2011 Annual Report

MILANO ASSICURAZIONI S.p.A.
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Share Capital Euro 373,682,600.42 fully paid-in – Milan Company Registration Office, Tax and VAT Number 00957670151 - Company authorised to exercise insurance activities (art. 65 R.D.L. 29-4-1923 n. 966) – Registered at Section I of the ISVAP Company Role at number 1.00010
Company belonging to the Fondiaria-SAI Group, recorded in the Insurance Group Register at No. 030 – Direction and Co-ordination of FONDIARIA-SAI S.p.A.

5 YEAR OVERVIEW - PARENT COMPANY

(Euro thousands)

	2007	%	2008	%	2009	%	2010	%	2011	%
TOTAL PREMIUMS										
MOTOR TPL	1,860,973	59.47	1,987,705	57.65	1,920,593	58.14	1,923,286	57.90	1,880,617	60.95
OTHER NON-LIFE DIVISION	771,647	24.66	905,147	26.25	901,337	27.28	885,898	26.67	817,117	26.48
LIFE DIVISION	496,564	15.87	555,079	16.10	481,597	14.58	512,070	15.42	387,802	12.57
TOTAL	**3,129,184**	**100.00**	**3,447,931**	**100.00**	**3,303,527**	**100.00**	**3,321,254**	**100.00**	**3,085,536**	**100.00**
CLAIMS PAID ***and related charges***	**2,678,222**		**3,439,871**		**2,847,460**		**2,970,665**		**2,853,391**	
GROSS TECHNICAL RESERVES										
PREMIUM RESERVE	944,673		1,090,903		1,087,097		1,088,057		1,045,040	
CLAIMS RESERVE	3,333,996		3,551,218		3,677,225		3,768,586		4,070,807	
OTHER NON-LIFE TECHNICAL RESERVES	11,217		13,257		14,267		15,588		16,750	
LIFE TECHNICAL RESERVES	3,982,725		3,822,212		3,836,609		3,846,557		3,594,732	
TOTAL	**8,272,611**		**8,477,590**		**8,615,198**		**8,718,788**		**8,727,329**	
TECHNICAL RESERVES/PREMIUMS	**264.37%**		**245.87%**		**260.79%**		**262.51%**		**282.85%**	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	1,537,089		2,029,168		1,963,734		1,923,941		1,761,020	
NET PROFIT/LOSS	224,716		15,389		13,331		-512,679		-783,309	
TOTAL	**1,761,805**		**2,044,557**		**1,977,065**		**1,411,262**		**977,711**	
INVESTMENTS										
PROPERTY	505,250	5.45	524,405	5.63	715,180	7.55	711,984	7.83	650,312	7.49
SECURITIES AND DEPOSITS	8,327,553	89.90	8,284,297	89.00	8,247,120	87.11	7,896,141	86.89	7,408,718	85.29
LOANS	54,759	0.59	61,211	0.66	43,341	0.46	27,535	0.30	23,935	0.28
DEPOSITS AT REINSURERS	3,010	0.03	2,651	0.03	2,222	0.02	2,488	0.03	2,078	0.02
DEPOSITS AT CREDIT INSTITUTIONS	119,057	1.29	158,379	1.70	176,007	1.86	209,463	2.30	411,204	4.73
CLASS D INVESTMENTS	253,662	2.74	277,725	2.98	283,349	2.99	239,949	2.64	189,802	2.19
TOTAL	**9,263,291**	**100.00**	**9,308,668**	**100.00**	**9,467,219**	**100.00**	**9,087,560**	**100.00**	**8,686,049**	**100.00**
EMPLOYEE NUMBERS	**1,541**		**1,709**		**1,677**		**1,597**		**1,501**	

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SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

BOARD OF DIRECTORS

Salvatore **Ligresti**	*Honorary Chairman*
Angelo **Casò** *	*Chairman*
Gioacchino Paolo **Ligresti** *	*Vice Chairman*
Emanuele **Erbetta** *	*Chief Executive Officer - General Manager*
Umberto **Bocchino** *	
Maurizio Carlo **Burnengo** *	
Barbara **De Marchi**	
Maurizio **Di Maio**	
Mariano **Frey**	
Giuseppe **Lazzaroni**	
Jonella **Ligresti**	
Davide **Maggi**	
Nicola **Miglietta**	
Aldo **Milanese**	
Massimo **Pini** *	
Salvatore **Rubino**	
Simone **Tabacci**	
Alessandra **Talarico**	
Antonio **Talarico** *	

(*) Members of the Executive Committee

Fausto **Rapisarda**	*Secretary of the Board and the Executive Committee*

BOARD OF STATUTORY AUDITORS

Giovanni **Ossola**
Chairman

Maria Luisa Mosconi
Statutory Auditor

Alessandro **Rayneri**
Statutory Auditor

Giuseppe **Aldè**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Michela **Zeme**
Alternate Auditor

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.P.A.

GENERAL MANAGEMENT

Emanuele **Erbetta**

EXECUTIVE RESPONSIBLE
for the preparation of the corporate accounting documents

Massimo **Dalfelli**

- The Shareholders' Meeting of the company of April 27, 2011 appointed the Board of Directors and the Board of Statutory Auditors for the three year period 2011-2013. The Board of Directors' meeting after the Shareholders' Meeting, appointed Mr. Angelo Casò as Chairman, Mr. Gioacchino Paolo Ligresti as Vice Chairman and Mr. Emanuele Erbetta as Chief Executive Officer. Mr. Erbetta continues as General Manager.

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

- The Chairman, Vice Chairman and Chief Executive Officer, in accordance with Article 20 of the By-Laws have the power of legal representation of the Company. The Chief Executive Officer Mr. Emanuele Erbetta is devolved all ordinary and extraordinary powers, with all related faculties, 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 shareholdings;
  - obtaining of loans above Euro 50 million for each operation;
  - provision of non-insurance guarantees in favour of third parties;
  - signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

  The Chief Executive Officer reports to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to extraordinary operations or those with related parties (where not reserved to the Board) and, in general, on the most significant operations.

  The Executive Committee has all the powers not 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.
The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

- The Board of Directors and the Board of Statutory Auditors will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2013.

- The executive directors and, among the non-executive directors, those considered independent are indicated in a further section of the present document.

CALL NOTICE OF THE SHAREHOLDERS´ AGM

Those with the right to attend and vote are called to the ordinary shareholders' meeting scheduled for April 23, 2012 at 11.30 AM in Milan, Viale Don Luigi Sturzo No. 45 at the Atahotel Executive in first call and, if necessary, in second call on April 24, 2012, at the same time and place to discuss and vote upon the following

Agenda

1. Financial statements at December 31, 2011. Board of Directors' Report on Operations. Report of the Board of Statutory Auditors and Independent Auditors' Report. Resolutions thereon.
2. Resolutions concerning the composition of the Board of Directors following the resignation of Ms. Giulia Maria Ligresti.
3. Proposal for the appointment of the audit for the years 2012-2020.
4. Remuneration policies in accordance with Article 123-*ter* of the Consolidated Finance Act and Article 6 of ISVAP Regulation No. 39/2011. Resolutions thereon
5. Resolution relating to treasury shares in accordance with articles 2357 and 2357-ter of the Civil Code.
6. Resolutions on the shares of the direct parent company FONDIARIA-SAI S.p.A. pursuant to Article 2359-*bis* of the Civil Code.
7. Resolutions on the shares of the indirect parent company Premafin Finanziaria S.p.A pursuant to Article 2359 of the Civil Code.

Attendance and representation at the shareholders' meeting

In accordance with Article 9 of the By-Laws, those who based on the communication sent to the company from a properly appointed "intermediary" in accordance with the applicable regulation and in accordance with the accounting records by the end of the 7th trading day (so-called "record date") before the date fixed for the shareholders' meeting in first call (therefore April 12, 2012) have the right to attend and vote at the shareholders' meeting.

Debits and credits to the relevant accounts subsequent to this date do not affect the right to vote at the Shareholders' Meeting.

The communication of the intermediary must be received by the Company by the end of the third trading day before the date fixed for the Shareholders' Meeting in first call (therefore, by April 18, 2012). The right to attend and vote at the Shareholders' AGM remains valid if the communication is sent to the Company outside the above-stated time period, although by the beginning of the Shareholders' AGM.

It is recalled that holders of Milano Assicurazioni S.p.A. shares, not within the Monte Titoli S.p.A. system, that exercise the rights relating to these securities may exclusively delivery these certificates to an intermediary for the input into the management system.

Those with such right may be represented at the shareholders' meeting through written proxy in accordance with the legal provisions, through utilising the proxy form available on the internet site of the company "www.milass.it".

Proxy may be notified to the Company through sending a registered letter to the Shareholders' Office of the Company at the following address:
Milano Assicurazioni S.p.A.
Corporate Secretariat Office
Via Lorenzo il Magnifico, 1
50129 FIRENZE,
or through electronic notification to the certified email address "gruppofondiaria-sai@legalmail.it".
Proxy may be conferred, with voting instructions, to the Trust Company "SPAFID" S.p.A., appointed by the Company in accordance with Article 135-*undecies* of the CFA, on condition that such is sent to the appointed company through registered post to the residence of the appointed person in Milan, Foro Buonaparte No. 10, by the second trading day before the date fixed for the shareholders' meeting in first call (therefore April 19, 2012). Any proxy granted to SPAFID is valid only for the proposals on which voting instructions are provided. Proxies and voting instructions are revocable in accordance with the terms above (or rather by April 19, 2012). A proxy form is available on the internet site of the Company www.fondiaria-sai.it. Voting may not take place through correspondence or electronic means.

Questions on matters on the agenda
Those with such a right may submit questions concerning matters on the agenda also before the shareholders' meeting, however by the end of the 2nd trading day preceding the date fixed for the shareholders' meeting in first call (therefore April 19, 2012), through registered letter to the Shareholders' Office of the Company, at the address stated above, or through certified email to the e-mail address "gruppofondiaria-sai@legalmail.it", accompanied by the certification of the intermediary declaring share ownership; the certification is however not necessary in the case in which the communication of the intermediary necessary for attendance at the shareholders' meeting is sent.
For the questions sent before the Shareholders' Meeting, response will be given at the meeting itself, with the faculty of the Company to provide a single response to questions with similar content.

Right to request supplementation of the Agenda
In accordance with Article 126 *bis* of Legs. Decree 58/98, Shareholders who represent, even jointly, at least one-fortieth of the share capital with voting rights may request, within ten days of the publication of the present notice, a supplementation to the matters on the agenda. Questions may be submitted in writing through registered letter to the Shareholders' Office of the Company, at the address indicated above, or through certified e-mail to "gruppofondiaria-sai@legalmail.it", accompanied by the certification of the intermediary declaring ownership of the number of shares necessary to present such requests, on the condition that such is sent to the Company within the time limit stated above; within the same time period and in the same manner a report on the proposed matters must be presented by the proposers. In relation to any supplementation to the matters on the agenda that the Shareholders' Meeting must consider following the above stated requests, notice is provided, in the same manner established for the publication of the call notice, at least fifteen days before the date fixed for the Shareholders' Meeting in first call. At the same time of publication of the supplementation notice, in the same manner established for the documentation relating to the Shareholders' Meeting, the report prepared by requesting Shareholders, accompanied by any evaluations of the Board of Directors, will be made available to the public.

Supplementation is not permitted for matters on which the Shareholders' Meeting will vote, in accordance with law, on proposals of the directors or concerning projects or reports other than those prepared in accordance with Art.125.b, paragraph 1, of the CFA.

Composition of the share capital

The share capital subscribed and paid-in of the Company, amounting to Euro 373,682,600.42, consists of 1,842,334,571 ordinary shares without nominal value and 102,466,271 savings shares without nominal value.

At the current date the total number of shares with voting rights, excluding the treasury shares and those held by subsidiary companies, amounts to 1,835,569,711 ordinary shares.

