	45 209
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	-781 925	-247 711	136 887	186 939	0	-3 435	-645 038	-64 207	295 844	104 997	-744 048	-99 010

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
Financial assets available for sale		16 510 927	19 229 332	739 565	867 464	214 388	76 560	17 464 880	20 173 356
Financial assets at fair value through profit & loss	Financial assets held for trading	22 453	30 207	31 181	50 445			53 634	80 652
	Financial assets at fair value through profit & loss	20 331	23 509	8 952 699	8 635 903			8 973 030	8 659 412
Total		16 553 711	19 283 048	9 723 445	9 553 812	214 388	76 560	26 491 544	28 913 420
Financial liabilities at fair value through profit & loss	Financial liabilities held for trading			7 855	2 843			7 855	2 843
	Financial liabilities at fair value through profit & loss			1 296 031	1 644 092			1 296 031	1 644 092
Total		0	0	1 303 886	1 646 935	0	0	1 303 886	1 646 935

Details of Level 3 financial assets and liabilities

	Financial assets			Financial liabilities at fair value through profit & loss	
	Financial assets available for sale	Financial assets at fair value through the profit & loss			
		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	76 560				
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	94 388				
Transfers to other levels					
Other changes	43 440				
Closing balance	214 388	0	0	0	0

Details of Level 3 financial assets and liabilities

				Financial liabilities at fair value through profit & loss	
	AFS Financial assets	Financial assets			
		Financial assets at fair value through the profit & loss			Financial liabilities at fair value through profit & loss
		Financial assets held for trading	Financial assets designated at fair value through profit & loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit & loss
Opening balance	76,560				
Purchases/Issues					
Sales/Re-purchase					
Reimbursements					
Profit or loss recorded to income statement					
Profit or loss recorded to other comprehensive income					
Transfer to level 3	94,388				
Transfers to other levels					
Other changes	43,440				
Closing balance	214,388	0	0	0	0