Appointment of the Board of Directors (agenda point No. 2)

Per quanto riguarda il punto n. With reference to point 2 on the agenda, in accordance with Article 12 of the Company By-Laws, the resolutions on the composition of the Board of Directors will be taken by the majority by law without the application of voting by slates.

Documentation relating to the agenda and publication of the present notice

The documentation relating to the agenda is available in accordance with the provisions required by law and on the internet site of the company "www.milass.it". Specifically, the following documents will be made available: (i) Directors' Report on points 2, 3, 5, 6 and 7 of the agenda, at least 30 days before the date of the shareholders' meeting in first call, in accordance with Article 125-*ter* of the CFA and Articles 73 and 84-*ter* of the Issuers' Regulations; (ii) the report on point 4 of the agenda at least 21 days before the date of the Shareholders' Meeting in first call, in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulations; (iii) the financial report and other documents pursuant to Article 154-*ter* of the CFA, at least 21 days before the date of the shareholders' meeting in first call.

Publication of the present notice

The present call notice is published, in accordance with Article 125-*bis* of the CFA and in accordance with Article 9 of the By-Laws, on the internet site of the Company www.milass.it, in the newspaper Il Sole 24 Ore and in the Official Gazette of the Italian Republic.

For the Board of Directors
The Chairman
(Angelo Casò)

2011 DIRECTORS' REPORT

Operational Performance

Dear Shareholders,

In 2011, a loss of Euro 783.3 million was recorded (loss of Euro 512.7 million in 2010). The year was significantly impacted by non-recurring extraordinary items and not related to the current industrial management performance - which confirms a turnaround.

The factors in 2011 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 direct technical loss of Euro 324 million (loss of Euro 272.1 million in 2010) due to an adjustment of Euro 308 million of the prior year claims reserves undertaken on the refinement of the statistical-actuarial models based on a historical series of claims and also taking into account regulatory and legislative amendments during the year.
  The current operational result was however positive, which reports a drop in reported claims (-17.4%) and an improvement in the claims/premiums ratio to 72.2% (78% in 2010).
  The General TPL class also reported a loss (technical loss of Euro 126.3 million compared to a loss of Euro 88.9 million in 2010), due to the high level of the current claims/premiums ratio which however reports an improvement on the previous year, and the strengthening of the prior year claims reserves;

- The asset and financial management was impacted by even greater impairments to shares and holdings than the previous year, with total net charges of Euro 394.2 million (net charges of Euro 43.5 million in 2010). In particular:
    - investment income amounts to Euro 245.3 million, compared to Euro 254.9 million in 2010 (-3.8%);
    - net impairments amount to Euro 614.5 million (Euro 433.7 million in the previous year) and relate to equity investments for Euro 405.8 million (of which Euro 154.4 million refers to investments in group companies), bond securities and investment funds for Euro 131.1 million, property for Euro 78.5 million and the write-back of other financial investments for Euro 0.9 million;
    - net income to be realised on investments amount to Euro 41.5 million (Euro 59.1 million in 2010), of which Euro 4.6 million relating to the trading of equity securities while Euro 36.9 million relates to bond securities and other financial instruments;
    - investments relating to policies with risks borne by the policyholder recorded net charges of Euro 1.1 million (net income of Euro 15.9 million in 2010) due to the poor performance of the financial markets during the year;
    - losses realised on non-current investments generated net charges of Euro 65.4 million, principally due to the Euro 70 million loss following the sale of option rights relating to the share capital increase of the parent company Fondiaria - Sai. Pursuant to Article 2359 *quinquies* of the civil code, which prohibits a company subscribing to shares of the parent company, Milano Assicurazioni sold 9,982,557 rights options held on the market. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 7.72, obtained applying to the book value of the shares the impairment factors relating to the share capital increase of Fondiaria-Sai. In the previous year net income on the sale of non-current investments amounted to Euro 60.3 million, of which Euro 49.9 million concerning the gain on the sale of the building located in Milan, Via Cordusio No.2;

- The implementation of the cost containment policy resulted in a 6.6% decrease in **other administration expenses** to Euro 89.1 million (Euro 95.3 million in 2010);

- 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. Personnel expenses amounted to Euro 110.8 million, compared to Euro 114.9 million in 2010 (-3.5%).

The key figures in the 2011 income statement of Milano Assicurazioni compared to the previous year are shown below:

(in Euro thousands)

Financial Highlights	2011	2010
Result of life technical account	**-57.565**	**- 50.475**
Direct Business Non-Life Technical Balance:		
- Motor TPL	-324.036	- 272.090
- Other Non-Life Classes	-11.296	- 14.371
Total direct premiums	**-335.332**	**- 286.461**
Outward reinsurance and indirect business	-36.437	- 31.699
Non-Life Technical Balance	**-371.769**	**- 318.160**
Change in the equalisation reserves	-1.507	- 1.549
Profit attributed to the non life technical account	-	-
Result of non-life technical account	**-373.276**	**- 319.709**
Total technical management result	**-430.841**	**- 370.184**
Investment income	245.350	254.922
Adjustments to investment values, net of write-backs	-614.543	- 433.712
Net profit on sale of investments	41.453	59.131
Income/(charges) relating to investments with risk borne by policyholders	-1.089	15.916
Less: profits assigned to technical accounts	-29.751	- 68.792
Quota of goodwill amortised	-16.322	- 18.902
Other income, net of other charges	-59.140	- 98.478
Result from ordinary activities	**-864.883**	**- 660.099**
Profits/(losses) from sale of non-current investments	-65.379	60.271
Other extraordinary income and charges	-9.428	- 4.613
Loss before taxes	**-939.690**	**- 604.441**
Income taxes	156.381	91.762
Net loss for the year	**-783.309**	**- 512.679**

Insurance Business

Premiums and accessories

The restructuring actions which continued during the year resulted in total premiums written of Euro 3,085.5 million, a drop of 7.1% on 2010.

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%) and Euro 387.7 million in the Life Division, recording a contraction 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 1,608.7 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, however partially offset by the increase in the average policy premium due to recent price rises. The premium performance is considered in the wider economic context which 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 particularly 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 808.4 million, a decrease of 7.6% on the previous year. The sector also continues to be affected by the economic crisis, which on the one hand curtails the need for corporate insurance coverage and on the other limits the resources available for underwriting retail coverage.
Premiums have benefitted from the initiatives taken to recover profitability which has resulted in the closure of agencies with poor performances, the discontinuation of individual multi-risk contracts and a reduction in the exposure to corporate risks, particularly in relation to public companies and bodies, historically reporting an unsatisfactory technical performance. The near total reduction of aeronautical premiums of the Sasa division follows the non-renewal of the civil protection contract and the discontinuation of new business acquisition.
The current underwriting policy, which focuses particularly on profitability, has established the need to stringently apply correct technical parameters and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.

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. This shift is in line with the objectives to increase profitability from the Agency networks.

In relation to indirect business, premiums amounted to Euro 38.7 million compared to Euro 30.6 million written in 2010. The increase relates principally to increased Motor TPL premiums from the subsidiaries Systema and Dialogo. The premiums accepted by other companies remain limited following the decision taken in the past to terminate the underwriting in the inward reinsurance market.

The details of premiums written by class compared to the previous year are shown in the table below.

Premiums and Accessories	**2011**	**2010**	**Change %**	**Distribution**	
	in Euro thousands			**2011**	**2010**
DIRECT PREMIUMS					
NON-LIFE DIVISION					
Accident	161.500	172.807	-6,54	5,23	5,20
Health	50.583	55.763	-9,29	1,64	1,68
Railway	0	0,00	0,00	0,00	0,00
Aviation	846	12.244	-93,09	0,03	0,37
Maritime	2.995	4.010	-25,31	0,10	0,12
Goods in transit	3.342	3.361	-0,57	0,11	0,10
Fire and natural elements	165.118	175.938	-6,15	5,35	5,30
Other damage to property	149.210	153.986	-3,10	4,84	4,64
Aviation TPL	848	3.630	-76,64	0,03	0,11
Maritime TPL	3.766	3.684	2,23	0,12	0,11
General TPL	196.734	215.009	-8,50	6,38	6,47
Credit	0	2	-100,00	0,00	0,00
Bonds	31.195	31.710	-1,62	1,01	0,95
General pecuniary losses	7.189	9.281	-22,54	0,23	0,28
Legal protection	6.159	6.944	-11,30	0,20	0,21
Assistance	28.913	27.005	7,07	0,94	0,81
Total Non-Life Division – excluding the Motor division	**808.398**	**875.374**	**-7,65**	**26,20**	**26,36**
Land Motor TPL	1.608.656	1.633.672	-1,53	52,14	49,19
Land vehicles	242.097	269.576	-10,19	7,85	8,12
Total Division – Motor	**1.850.753**	**1.903.248**	**-2,76**	**59,98**	**57,31**
Total Non-Life Division	**2.659.151**	**2.778.622**	**-4,30**	**86,18**	**83,67**
LIFE DIVISION					
Insurance on human life expectancy	331.681	416.533	-20,37	10,75	12,54
Insurance relating to investment funds and market indices	6.277	3.882	61,70	0,20	0,12
Health Insurance	98	52	88,46	0,00	0,00
Securitisation operations	45.206	86.702	-47,86	1,47	2,63
Management operations of Pension Funds	4.415	4.899	-9,88	0,14	0,15
Total Life Division	**387.677**	**512.068**	**-24,29**	**12,56**	**15,41**
Total Direct Business	**3.046.828**	**3.290.690**	**-7,41**	**98,75**	**99,08**
INDIRECT PREMIUMS					
NON-LIFE DIVISION	38.583	30.562	26,25	1,25	0,92
LIFE DIVISION	125	2	6.150,00	0,00	0,00
Total indirect premiums	**38.708**	**30.564**	**26,65**	**1,25**	**0,92**
TOTAL	**3.085.536**	**3.321.254**	**-7,10**	**100,00**	**100,00**

Technical results

Non-Life Division

The technical account of the Non-Life Classes recorded 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 principally due to the revaluation of prior year claims reserves in the Motor TPL and General TPL classes, while the current year management reports good results with a fall in claims reported (-14.4% overall and -17.4% in the Motor TPL class).
The details by class compared to the previous year are shown in the table below.

	2011	2010	Change 2011 /2010
Accident	35.794	40.864	-5.070
Health	2.054	- 4.624	6.678
Aviation	7.151	3.124	4.027
Maritime	150	- 482	632
Goods in transit	-334	1.542	-1.876
Fire and natural elements	22.044	4.811	17.233
Other damage to property	-10.074	- 6.524.	-3.550
Aviation TPL	1.566	1.402	164
Maritime TPL	-427	- 4.359	3.932
General TPL	-126.295	- 88.893	-37.402
Credit	-136	- 87	-49
Bonds	7.298	3.586	3.712
General pecuniary losses	-3.496	- 4.824	1.328
Legal protection	4.295	3.869	426
Assistance	9.994	9.421	573
Total Non-Life Division – excluding Motor division	**-50.416**	**- 41.174**	**-9.242**
Land Motor TPL	-324.036	- 272.090	-51.946
Land vehicles	39.121	26.803	12.318
Total Motor division	**-284.915**	**- 245.287**	**-39.628**
Total gross direct business	**-335.331**	**- 286.461**	**-48.870**
Business ceded	**-32.296**	**- 30.128**	**-2.168**
Total direct business retained	**-367.627**	**- 316.589**	**-51.038**
Indirect business	**-4.141**	**- 1.571**	**-2.570**
Total retained direct and indirect business	**-371.768**	**- 318.160**	**-53.608**

Comments on the performance of the individual classes are reported below. The number of claims reported includes, for the quota of the year, also the claims on co-insurance policies.

Land Motor TPL

Premiums Euro 1,608.7 million (-1.53%)
Claims reported 298,135 (-17.4%)

The contraction in premiums written is due on the one hand to the reform of the multi-risk portfolio and on the other the regulatory changes which have significantly impacted the bonus/malus system in its function to adjust premiums to contract risk, through applying the bonus/malus at family level and also applying malus only in the case of principal responsibility.
Revenues continued to be impacted by the sharp drop in vehicle registrations during the year caused by the depressed economy and the continual increase in motor related costs, such as fuel and toll charges.

The decrease in volumes was partially offset by an increase in the average policy premium due to the reduction in discounts, in particular in relation to fleet policies and the review of tariffs. An initial action was introduced in January with the objective of recovering profitability while at the same time protecting the existing portfolio. The impact deriving from the recent regulatory changes and the need to reduce the tariff mutuality based on the effective client risk was considered.
In September, a further tariff change was implemented which, without increasing the average premium, is part of a strategy of decisively improving the quality of the portfolio through greater competitiveness in guarantees offered throughout the country.

With the objective to implement a more competitive and less mutual tariff structuring, the revision of the technical-commercial policies relating to fleet agreements continued, in order to reduce the level of the fleet portfolio and redistribute the agency discounts based on more stringent technical criteria.

Significant efforts have been taken to combat fraud through the antifraud department within the Fondiaria-Sai group, now operating throughout the entire country. This structure, also 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 policies adopted resulted in a strong current year management and in particular a significant drop in claims reported (-17.4%), and a reduction in frequency (-0.9 percentage points) and consequently an improvement in the claims/premiums ratio from 78% in 2010 to 72.2%.

The overall technical result was however impacted by prior year claims reserves following the revaluation of the claims reserves managed for approx. Euro 310 million, after the completion of the refinement of the actuarial-statistical models based on the principal parameters of the claims portfolio historical data, also 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.

At December 31, 2011, the claims reported by our policyholders within the CARD compensation regime amounted to 207,142, of which 167,458 were fully paid. The settlement speed in the current year, net of the claims not accepted, was 80.8% (82.1% in 2010), while for prior year claims the amount was 73.5% (77.9% in 2010).
The reported claims accepted with follow up through the clearing house with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (CARD debtor) amounted to 190,025 - of which 147,996 gave rise to the full payment of the indemnity and 42,029 resulted in the recording of a reserve.

Relating to the claims not within the CARD regime (prevalently relating to claims with more than two vehicles involved or with bodily damage above 9%), the settlement speed in 2011 was 56.1% (56.5% in 2010), while previous year claims amounted to 53.6% (54.8% in 2010).

Overall, the claims for the current year amount to Euro 1,175.8 million, compared to Euro 1,274.3 million in 2010. The ratio of claims to premiums for the current year, as previously reported, is 72.2 % compared to 78% recorded in 2010.

The claims for which our policyholders were civilly responsible (claims not included under direct indemnity and card debtor claims), still open at December 31, 2011 and the relative percentages on the claims reported are shown in the table below:

Generation	Claims Reported	Number of claims open	% on reported claims
2003	453.234	976	0,22
2004	454.165	1.299	0,29
2005	465.381	2.272	0,49
2006	464.359	3.920	0,84
2007	443.740	4.340	0,98
2008	397.493	8.208	2,06
2009	386.731	14.435	3,73
2010	360.890	20.804	5,76
2011	298.135	62.211	20,87

(total number of other delegations and expressed as share of co-insurance)

Land vehicles

Premiums Euro 242.1 million (-10.2%)
Claims reported 108,273 (-12.5%)

The contraction in premiums written is due to the difficult economic environment which limits household disposable income with a consequent reduction in accessory guarantees to motor policies and the weakness of the car market which in 2011 again saw a significant decrease in new car registrations (approx. -11% on 2010).
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. The review of the portfolio - particularly focused on the fleet policies with poor performances – also impacted the result.

The technical performance was positive 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.

Other Non-Life Classes

Accident

Premiums Euro 161.5 million (-6.5%)
Claims reported 29,601 (-14.0%)

The technical performance continues to report a strong balance due to the good performance of the claims reported and of previous years' claims already reserved.
During the year the activity continued in relation to the implementation of the provisions of ISVAP regulation No. 35. The products catalogue was completed and, in the second part of the year, a specific communication was prepared for the agency networks which govern underwriting procedures and relative autonomy.
The new procedure for the utilisation of the price list, based on the company intranet, entirely replaces the previous method, which largely utilised printed procedures, thereby guaranteeing control at the source of the technical content, and at the same time providing the possibility of quick and effective intervention in the case of necessary modifications.
During the year, the underwriting expertise was reviewed, both with reference to the territorial offices and central head office. The actions continued related to compliance with the provisions established by Law 136 of 2010 in terms of traceability on financial flows relating to contracts for public works, supply and services in view of the interpretative and implementation provisions issued on the matter.

Health

Premiums Euro 50.6 million (-9.3%)
Claims reported 43,464 (-16.7%)

The particularly prudent underwriting policy resulted in a positive technical balance within a difficult market segment, although resulting in a decrease in the portfolio - more marked for the SASA division.
Specifically, the claims/premiums ratio was approx. 64%, a significant reduction on 83% in 2010 due to the good performance of claims reported and settlements of prior year claims already approved.

Aviation

Premiums Euro 0.8 million (-93.1%)
Claims reported 46 (+109.1%)

The significant reduction in premiums relates to the aeronautical risks of the Sasa division and in particular the non-renewal of the civil protection contract and the discontinuation of new business acquisition. The technical balance of the direct premiums written was very positive. However the strong recourse to reinsurance, typical of a class with high exposure in terms of capital insured, significantly reduced the technical profit of the portfolio retained.

Maritime

Premiums Euro 3 million (-25.3%)
Claims reported 217 (-8.4%)

Premiums principally relate to the pleasure boat sector and were acquired under a stringent underwriting policy. Policies were substantially reserved for clients which have enjoyed a relationship with the company over a number of years. The reduction in premiums, in addition to the selection of risks, is due to the pleasure boat sector, which continues to report weak insurance business in 2012.
The technical result was positive, following a loss in 2010.

Goods in transit

Premiums Euro 3.3 million (-0.6%)
Claims reported 397 (5%)

Premiums written remain stable on 2010, within a difficult and uncertain economic environment reducing insurance demand, impacting the growth prospects of the portfolio.
The technical performance of the contracts acquired in the year was positive, with a claims/premiums ratio improving on 2010 also due to the further drop in claims from theft and robbery in the goods in transit sector. The overall technical balance of the class was impacted by the claims of previous years, which resulted in a loss of Euro 0.3 million on direct premiums written.

Fire and natural elements

Premiums Euro 165.1 million (-6.15%)
Claims reported 25,142 (-26.2%)

The technical balance was particularly strong, due both to the good performance of claims reported which resulted in a reduction in the claims/premiums ratio for the current year and the positive impact from the settlement of prior year claims, already reserved.
The difficult economic environment impacts the development of the portfolio: there was a strong decrease of premiums in the retail sector against stable premiums in the corporate sector and an increase of premiums from public bodies, which report an improvement in the technical performance.
During the year the new product catalogue was completed, also in light of the provisions introduced by ISVAP Regulation No. 35, and a specific communication was prepared for the agency networks to govern the underwriting criteria and the autonomy to manage the products.
Similarly for the accident class products, the new method for utilisation is through the company intranet, which guarantees control over the source of the technical contents and allows the possibility of group head office to intervene rapidly and efficiently to support the agency networks in the case of the need to modify underwriting conditions.

Other damage to property

Premiums Euro 149.2 million (-3.1%)
Claims reported 58,905 (-5.2%)

A technical loss was reported following high levels of current year claims, while the settlement of previous year claims had a positive impact. In particular, the **theft sector** had a particularly large claim in the banking sector.

The **Hailstorm Sector** recorded a decrease in premiums of 3%. Despite the consistent and widespread hailstorms during the year, the result remained positive with a claims/premiums ratio of 69%, an increase on the previous year but significantly better than the overall market (107%).

General TPL Class
Premiums Euro 196.7 million (-8.5%)
Claims reported 42,726 (-10.4%)

The negative technical performance is due to the high level of current year claims, 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.
The contraction of premiums written relates to the corporate and public entity sector where restructuring initiatives of the portfolio have been in place for some time through cancelation of contracts with negative performances. In particular, with reference to the public health sector, after the decision in recent years to abstain from underwriting new coverage and limiting underwriting to recovery of profitability on contracts still in the portfolio, the complete exit from the segment was inevitable.

Bonds Class
Premiums Euro 31.2 million (-1.6%)
Claims reported 604 (-8.1%)

In view of the difficult economic climate, worsened by the sovereign debt tensions of some countries in the Eurozone and by a significant decrease in the capacity of the banking institutions to provide credit to businesses, the Company, which has always adopted a strict underwriting policy in the Bonds class, considered it necessary to adopt further prudency in the selection of the types of risks, undertaking even further detailed analysis on the financial positions of the contracting businesses.
Considering that stated above, together with the continued stagnation of the Public Works sector in Italy, the principal driver of the Class, contracts overall decreased in the year compared to 2010, resulting in a contraction in premiums written, although mitigated by the policy to increase rates.
In relation to profitability, there was an increase in the claims/premiums ratio of the current year principally due to the increase in serious claims, which was in part offset by a decrease of the frequency.
The significant recovery on policies hit by claims in the previous years however resulted in a lower claims/premiums ratio than the previous year and a largely positive technical balance.
For the year 2012, in the ongoing research of more efficient risk analysis instruments and subscription and monitoring of those risks, the Cerved Decision System was utilised, which produced positive results in the experimental phase begun in the second part of 2011.

General pecuniary losses
Premiums Euro 7.2 million (-22.5%)
Claims reported 1,280 (-19.5%)

The performance of the class was impacted by the risk portfolio underwritten by the network of the Sasa division especially in previous years which, in a still difficult economic environment with significant repercussions for the workplace, reports a negative technical balance. Against this situation, after the closing of contracts with various non profitable financial companies in the previous year, from December 2011 the underwriting of these risks will cease.

Legal protection
Premiums Euro 6.2 million (-11.3%)
Claims reported 521 (-9.2%)

The class reports a particularly positive performance, against a claims/premiums ratio for the current year at very satisfactory levels and savings on the settlement of prior year claims, already recorded to the reserve.

Assistance
Premiums Euro 28.9 million (7.0%)
Claims reported 51,032 (-4.1%)

The premiums written principally refers to guarantees inserted in the motor, health, injury, fire and other property damage contracts, capable of providing more complete insurance cover and of greater interest to the customer. The technical balance continues to be very satisfactory, with a combined ratio of approx. 65%, substantially in line with that recorded in the previous year.

Technical business ceded and reinsurance policy

The premiums ceded in the non-life division amount to Euro 93.6 million compared to Euro 103.9 million in 2010. The percentage on direct premiums did not alter significantly (decreasing from 3.8% to 3.5%).

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.

The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

At the end of 2011, an agreement was signed with the group company The Lawrence Re for the excess cession on some claims of the Motor TPL class. The transaction totalled claims reserves of approx. Euro 60 million at market conditions based on 95% of the value of these reserves, resulting therefore in a charge expensed in the income statement of Euro 3 million, against cash receipts totalling Euro 57 million.

Indirect business

In relation to indirect business, premiums amounted to Euro 38.6 million compared to Euro 30.6 million written in 2010. The increase relates principally to increased Motor TPL premiums from the subsidiaries Systema and Dialogo. The premiums accepted by other companies remain limited following the decision taken in the past to terminate the underwriting in the inward reinsurance market.
The account includes the technical data for the year 2011 relating to the optional business and the contracts accepted from companies of the Group and those for the year 2010 for the other business in that the data relating to the year 2011, partially preliminary, was suspended in the transitory accounts of the balance sheet.
The overall technical balance, net of reinsurance, was a loss of Euro 4.1 million (loss of Euro 1.6 million in 2010) following, principally, the negative performance in the proportional Motor TPL agreements with the subsidiary companies Systema and Dialogo.

New products issued on the market

Retail sector

In January the first action on the **Motor TPL** policy was introduced, with the objective to recover profitability while safeguarding at the same time the existing portfolio. The new tariff considers the impact deriving from the recent regulatory changes and the need to reduce the tariff mutuality based on the effective client risk, further differentiating the tariff based on the age of the driver, geographic area of residence and type of vehicle insured.
In September, a further tariff change was implemented which is part of a strategy of decisively improving the quality of the portfolio through greater competitivity in guarantees offered throughout the country and in particular through a reduction in the prices in geographic areas with positive technical performances.

In relation to the non motor segment, the following new products were launched during the year:

- **Difesa più Infortuni:** The policy protects against any type of injury which may take place in the daily and professional life with particular focus on specific circumstances (such as criminal acts, attacks – particularly in relation to vulnerable parties), providing also the possibility to insure against injuries related to natural disasters. Serious permanent invalidity was particularly protected;

Difesa Più Impresa, targeting artisans and small businesses. The product is particularly flexible and easily adaptable to the specific needs of the business insured, both in relation to the coverage, regrouped into 8 different guarantees, and for the consequent possibility to modulate the size of the premium. It unifies and simplifies the Retail price list, restructuring the risk categories and increasing the TPL underwriting limits and maximum levels;

- **Difesa Più Commercio**, targeting small retail businesses (up to 10 employees) or small enterprises (up to 25 employees). This provides a complete insurance package which protects retail businesses, allowing them to choose between a range of guarantees in protection of company offices, goods, plant and personal injuries.
  It also provides a 24-hour assistance service and the possibility of legal assistance for disputes relating to business activities.

The **Difesa Più Fabbricati Full** product was restyled, with a redrawing of thresholds concerning damage from leakages and a review of the tariffs from the partner **TPL Professional** product, with differentiated levels of guarantees according to the activities undertaken and with the objective of improving the overall technical balance.

As part of the initiatives introduced to recover technical profitability, the restructuring of the Professional and Buildings products were stepped up, with pricing changes implemented in the Hotels, Agricultural and Health sectors while the contractual documents were reviewed to update them in line with Isvap Regulation No.35.

Corporate sector

The restructuring of the Corporate catalogue continued, also in accordance with ISVAP Regulation No. 35.
With the introduction of the new products, increased computerised was introduced, therefore with control of the technical content sources and the possibility to act promptly and securely whenever the need arises.

Life Division

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.

The returns in the year on the principal Separated Managements of the company are shown in the table below:

	2011	**2010**
Viva	3,54%	3,73%
Valuta Viva	4,84%	4,82%
Milass Gest 1 (ex Gepre and Domani Maa)	3,53%	3,72%
Geprecoll	4,23%	4,24%
3 A	3,55%	3,51%
Sasariv	3,42%	3,78%

Individual Insurance

In 2011, Separated Management products comprised over 93% of the total premiums, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment and were again well received by the client base, although at the beginning of the year for the single premium and for some of the recurring premium products the minimum yield was reduced to 1.5%, in line with the contracting overall domestic market. The market denotes a weakness in demand and volumes, especially in the last part of the year. More specifically:

- for the single premium products, although with the continued attention on the important capital maturity segment, new business contracted on the previous year, despite the substantial stability of the OPEN UNICO product, with targetted commercial actions on the distribution networks;
- for the recurring premium products, there was a significant decrease on the previous year;
- for the annual premium products, the premiums relating to new contracts report a contraction, although the OPEN PIU' product reports premiums in line with 2010.

The agency network responded positively to the launch from April of the single premium form and from May of the recurring premium form of the new OPEN DINAMICO product (multi-class 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 equity content managed by a highly professional company) and a Revaluable product linked to the MILASS RE separated management. The product targets clients both through the Relax category (unit-linked portion between 40% and 60% of the investment) and Sprint (portion 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 request of the contracting party;
- subscription to the Balanced Management service.

The DEDICATED policy (Term Life) reports a decrease in new business, with a negative performance which worsened in the final part of the year.

The complementary pension segment, implemented through the Individual Pension Plans, also reported a decrease on the previous year.

The impact of the difficult economic climate is evident on the sales results.

Collective insurance and Pension Funds

In 2011, the corporate segment reported an overall significant 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.

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

Specifically, the pre-existing pension funds reported volumes in line with the previous year, while the Milano Assicurazioni open pension funds report 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 difficult 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 sector reports a small increase in premiums. The results obtained however are not fully in line with the potential of the sector.

Life division reinsurance

The premiums ceded amounted to Euro 10.4 million compared to Euro 10.8 million in the previous year. The reinsurance structure is unchanged, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

External Organisation

At December 31, 2011, there were 1,551 agencies compared to 1,678 at the end of the previous year. In addition, there are Offices at Milan, Turin, Rome, Padova and Pescara.
During the year, 23 new agencies were created and 150 agencies were dissolved.

The table below shows the Agency distribution and the relative average portfolio:

	2011	2010
Milan		
North	793	870
Centre	381	400
South	377	408
Total Agencies	**1.551**	**1.678**
Average Portfolio (Euro thousands)	1.778	1.744

Acquisition Expenses

The acquisition expenses of gross direct premiums amounted to Euro 504.5 million, with a percentage on premiums of 16.6% (15.7% in 2010) and consist of acquisition commissions of Euro 418.7 million (13.7% of premiums written, compared to 12.9% in 2010) and Euro 85.8 million of other acquisition expenses (2.8% of premiums written), unchanged on 2010.
For the Non-Life division, the commissions amounted to Euro 407.9 million and represent 15.3% of premiums written (Euro 413.3 million in 2010, 14.8%) and other expenses amount to Euro 76.8 million (2.8% of premiums)
Commissions in the Life Division amount to Euro 10.8 million and account for 2.7% of premiums written (Euro 11.5 million in 2010, 2.2%) while the other acquisition expenses amount to Euro 8.9 million (2.3% of premiums written). The higher percentage of commission costs is principally due to the change in the mix of the portfolio and, in particular, a lower percentage of securitisation products managed at head office level.

Administration expenses

The other 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 2010, following the cost containment policy undertaken in the year. The percentage on direct premiums was 2.9% (unchanged on 2010).

Personnel costs

At December 31, 2011, total employees numbered 1,501, as shown in the table below in comparison with December 31, 2010:

	2011	2010
Executives	15	22
Insurance white collar workers	1.482	1.571
Building caretakers	4	4
Total	**1.501**	**1.597**

In the year, 14 new hires took place with 110 departures. Salary costs in the year amounted to Euro 110.8 million (Euro 114.9 million in 2010, -3.5%).

Taking into account the reciprocal recharging between the Companies of the Fondiaria-SAI Group, deriving from the allocation of the general organisational costs, the total personnel costs for the company was Euro 123.6 million (Euro 127.2 million in 2010) and attributed to the following income statement accounts:

(Euro thousands)

Charges relating to claims	44.217
Acquisition expenses	41.888
Administration expenses	28.476
Investment management charges	3.038
Other charges	6.025
TOTAL	**123.644**

Asset and Financial Management

2011 saw a slowdown in global economic growth (from 5% in 2010 to approx. 4%) principally due to the worsening of the sovereign debt crisis in the Eurozone and the effects of the devastating earthquake in Japan. This slowdown in global GDP was in fact offset by the sustained development in the emerging economies and in the USA which, although for the moment unable to significantly reduce unemployment levels, has staved off a new recession.

Specifically, 2011 can be divided into two parts: until late autumn all economic indicators indicated a sustained recovery, to the point where in the Eurozone, the ECB, concerned with possible inflation issues, declared itself ready to end the emergency phase of the monetary policy, deciding to increase the Refi Rate from the minimum level of 1% to 1.5%. The other central banks - targeting not only monetary stability but also economic growth - on the other hand maintained extremely low interest rates, consequently resulting in a rise in the Euro against the other principal currencies.

When it was understood that the first Greece aid plan was not sufficient to resolve the sovereign debt problem in the Eurozone, 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 acute phase of the crisis began in the beginning of July with a sudden review of the expectations of the markets which quickly lowered economic growth expectations in the industrialised economies. The lowering of growth expectations provoked further fears on the sustainability of the public debts of the most fragile countries, exacerbating the difficulties introduced by the crisis.

The worsening of the situation in the Eurozone gave a fresh drive - although initially with little coordination and not as quickly as the markets would have liked - to the initiatives of the European Council to halt the contagion, through the strengthening of the instruments for assistance to countries in difficulty (EFSF, Greek debt restructuring, advanced adoption of the ESM, new fiscal control rules at European level with partial reduction of national sovereignty and possibility to take EU decisions by majority without unanimity, in order to speed up the decision process in the more critical phases of the crisis).

The ECB also, and in particular once Draghi took the helm as Governor, has been actively engaged through monetary policy actions such as purchasing large volumes on the secondary market of government bonds under greatest stress in order to offset the cost of financing of the public debt, to assist the restrictive monetary policies put in place by the Governments of such countries. 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.

The central banks also, observing the overall worsening of the economic climate, put on hold attempts in the first part of the year to normalise the monetary policy, putting in place quantitative stimulus programmes. The ECB in particular reduced the official rate from 1.5% to 1% and the Fed 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. The Fed pronounced itself ready, in the event of the US macroeconomic situation worsening, to implement a third Quantitative Easing, while an operation is currently been implemented to further flatten the yield curve (so-called Twist) through the sale of short-term American government bonds and simultaneous purchase of US government securities with residual life above six years. The total amount of the operation is USD 400 billion and will be completed by the first half of 2012.

Bond sector operations

Bond segment management was centred on the containment of potential risks related to the escalation of the Sovereign Debt Crisis.

In the Non-Life sector investment was again focused on Italian government securities, which provide a strong return in terms of profitability, but the percentage of the Non-Life sector was significantly reduced in favour of German Government Securities, considering also 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.
The Variable Government Rate component was however 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 significant volatility of the spread between the core and peripheral countries and the purchases of the ECB, made on a selective basis on certain government maturities, provoked a significant change in the interest rate curve. This enabled, although with the difficulty related to extremely illiquid markets, the opportunity to put in place interesting arbitrages.
The corporate component reduced slightly, with the realisation of profits and the repositioning on more conservative and anti-cyclical sectors, with lower duration and substantially unchanged profitability.
The activity undertaken permitted a significant increase in profitability, with durations substantially unchanged.

Also in the Life sector, activities were focused on the containment of Portfolio risks and on the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook. Therefore, the average duration of the portfolios was reduced, gradually increasing the exposure to money market instruments with much reduced residual life.
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.
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 (Portugal, Ireland, Greece and Spain, the so-called P.I.G.S.) was reduced, benefitting from the improved situation of the stock markets, while the percentage invested in Italian securities remained constant.
In relation to the corporate securities, given the good performance of some Segments and some Issuers, part of the unrealised gains were realised, reinvesting the liquidity in less volatile asset classes.

The management activities consistently considered the Assets Liability Management (ALM) profiles, linking the investment objectives to the policyholders portfolios and integrating existing features into new products.

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 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%). The total duration of the Portfolio is 5.1. In particular, preference was given to investments in Government Securities in the Eurozone which represent 77.6% of the bond portfolio, while the Corporate securities represented 17.3% and the money market instruments 5.1%. The Corporate Securities are, largely, belonging to the “Investment Grade” category.

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 evaporated at the end of the first quarter, following increased fears both of a macroeconomic nature (worsening of the sovereign debt crisis) and of a geopolitical nature (earthquake in Japan and possible consequences from the breakdowns at the nuclear plant of Fukushima). In addition to these significant issues of uncertainty, increasing tensions surrounded the stress tests on the European banking sector.

The second quarter saw a worsening of the tensions both concerning European sovereign debt and the banking sector. While the market was not directly conditioned by the reporting season which in fact was positive (both in relation to growth and profits), it was increasingly concerned by the variables which were at first were only external but are now considered the only issues capable of impacting the trend (peripheral countries/German bund spread, government bond auctions, European political meetings).
To the worsening of these variables, and specifically to the worsening of the European crisis, to the restructuring of the Greek debt, to the increasing evident contradictions between a dominant Germany and the other politically and economically weaker EU countries, the equity market reacted with increasing decisiveness, with the exit of money from stock markets to safe havens or presumed safe havens (gold, Swiss Franc, the bund, US treasury).

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 from 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.

A defensive strategy was therefore adopted in the equity sector with market exposure reduced where possible. Increased stock market volatility permitted short-term trading centred on active trading strategies. At sector level, taking account of the defensive approach, which was previously taken in relation to the asset allocation and considering the uncertainties which were only partially resolved, the more cyclical component of the portfolio was reduced, in favour of potential growth positions and satisfying dividend yields.
Considering the continuation of the period of uncertainty and the fears concerning the Eurozone, in 2012 a defensive strategic approach for the managed portfolios will be maintained.

* * *

The composition of the investments at December 31, 2011 compared to the end of the previous year is shown in the table below:

	2011 *(Euro thousand)*	%	2010 *(Euro thousand)*	%
Land and buildings	650.312	7,9	711.985	8,0
Bonds issued by group companies	99.204	1,2	89.207	1,0
Bonds and other fixed-income securities	5.819.242	70,3	5.697.343	64,2
Shares and holdings in group companies	588.045	7,1	827.229	9,3
Equity investments and minority holdings	332.573	4,0	613.027	6,9
Loans to group companies	-	-	-	-
Loans to policyholders and other loans	23.935	0,3	27.536	0,3
Investment fund units	567.111	6,9	669.279	7,5
Other financial investments	2.545	0,0	56	0,0
Deposits with reinsuring companies	2.078	0,0	2.487	0,0
Total	**8.085.045**	**97,7**	**8.638.149**	**97,3**
Investments where risk is borne by policyholders and those relating to pension fund management	189.802	2,3	239.949	2,7
TOTAL	**8.274.847**	**100,0**	**8.878.098**	**100,0**

The account *Bonds issued by group companies* includes:

- Profit Participating Bonds for Euro 78.6 million, issued by the associated company Garibaldi S.C.A (Euro 64 million) and Isola S.C.A. (Euro 14.6 million).
  Garibaldi S.C.A. is a Luxembourg-registered company involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 15,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
  Isola S.C.A. is a Luxembourg-registered company which through its subsidiaries is involved in the “Porta Nuova Isola” real estate project, promoted and managed by the US group Hines. The area concerned 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.
  The yield of the bonds, with expiry on December 31, 2020, is based on the profits achieved by the issuing companies in relation to the property projects currently under development;
- Bonds issued by the Group company Banca Sai S.p.A. for Euro 20.6 million.

Investments at December 31, 2011 were recorded net of impairments totalling Euro 614.5 million, as reported in the following table:

(Euro thousands)

Land and buildings	-78.472
Bonds and other fixed-income securities	-109.377
Shares and holdings in group companies	-154.432
Equity investments and minority holdings	-251.424
Investment fund units	-21.692
Other financial investments	854
TOTAL	**-614.543**

The adjustments to *Land and Buildings* were made based on updated valuations, prepared by independent experts. The changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years, in particular on non-income generating property and development areas.
The write-downs principally related to the following buildings:

- Rome, Via Fiorentini, for Euro 29,883 thousand;
- Milan, Via Confalonieri - Via de Castillia, for Euro 12.593 thousand;
- Milan, Via Caldera, for Euro 9,200 thousand;
- Milan, Viale Lancetti – Via dell'Aprica, for Euro 9,573 thousand;
- Milan, Via Crespi, for Euro 6,492 thousand;
- Bologna, Via Bassi, for Euro 5,883 thousand;
- Turin, Strada del Drosso, for Euro 2,727 thousand.

The value adjustments on *Bonds and other fixed income securities* relates principally to current securities and were made with reference to stock exchange prices recorded on the last trading day of the year. The account also includes Euro 19.5 million of impairments on non-current securities; of these, Euro 12.4 million relates to two issues by the Greek government whose carrying value was adjusted to stock market prices at the end of the year, in consideration of the economic difficulties in Greece and the restructuring undertaken on its sovereign debt, as described in detail in the notes to the financial statements to which reference should be made.

Also for the impairments relating to *Shares and holdings in Group Companies*, reference is made to the notes.

Impairments relating to *Equity Investments and Minority Holdings* relate to:

- Current securities for Euro 141 million valued with reference to the stock exchange prices recorded on the last trading day of the year;
- Securities recorded as non-current assets for Euro 110.4 million, based on valuations as described in detail in the notes, to which reference should be made.

The recovery in values of *Other Financial Investments* refers to the recognition at current values of derivative hedging contracts.

The average net yields realised during the year, compared with the previous year is shown in the table below. With regard to the yield on shares, bonds and investment funds, these were calculated including the net profits to be realised on the investments recorded under current assets.

	2011 %	**2010** %
Land and buildings	1,4	1,8
Bonds	4,2	4,0
Shares and quotas in mutual investment funds	1,9	3,2
TOTAL	**3,5**	**3,7**

Significant events in the year

Share capital increase of Milano Assicurazioni

During the year the share capital increase approved by the Board of Directors of May 14 and of June 22, 2011 was carried out, in execution of the power conferred by the Extraordinary Shareholders’ Meeting of April 27, 2011. The share capital increase provided for the issue of ordinary and saving shares assigned as rights options to Shareholders as follows:
- 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each;
- 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

During the rights offer period between June 27, 2011 and July 15, 2011 (the “Offer Period”), 542,567,376 option rights were taken up for 1,265,990,544 newly issued Milano Assicurazioni ordinary shares and 29,021,556 option rights for 67,716,964 savings shares, equal to respectively 98.528% of the total of the newly issued ordinary shares and 94.410% of the total of the newly issued savings shares offered, for a total value of Euro 343,783,874.79.

In accordance with underwriting commitments, the shareholders Fondiaria-SAI S.p.A., Fondiaria-SAI Nederland BV, Sai Holding Italia S.p.A., Sainternational S.A., Pronto Assistance S.p.A. and Popolare Vita S.p.A. exercised 350,396,460 option rights for the subscription of 817,591,740 new ordinary shares for a total value of Euro 210,448,113.88.

All 8,103,537 non-exercised ordinary rights options and 1,718,325 non-exercised saving share rights options at the end of the Offer Period were sold on July 20, 2011 during the first session in which the Rights Options were offered on the open market through UniCredit Bank AG, Milan Branch in accordance with Article 2441, third paragraph of the Civil Code. At the end of the Stock Market Offer Period, 18,872,077 newly issued ordinary shares and 4,009,425 newly issued savings shares, respectively equating to 1.469% of the total of the newly issued ordinary shares and 5.590% of the total of the newly issued savings shares offered, for a total value of Euro 5,918,566.48 were subscribed to. Therefore 36,176 newly issued ordinary shares equating to 0.003% of the total of the newly issued ordinary shares, for a total value of Euro 9,311.70, had not been taken up.
These Shares were subscribed to by Credit Suisse, UniCredit Bank Milano, Keefe, Bruyette & Woods Limited, The Royal Bank of Scotland N.V. (London Branch), Banca Akros S.p.A. and Equita SIM S.p.A., in accordance with the guarantee agreements signed on June 22, 2011.

Following the subscription by the guarantee consortium banks, the Share Capital Increase therefore concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

The new share capital of Milano Assicurazioni therefore amounted 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 in a timely manner at the Milan Company Registration Office.

The operation, as stated, resulted in fresh liquidity of Euro 349.7 million, benefitting the solvency margin by approx. 48 percentage points.

Citylife

On August 3, following the conclusion of the application procedure with the granting of the required authorisations by ISVAP and the Anti-trust authority, the holding in Citylife was sold to Generali Properties by Immobiliare Milano S.r.l.. a company wholly-owned by Milano Assicurazioni. The Board of Directors meeting of the parent company Fondiaria-SAI S.p.A. of August 2 approved the operation.

The disposal of the holding comprised 27.2% of the share capital of Citylife. As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.

The final valuation document, prepared by Leonardo & Co. S.p.A. (Arbitrator appointed by the parties), established the following values:

- Euro 109.3 million 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 106.3 million, equal to the Net Book Value of the holding at June 30, 2011.

Based on the agreement, the price of the holding is equal to the higher between the two results and therefore Euro 109.3 million, against a carrying value in the financial statements of Immobiliare Milano of Euro 96.4 million.

Under the agreement, before the closing the liens in place on the Citylife share subject to sale in favour of secured creditors from July 7, 2006 were extinguished.

In addition, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione.

The principal issues of the process which resulted in the closing of August 3 were as follows:

- On June 11, 2010 Immobiliare Milano Assicurazioni S.r.l. and Generali Properties S.p.A. signed an agreement through which, in addition to that established by the shareholder pact concerning the investment in Citylife S.r.l. - signed also by Allianz - Generali Properties granted to Immobiliare Milano Assicurazioni a single irrevocable sales option of the entire holding in Citylife (27.20% of the share capital), at a price as set out below.
  The sales option could be exercised by Immobiliare Milano Assicurazioni S.r.l. until September 30, 2011 and exclusively concerning the entire holding and therefore not comprising a smaller part.
  The transfer of the share subject to exercise of the option was based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.
  As established by the above-stated agreement, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione;

- On March 22, 2011, the Boards of Directors of Immobiliare Milano Assicurazioni S.r.l. and Milano Assicurazioni S.p.A. agreed to commence the process relating to the exercise of the option, based on the approval of the Board of Directors of Fondiaria-Sai;

- Taking account on the one hand of the financial situation of the Company and of the Group following the 2010 loss and on the other of the commitments relating to the project, within also the continually weak economic environment, the Board of Directors of Fondiaria-SAI S.p.A of March 23, 2011 approved the commencement of this process;

- On April 4, Immobiliare Milano Assicurazioni S.r.l. therefore communicated to Generali Properties S.p.A. the exercise of the sales option of the entire holding in CityLife S.r.l. (27.20% of the share capital) under the terms and conditions established by 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.

Treasury shares and shares of the parent company

At December 31, 2011 Milano Assicurazioni S.p.A. held:

- 6,764,860 treasury shares, without nominal value, corresponding to 0.37% of the ordinary share capital post capital increase concluded on July 27, 2011 and previously described in detail. These shares are recorded under current investments and the unitary carrying value was therefore adjusted to the stock market price at December 31 of Euro 0.2285, with a total adjustment of Euro 6.5 million, recorded under *extraordinary charges* in the income statement. Taking account of this adjustment, the investment at December 31 is recorded for the total amount of Euro 1.5 million;

- 9,982,557 ordinary shares of the parent company Fondiaria-Sai S.p.A. of a nominal value of Euro 1, corresponding to 2.72% of the ordinary Fondiaria-Sai S.p.A. share capital following the capital increase concluded on July 27, 2011.
  The following is stated in relation to the investment:
  - during the exercise period of the rights option relating to the above-mentioned share capital increase, Milano Assicurazioni, pursuant to Article 2359 *quinquies* of the civil code, which prohibits a company subscribing to shares of the parent company, sold on the market 9,982,557 rights options held. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 7.72, obtained applying to the book value of the shares the impairment factors relating to the share capital increase of Fondiaria-Sai. The sale resulted in a loss of Euro 70 million;

- following the separation of the value of the rights option, the unitary carrying value of the Fondiaria-Sai share, originally classified in the non-current segment, was reduced from Euro 18.26 to Euro 10.54. On the approval of the half-year report at June 30, 2011, taking into account the investment which was recorded under non-current investments, verifications were made on the carrying value and any permanent loss in value.

  Firstly the share price performance is considered, establishing if a significant long-term reduction in the price has taken place.

  As indicated in the relevant accounting standard (OIC 20) a market capitalisation below the book value of the investment may indicate a possible impairment, but by itself is not sufficient for the recognition of such an impairment if an analysis does not confirm also the long-term nature of the reduced value of the investment.

  Consideration was therefore taken of the valuation of the Fondiaria-Sai share by an independent expert appointed by the indirect parent company Premafin. The valuation was made utilising the Dividend Discount Model method, specifically the Excess Capital model.

  As no updated industrial plan is available, the valuator, for the years 2011-2013 undertook his work based on market information, such as the expectations of analysts and, for the additional two years of forecasts based on his own projections. At the end of his work, the valuator identified an interval of the value of the ordinary Fondiaria-Sai shares between a minimum of Euro 4.98 and a maximum of Euro 6.08 per share.

  In view of the above, the directors considered it appropriate to adjust the carrying value of the Fondiaria-Sai shares to the higher limit of the interval identified by the valuator (Euro 6.08);
- on December 20, 2011, the Board of Directors of Milano Assicurazioni approved the transfer, effective as of December 30, 2011, of 9,982,557 Fondiaria-Sai shares held in portfolio from the non-current segment to the current segment, taking into account the fact that recognition in the current segment is more in line with the nature and purpose of the resolutions to purchase these shares, adopted by the Shareholders' Meeting pursuant to Article 2359 *bis* of the civil code, and allows a correct recognition and accounting treatment of these shares at Fondiaria-Sai Group level, within an extremely volatile market.

  Following the transfer the shares were recorded in the financial statements at the price on the last trading day (Euro 0.619), recording a total adjustment of Euro 99 million.

- 9,157,710 shares of the indirect parent company Premafin Finanziaria – 2.23% of the share capital. The investment was recognised to current assets and the unitary book value was therefore aligned with the stock market value at December 31 of Euro 0.1248, recording a total adjustment in value of Euro 5.9 million. Taking account of the adjustment of the investment, the carrying value at December 31, 2011 was Euro 1.1 million.

In accordance with law these shares do not have voting rights.

Subsequent events to the year end

Integration project with the Unipol Group

On January 29, 2012 the Company was informed of the agreement reached on the same day between Premafin Finanziaria S.p.A. (Premafin) and Unipol Gruppo Finanziario S.p.A. (UGF), which establishes, among other issues, the integration of Premafin, Fondiaria SAI, Milano Assicurazioni and Unipol Assicurazioni.

Therefore, the Board of Directors of the Company approved, for its part, the preliminary activity– still ongoing – concerning an analysis of the integration project, with the assistance of financial and legal advisers. Given the composition of the Board of Directors of the Company (which provides for a majority of independent directors), it was not necessary to appoint an adviser on behalf of the independent directors.
The Board of Directors did not make any evaluation on such activities, even of a preliminary nature, in relation to the integration operation, which is in any case subject to the conditions contained in the above-mentioned agreement.

Based on the preliminary evaluations carried out, with the support of the advisers, 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.

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 development of the operation, with particular attention to the conditions on which the completion of the agreement signed on January 29, 2012 between the Premafin and UGF is based.

Restructuring of the securities issued by Greece

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

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

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

Complaint pursuant to Article 2408 of the civil code by the Board of Statutory Auditors of Fondiaria-SAI and relative Report

On March 19, 2012, at the Shareholders' Meeting of the parent company Fondiaria-SAI, the Board of Statutory Auditors of the company presented its report pursuant to Article 2408 of the civil code in relation to the complaint made by a shareholder; this report was published on the internet site of the parent company and subsequently transmitted to the directors and statutory auditors of Milano Assicurazioni.

The Board of Directors of Milano Assicurazioni noted that the above-mentioned complaint and Report of the Board of Statutory Auditors concerned operations and facts, undertaken in the past, which also referred to Milano Assicurazioni.

Therefore, at the meeting of March 23, 2012, the Board of Directors of Milano Assicurazioni, although the complaint pursuant to Article 2408 of the civil code was not directly addressed to the company – decided to undertake specific investigations in parallel with the Board of Statutory Auditors and with the support of financial, real estate and property advisors in order to verify the events, evaluate any effects for Milano Assicurazioni and identify any persons responsible for deeds not in the interest and benefit of the company.

It is however considered that the above matters do not have any impact on the valuation processes adopted in the preparation of the financial statements.

Outlook

The first part of 2012 saw confirmation and strengthening of the improvement for ordinary insurance operations emerging in 2011. In particular, in the **Motor TPL** class the number of claims reported continues to contract as a result of the actions implemented in relation to the previous multi-risk portfolio and concerning tariff changes, undertaken in order to permit a better synthesis of the tariff mutuality to the effective client risk, making the guarantees offered more competitive on a national level.

The underwriting policy of the **other non-life classes** focuses on a prudent selection of risks, favouring the retail sector and small and medium-sized enterprises which operate in profitable regions, and the application of rigorously adjusted technical tariffs.

In relation to the financial management, we are currently seeing signs of improvement on the financial markets. 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 from over 500 basis points at the end of 2011 to the current 300.

Corporate governance and shareholder structure report

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 new 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 the organisational and strategic direction of the Company and the Group, in conjunction with the parent company FONDIARIA-SAI, 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 24, 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 13 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 Chief Executive Officer.

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

2.2) Board of Statutory Auditors

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

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

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) <u>Shareholder Meetings and shareholders</u>

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 FONDIARIA-SAI S.p.A. pursuant to article 2359, paragraphs 1 and 1 of the civil code.

Milano Assicurazioni is not aware of shareholder agreements relating to holdings in the share capital of the Company.

3) Management and control

The Company is subject to rules of conduct created by FONDIARIA-SAI 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 the Company, 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 its subsidiaries, within the FONDIARIA-SAI Group and, in particular, subject to the management and coordination by FONDIARIA-SAI and, therefore, within the strategic guidelines provided by the parent company. Examines and approves, in addition, the corporate governance system of the Company and the Group structure. In this remit and in relation to the other boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Company and its subsidiaries;

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 which it heads, 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.

In consideration of the fact that the Company is subject to the management and coordination of FONDIARIA-SAI, the directors take into account the directives and policies defined for the Group by the parent company FONDIARIA-SAI as well as the benefits deriving from belonging to the Group.

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 2013.
The appointment of the directors was deliberated at the Shareholders' AGM of April 27, 2011 on the proposal of the only slate by the majority shareholder.

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

We recall that the Shareholders' Meeting appointed 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) <u>Executive Committee</u>

Pursuant to Article 18 of the By-Laws, the Board of Directors conferred to the Executive Committee, currently comprising 7 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 resolutions of the Executive Committee are reported to the Board at the following BoD meeting, together with updated information on the operations approved.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, Vice Chairman, Chief Executive Officer and 4 non-executive directors. 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) <u>Representative of the Company and delegation of powers by Board of Directors</u>

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 13 of the By-Laws, are attributed by the Board.

Currently the Board of Directors has delegated to the sole 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 shareholdings;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties;
- signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

The 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.

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 or which are influenced by a party who exercises direction and control.

The delegated boards (executive directors and Executive Committee) 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) 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 14 times, with an average duration of the meeting of approx. one hour and 52 minutes;
- the Executive Committee did not meet.

It is expected that a similar number of meetings of the Board of Directors will take place in 2012. At the date of the present report, 5 Board of Directors meetings had been held in 2012 and no Executive Committee meetings had been held.

1.7) 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, Gioacchino Paolo Ligresti and Antonio Talarico are no longer considered to be Executive Directors as no longer holding delegated management and functional direction powers in the group company Immobiliare Lombarda S.p.A. which manages the real estate assets of the Company.

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: Angelo Casò, Umberto Bocchino, Maurizio Carlo Burnengo, Maurizio Di Maio, Mariano Frey, Giuseppe Lazzaroni, Davide Maggi, Nicola Miglietta, Aldo Milanese and Simone Tabacci.

Therefore the regulations which require that the Board of Directors of MILANO ASSICURAZIONI, as a company subject to the management and coordination of another listed company, be composed of a majority of independent directors, was complied with.

The Board of Directors, most recently in February of the current year, 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 new 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.
In particular, the Board considered that the above-mentioned directors are not in the position indicated by the Code whereby they are disqualified as independent directors with the exception of the Director Mariano Frey who is in his tenth year as a Company Director - however the Board unanimously approved his independence (with the abstention of the Director himself), despite his extensive length of service in light of the specific activities carried out by him and the independence of judgement which he has always exercised and choosing therefore not to apply the recommendation of the Self-Governance 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 interested parties.

In particular, the Board of Directors' meeting of January 30, 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.

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.

Although a lead independent director has not been appointed, we highlight that Mr. Davide Maggi 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, in the meeting of January 30, 2012, in appointing the financial and legal advisers in relation to the integration project proposed by the Unipol Group, also established a committee of four independent directors and, specifically, Davide Maggi, Maurizio Burnengo, Nicola Miglietta and Aldo Milanese who - together with the management – collaborate with the adviser, undertaking detailed examination, including through discussions of the action to be taken with the adviser.
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 Chief Executive Officer ensures 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.

1.8) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 14, 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:

Angelo CASO':

Chairman (without management duties):	Osvaldo S.r.l.
Director (without management duties):	Mediobanca S.p.A. Tre Laghi S.p.A.
Chair - Board of Stat. Auditors:	Alchera S.p.A. Benetton Group S.p.A. Bracco S.p.A. Bracco Imaging S.p.A. Edizione S.r.l. Fiditalia S.p.A.
Statutory Auditor:	Italmobiliare S.p.A.

<u>Gioacchino Paolo LIGRESTI</u>

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:	Artnetworth S.r.l. Atahotels S.p.A. Banca SAI 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. FONDIARIA-SAI S.p.A. Milan A.C. Sai Holding Italia S.p.A. Sailux S.A. Sainternational S.A. Sainternational Lugano Branch S.A.

<u>Emanuele ERBETTA</u>:

Chairman:	Eurosai S.r.l.
Deputy Vice Chairman	Fondazione Fondiaria-Sai
Chief Executive Officer:	FONDIARIA-SAI S.p.A.
Director:	Auto Presto & Bene S.r.l. Consorzio Servizi Logistici S.c.r.l. Consorzio Servizi Tecnologici S.c.r.l. Liguria Assicurazioni S.p.A.

Umberto BOCCHINO:

Chairman: Gas Energia S.p.A.

Vice Chairman of the Supervisory Board: Banca Popolare di Milano s.c.p.a.

Director: Liguria Assicurazioni S.p.A.
Liguria Vita S.p.A.
SAI Investimenti SGR S.p.A.
Fondazione Fondiaria-Sai
BIT Orchestra S.r.l.

Statutory Auditor: Acquedotto Monferrato S.p.A.
Acquedotto di Savona S.p.A.
AEM T.D. S.p.A.
Beni di Batasiolo S.p.A.

Maurizio Carlo BURNENGO:

Director: Campo Carlo Magno S.p.A.
Saifin – Saifinanziaria S.p.A.
Alinvest S.r.l.
Chiaravalli Group S.p.A.
Gionicem S.r.l.
S.D.E. Motorsport S.r.l.
Termignoni S.p.A.
TMB S.r.l.

Statutory Auditor: Chiara Assicurazione S.p.A.
Chiara Vita S.p.A.
Cedacri S.p.A.
C-Global S.p.A.
C-Card S.p.A.
RE Valuta S.p.A.
Ribes S.p.A.
Sigrade S.p.A.
Gruppo GPA S.p.A.
GPA S.p.A.
Tre Ci S.p.A.
Pulsar Risks S.p.A.
Mediorischi S.p.A.
Immobiliare Lell S.p.A.
Gestioni Finanziarie Fernanda S.p.A.
Camera Moda S.r.l.
Bramani S.r.l.
Formaggi d'Italia S.r.l.

	CVA Nicroram S.r.l.

Barbara DE MARCHI:

Director:	SIAT S.p.A. Sopabroker S.p.A.

Maurizio DI MAIO:

Chairman:	Agos Ducato S.p.A.
Director:	Banco Popolare Soc. Coop.

Mariano FREY:

Chairman:	Roland Berger Strategy Consultants S.r.l.
Director:	Roland Berger Strategy Consultants Lisbona CIDI S.p.A., Milano Italy1 Investment S.A.
Sole Director of:	Berger Frey Advisor

Giuseppe LAZZARONI:

Director:	Banca SAI S.p.A. Premafin Finanziaria S.p.A. Sai Mercati Mobiliari SIM S.p.A. Directa Plus S.r.l.

Jonella LIGRESTI:

Chairman:	FONDIARIA-SAI S.p.A. Sai Holding Italia S.p.A.
Director:	ASSONIME Associazione fra le società italiane per azioni Italmobiliare S.p.A. Mediobanca S.p.A. RCS MediaGroup S.p.A.

Davide MAGGI:

Statutory Auditor:	Mercantile Leasing S.p.A. Ponti S.p.A.

Nicola MIGLIETTA:

Director:	Sviluppo Investimenti Estero S.p.A. Telit Communications PLC
Chair. Board of Statutory Auditors:	Atmos Wind Due S.p.A. Energia & Servizi S.r.l. F2i Sistema Aeroportuale Campano S.p.A. Hines Italia Capital S.r.l. Inbetween SGR S.p.A. Profilo Asset Management SGR S.p.A.
Statutory Auditor:	First Capital S.p.A. Fondamenta SGR S.p.A. F.a.g. Artigrafiche S.p.A. Impregilo S.p.A.

Aldo MILANESE:

Director:	Azimut Holding S.p.A.
Chair. Board of Statutory Auditors:	AEM Torino Distribuzione S.p.A. CEIP S.c.p.a. Infratrasporti To S.r.l. IREN S.p.A. Teksid S.p.A. UniManagement S.r.l.
Statutory Auditor:	FinecoBank S.p.A. Magneti Marelli S.p.A. Pegaso Investimenti Campioni d'Impresa Spa

Massimo PINI:

Chairman:	ADR Advertising S.p.A. Patto di Sindacato GEMINA S.p.A.

Vice Chairman:	FONDIARIA-SAI S.p.A. Gemina S.p.A.
Director:	Finadin S.p.A. Impregilo S.p.A.
Management Board member of:	Patto di Sindacato RCS

Salvatore RUBINO:

Chairman:	Sai Mercati Mobiliari SIM S.p.A.
Vice Chairman:	Saifin Saifinanziaria S.p.A.
Sole Director:	Raggruppamento Finanziario S.p.A.
Director:	Immobiliare Costruzioni IM.CO. S.p.A. SAI Investimenti SGR S.p.A. Sopabroker S.p.A.

Simone TABACCI:

Director:	Alerion Energie Rinnovabili S.r.l.

Alessandra TALARICO:

Director:	Italresidence S.r.l. Liguria Assicurazioni S.p.A. SIAT S.p.A. Sopabroker S.p.A. ACM Servizi Assicurativi S.p.A.

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:	FONDIARIA-SAI S.p.A. Impregilo S.p.A. Saiagricola S.p.A. Immobiliare Lombarda S.p.A.

Director: Atahotels S.p.A.
IGLI S.p.A.
Sai Investimenti SGR S.p.A.

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 Milano Assicurazioni, 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.

1.9) 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 concentrated and therefore 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 27, 2011 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 24, 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 21, 2008 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.

1.10) 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 1.12 below. It should be noted that before the appointment by the Board of Directors of MILANO ASSICURAZIONI of December 20, 2011, of its own Remuneration Committee, the relative duties were undertaken, also with reference to MILANO ASSICURAZIONI, by the Board of Directors of the parent company FONDIARIA-SAI.

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

In 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 for good 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.

1.11) Stock options plans

On April 28, 2011 the term established by the Extraordinary Shareholders’ Meeting of FONDIARIA-SAI of April 28, 2006 concluded for the exercise by the Board of Directors of the parent company of the July 14, 2006 resolution for the assignment of options of the FONDIARIA-SAI 2006-2011 stock option plan for executive directors and management of FONDIARIA-SAI, of its subsidiaries, among which MILANO ASSICURAZIONI, as well as the holding company PREMAFIN FINANZIARIA, for the purchase of FONDIARIA-SAI saving shares.

The assignment by the Board of FONDIARIA-SAI was made in executive of the extraordinary shareholders' meeting resolution of FONDIARIA-SAI of April 28, 2006. In relation to the management, the options were therefore assigned also to executives of Milano Assicurazioni, in addition to executives of FONDIARIA-SAI which undertake their functions within the centralised structure of the Group, therefore exercising their activities also on behalf of the Company. 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.

With regard to the executive directors, it is intended to create, in principle, also in relation to MILANO ASSICURAZIONI, 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 FONDIARIA-SAI 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.

1.12) Remuneration Committee

The Board of Directors' meeting of December 20, 2011 appointed a Remuneration Committee pursuant to Isvap Regulation No. 39 of June 9, 2011.

In accordance with this regulation and also taking into account the recommendations of the Self-Governance Code of listed companies, three non-executive and independent directors were appointed to the committee, in the persons of Mr. Davide Maggi (lead coordinator), Mr. Mariano Frey and Mr. Maurizio Burnengo.

The Remuneration Committee was therefore attributed the following duties, in line with both the Self-Governance Code of listed companies, as recently modified, and the provisions of Isvap Regulation No. 39 of June 9, 2011:

- 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;
- verify that, where the company avails of external consultants for the determination of the remuneration policy, the consultants do not undertake other consultancy services for the directors or parties involved in the decisional process.

On the approval of the procedures for transactions with related parties, subject to point 1.13 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.

In 2012, the Remuneration Committee has so far met once.

1.13) Significant transactions with related parties

The Board of Directors approved, until May 2005, specific conduct principles for the undertaking of significant operations and of operations with related parties. 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 transactions, including those – in particular – with related parties.

Significant transactions

In the attribution to the Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Milano Assicurazioni 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 direct and indirect parent company and with the parties controlled by this latter not through Milano Assicurazioni, 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 new 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. Where this relates to an Executive Director, he must abstain from undertaking the operation.

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.

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On November 30, 2010, the Board of Directors of MILANO ASSICURAZIONI 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 Internal Control 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 direct parent company

FONDIARIA-SAI or the indirect parent company PREMAFIN FINANZIARIA or related parties to these latter which in turn are related to the Company. 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 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 20, 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 20, 2011 takes into account the recent creation, by the parent company FONDIARIA-SAI on 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 of FONDIARIA-SAI 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, in office until the approval of the financial statements as at December 31, 2013, 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 27, 2011, 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 16 times with an average meeting duration of three hours, in addition to the time necessary for drawing up the reports. It is expected that a similar number of meetings will take place in 2012. Currently, the Board of Statutory Auditors has met twice in 2012.

The Board of Statutory Auditors in 2011 attended 12 meetings of the Internal Control Committee, all of the Board of Directors' and Executive Committee meetings and the Shareholders' Meetings.

2.2) <u>Appointment of the Board of Statutory Auditors</u>

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% 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 27, 2011 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:

Giovanni OSSOLA

Chairman:	A.T.I.V.A. S.p.A.
Chair. Board of Statutory Auditors:	Comital S.p.A. Liguria Assicurazioni S.p.A. Liguria Vita S.p.A. Vianini Industria S.p.A.
Statutory Auditor:	Cariparma S.p.A.

Maria Luisa MOSCONI

Statutory Auditor:	Banca SAI S.p.A. Premafin Finanziaria S.p.A. Risanamento S.p.A.
Member of the Supervisory Board of:	Banca Popolare di Milano

Alessandro Rayneri

Chairman:	AKSIA GROPUP SGR S.p.A.
Chair. Board of Statutory Auditors:	Banca Reale S.p.A. Banca Sella Holding S.p.A. Mustad S.p.A. Reale Immobili S.p.A. Società Reale Mutua di Assicurazioni
Statutory Auditor:	E.C.A.S. 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 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.

Specifially, 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 responsible 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;
- contact person between control levels 1 and 2;

- undertakes support activities to the “Process Owners” to protect the business processes, collect data and analyse the risks, monitor the risks, manage the mitigation actions of the risks, and prepare periodic reporting;
- undertakes a methodology based on the consolidated census criteria of Basilea II and Solvency II with the objective to guarantee coverage of all risk events and evaluate them in relation to the existence and quality of the relative controls.

The risk and control management system, in conjunction with the activity undertaken by the line controls department, is represented by the Audit, Compliance and Risk Management Departments which are hierarchically independent from the operating departments and reports functionally and hierarchically to the Board of Directors. Also the “Solvency II” directive attributes to these departments, together with the actuarial functions, a key role in the overall governance.

It is recalled that during 2011, at FONDIARIA-SAI Group level a review of the Audit, Compliance and Risk Management departments took place, in order to identify, where necessary, appropriate corrective actions of both an organisational and procedural nature. Within this activity, the Group 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 1.13 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 of the parent company FONDIARIA-SAI.

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;
- 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 headed by MILANO ASSICURAZIONI 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. This person undertakes their duties for MILANO ASSICURAZIONI and the insurance companies directly controlled by this latter.

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. The Company will outsource to the parent company FONDIARIA-SAI these activities.

The 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 MILANO ASSICURAZIONI has therefore adopted the document and set out its operating limits accordingly or established whether the structure of the limits defined is appropriate, taking account of its own idiosyncrisies and possible restrictions in relation to risk tolerance.

Therefore within the FONDIARIA-SAI Group an adjustment programme to Solvency II is underway which provides for the constant monitoring of the impacts of the new solvency regulations, both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In July 2011, the FONDIARIA-SAI Group updated the “Solvency II Project”, in line with that declared in the July 2010 resolution for the formal request of admission to the pre-application process for its internal model. Within this update, undertaken in order to ensure constant alignment of the Programme to the finalisation process of the Solvency II regulation, the FONDIARIA SAI Group also redefined the application scope of its internal model assuming as benchmark the matters highlighted in the Quantitative Impact Study 5 (QIS 5).

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

From the comparative analysis of the risk estimates obtained from the standard formula and from the internal model, the possibility emerged not to consider the use of the internal model for some specific business classes. In view of this consideration, some companies were excluded, at least initially, from the scope of application of the internal model, among these the direct subsidiaries of MILANO ASSICURAZIONI 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. The Company will outsource to the parent company FONDIARIA-SAI these activities.

The Group Compliance department prepares annually for the Company, and each of its direct subsidiaries, a work plan which is presented to the Board of Directors.

3.2.4) THE 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 MILANO ASSICURAZIONI. The Audit activities also extend to the business processes of MILANO ASSICURAZIONI and its direct subsidiaries (also indicating the corrective actions considered necessary) and the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Audit department annually prepares the Audit Plan for MILANO ASSICURAZIONI 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 MILANO ASSICURAZIONI and the other Group companies. The Group Audit Department undertakes their activity in an autonomous and independent manner reporting to the Board of Directors of MILANO ASSICURAZIONI, 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. The Company 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 Audit department.

3.2.5) CONTROL CO-ORDINATION COMMITTEE

The Board of Directors' meeting of December 20, 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 of the Parent Company FONDIARIA-SAI – 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 for the above-mentioned three committees, with the function to present proposals to the Chief Executive Officer and the Board of Directors of the parent company, are reported below.

In view of the recent appointment of the managers of the control functions of 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 the 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 proposal, 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 proposal 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;
- verification/proposals relating to the Non-Life component of the changes to the Reinsurance Framework to be evaluated by the Risks Committee of the Parent Company which will be presented together with the Life component (through the General and Corporate secretary) to the Board of Directors for approval;
- support the Chief Executive Officer and the Board of Directors in the evaluation of the profitability/underwriting impact or renewal of significant business ("Large Risks"), in line with the strategies and guidelines of the Risks Committee of the Parent Company;
- monitor and coordinate the underwriting procedures of the contracts;
- coordinate the underwriting policies between the various division/companies involved;
- monitor the performance of the technical portfolio of the Non-Life division of the Group, in order to verify that it is in line with the objectives defined; receive management reports;
- 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 Davide Maggi, Mariano Frey and Aldo Milanese. Mr. Maggi 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.

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

The Internal Control Committee carries out the following consultation and proposal duties, with all final decisions devolving to the Board of Directors:

a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;

b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;

c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the Executive Responsible for the preparation of corporate accounting documents pursuant to Legislative Decree No. 58/98 (hereafter: Executive Responsible);

d) Assist the Board, in relation to the application of law No. 262/2005, in the supervision:

- On the implementation of the Action Plan;
- On the effective compliance with the administration and accounting procedures;
- On the specific interventions undertaken by the Executive Responsible to verify determined situations;
- On compliance and procedures for the use of the budget of the activities of the Executive Responsible;

e) Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;

f) Evaluates the work plan prepared by the Audit department and receive periodic reports;

g) Assesses, together with the Executive Responsible, the executives, the board of statutory auditors and the external auditors, the appropriateness of the accounting standards applied and their 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 Staturory 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 20, 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 1.13, the procedures for transactions with related parties, approved by the Board of Directors most recently on December 20, 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 12 times, with an average duration of the meetings of 1 hour 37 minutes. 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 20, 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 Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Milano Assicurazioni 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.

Finally, the Board of Directors on February 15, 2005 approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Milano Assicurazioni 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 26, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

5) The Shareholders' Meeting and relations with the market

5.1) Shareholders' Meetings

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, as an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information.

Normally all of the directors attend the Shareholders' Meetings.

The shareholders' meetings are called through published notices, within the time period established by Law concerning the first call, on the internet site of the company, in the Official Gazette and in the newspaper Il Sole 24 Ore.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion.
The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

5.2) General representative of the saving shareholders

The special shareholders' meeting of savings shareholders of April 21, 2009 appointed Mr. Lucio Crispo Common Representative of the Savings Shareholders for the years 2009/2010/2011 and, therefore, until the approval of the financial statements as at December 31, 2011.

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 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/-6657642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) 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 the Group 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 set up on December 20, 2011		Nomination Committee ◊		Executive Committee	
Office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman	Casò Angelo		X	X	100% from 27/4/2011	10							X from 27/04/11	
Vice Chairman	Ligresti Gioacchino Paolo		X		65%	20							X	
Chief Executive Officer	Erbetta Emanuele	X			100%	7							X from 27/04/11	
Director	Bocchino Umberto		X	X	86%	11	X	100% up to 27/04/11					X	
Director	Burnengo Maurizio Carlo		X	X	100% from 27/4/2011	27			X				X from 27/04/11	
Director	De Marchi Barbara		X		72%	2								
Director	Di Maio Maurizio		X	X	51%	2								
Director	Frey Mariano		X	X	86%	5	X	75%	X					
Director	Lazzaroni Giuseppe		X	X	91% from 27/04/11	4								
Director	Ligresti Jonella		X		93%	6								
Director	Maggi Davide		X	X	100% dal 27/4/2011	2	X	100% from 27/04/11	X					
Director	Miglietta Nicola		X	X	100% dal 27/4/2011	12								
Director	Milanese Aldo		X	X	91% from 27/04/2011	10	X	75% from 27/04/11						
Director	Pini Massimo		X		86%	7							X	
Director	Rubino Salvatore		X		86%	6							X up to 27/04/11	
Director	Tabacci Simone		X	X	93%	1								
Director	Talarico Alessandra		X		100%	5								
Director	Talarico Antonio		X		93%	10							X	

Board of Directors (2011)							Internal Control Committee		Remuneration Committee set up on December 20, 2011		Nomination Committee ◊		Executive Committee	
Director no longer in office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
	Marchionni Fausto	X			100% fino al 27/4/2011								X up to 27/01/11	
	Rucellai Cosimo		X	X	100% fino al 27/4/2011		X	100% up to 27/04/11					X up to 27/04/11	
	Dezzani Flavio		X	X	--- up to 27/04/2011									
	Ligresti Giulia Maria		X		65% up to 23/12/2011								X up to 23/12/2011	
	Randazzo Francesco		X	X	33% up to 27/04/2011									

- Mr Fausto Marchionni was the Chiarman and CFO until January 27, 2011. After this date he remained a Director until April 27, 2011.
- Mr. Emanuele Erbetta was the Chairman and CFO until April 27, 2011.

TABLE 1: STRUCTURE OF BOD AND COMMITTEES

◊ Reasons for non-establishment of a Committee: *The ownership of the Company is concentrated and there have never been difficulties by the controlling shareholder to prepare proposals Nomina*

Number of meetings held in the year	*BoD: 14*	*Internal Control Committee:* *14*	*Executive Committee: nessuna riunione*		

NOTES

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
** This column indicates with an “X” whether the member of the BoD is a member of the Committee.
******* This column indicates the percentage of participation of the director in relation to the number of BoD and Committee meetings.

TABLE 2: BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of participation at Board meetings	Number of other offices *
Chairman	Ossola Giovanni	100%	6
Statutory Auditor	Mosconi Maria Luisa	94%	4
Statutory Auditor	Rayneri Alessandro	94%	7
Alternate Auditor	Aldè Giuseppe		
Alternate Auditor	De Re Claudio		
Alternate Auditor	Frascinelli Roberto – until 27.4.2011		
Alternate Auditor	Zeme Michela – from 27.4.2011		
Number of meetings held in the year: 16			
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%			

NOTES

* 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.

TABLE 3: OTHER REQUIREMENTS OF THE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of “significant” operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		

Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	*The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.*
Internal Control			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)	*Group Audit Department*		
Investor relations			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations	*Investor Relations Department* - Corso G. Galilei, 12 TORINO Tel. 011-6657.642 e-mail: investorrelations@fondiaria-sai.it		

Disclosures on Share Ownership pursuant to article 123 of the Consolidated Finance Act at 14/03/2011

a) Share capital structure

The subscribed and paid-in share capital is Euro 373,682,600.42.

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

	No. of shares	% of share capital	Quoted on	Rights
Ordinary shares	1.842.334.57 1	94,731	MTA-BORSA ITALIANA S.p.A.	(*)
Non convertible savings shares	102.466.271	5,269	MTA-BORSA ITALIANA S.p.A.	(**)

(*) Each Milano Assicurazioni S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Milano Assicurazioni S.p.A.
On the distribution of the profits or on the liquidation of the company the ordinary shares of Milano Assicurazioni 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 24 and 25 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.
Savings shares receive a dividend of 5% of Euro 0.52 (and therefore Euro 0.026). Where the profits for the year do not permit a dividend of 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 3% of Euro 0.52 (and therefore Euro 0.0156).
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 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, are as follows:

PARTY	DIRECT HOLDER	% OF ORDINARY SHARE CAPITAL	% OF VOTING SHARE CAPITAL
FONDIARIA-SAI S.P.A.		63,764	63,630
	FONDIARIA-SAI S.P.A.	61,098	61,324
	FONDIARIA NEDERLAND BV	1,512	1,518
	SAI HOLDING ITALIA S.P.A.	0,515	0,516
	MILANO ASSICURAZIONI S.P.A. (*)	0,367	-
	SAINTERNATIONAL S.A.	0,201	0,201
	PRONTO ASSISTANCE S.P.A.	0,055	0,055
	POPOLARE VITA S.P.A.	0,016	0,016

(*) excluded voting right pursuant to law.

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 Milano Assicurazioni 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

Loan contracts signed by some direct on indirectly held subsidiaries may provide normal change of control clauses 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 sucession plans for directors.

l) Nomination and replacement of the directors and changes to the by-laws

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 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:

a) 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;
b) 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 the Company of April 27, 2011 decided:

- to remove, in accordance with Articles 2328 and 2346 of the civil code, indications of the nominal value of ordinary and savings shares comprising the share capital, of Euro 0.52 in accordance with Article 6 of the by-laws, therefore not expressing a nominal value of such shares;
- the conferment to the Board of Directors, 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 350,000,000, through the issue of ordinary and saving shares with the same rights as those in circulation, to be offered as options respectively to ordinary and saving shareholders, while authorising the widest possible powers for the Board of Directors to establish, within the limits set out above and in compliance with applicable regulations and the terms and conditions of the share capital increase, including the

number and issue price of the new shares.

The Board of Directors' meeting of May 14, 2011 resolved in execution of the powers conferred by the above-mentioned Extraordinary Shareholders' Meeting, to undertake a paid-in divisible share capital increase for a total amount, including share premium, of Euro 350 million, through the issue of new ordinary and savings shares without nominal value, with the same rights as those in circulation, to be offered as options to shareholders.

The Board of Directors' meeting of June 22, 2011 approved, in execution of the power attributed by the Extraordinary Shareholders' Meeting, to increase the divisible paid-in share capital for a maximum nominal value of Euro 67,831,259.30 through the issue of: (i) a maximum 1,284,898,797 ordinary shares and (ii) a maximum 71,726,389 savings shares without nominal value, with the same rights as those in circulation at the issue date (and therefore including the coupon at that date), to be offered as options to shareholders.

On June 22, 2011, the Board of Directors approved the final conditions of the share capital increase:

- issue price of Euro 0.2574 for each ordinary share and Euro 0.2646 for each savings share;
- rights option established as 7 new ordinary shares for every 3 ordinary shares and 7 new savings shares for every 3 savings shares.

At the end of the subscription period, the share capital of Milano Assicurazioni S.p.A. was Euro 373,682,600.42, divided into 1,842,334,571 ordinary shares and 102,466,271 savings shares not convertible and without nominal value.

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 27, 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 present deliberation date, for a maximum increase, taking into account any sales in the period, of 5,000,000 ordinary and/or savings treasury shares, within a maximum amount of Euro 10,000,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by Consob, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

Principal characteristics of the risk management and internal control system in relation to the financial disclosure process in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

Introduction

The Company, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code for listed companies, is progressively implementing the Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a 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 Milano Assicurazioni, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: The Management Model).

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

The Company defined the 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:

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

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

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

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market.

  These evaluations were carried out using the following parameters:

  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities.
- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- define the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

With reference to the maintenance of the documentation, the Management Model attributed:
- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Organisation management, the updating of the documentation relating to the corporate processes;
- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting 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 Company has prepared a procedure, identifying the Risks and Controls 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.58/9, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.

The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.

The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

In order to increase the level of responsibility undertaken by the various personnel in relation to regulations in force, the Management Model has established internal declarations of the individual Process Owners who declare that the administrative-accounting procedures relating to the corporate processes correctly represent the activities and the controls necessary to offset the administrative-accounting risks. The declaration provision methods above are regulated through a relative procedure.

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Internal Control Committee.

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.

Information on Risks

1 The Enterprise Risk Management model and the estimate of the Economic Capital

The Risk Management Model adopted by the Fondiaria-SAI Group is based on the rationale of Enterprise Risk Management:

- aimed at generating a culture of risk management within the Group based on the different hierarchy levels involved;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and evaluating the impact that these risks can have on solvency and the reaching of objectives.

The Board of Directors of Milano Assicurazioni implemented the Group guidelines in relation to risk management and the ERM framework.

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

- the economic capital;
- measure Risk Adjusted profit;
- fixed operating limits also using Value at Risk.

The model adopted for the valuation of the risk is based on the estimate of the Economic Capital (EC), or rather a Risk Capital model to estimate the capital necessary to evaluate the solvency of the Group, in line with the risk appetite objective. The model is in continual evolution and is regularly updated with the objective to always render it adequate to the risks assumed, to the changes in the regulations and to the technical and methodological innovations.
The quantification of the above-mentioned risks is determined on an ALM basis through the internal model utilising best practice procedures.
The ALM estimate results in an analysis of the shock of the risk variables on both asset and liability accounts in the financial statements.
This aspect is significant for the financial variables and in particular for the interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial reserves and Non-Life claims reserves, due to the discounting of the cash flows.
The financial risks reported below however are reported without taking into account the ALM aspect. The compensating principle defined by this method is principally applicable on a "Total Balance Sheet" basis defined by Solvency II.

The accounting principles marginally permit the adoption of this technique, and for clarity no calculations were made not compatible with the accounting principles for the preparation of the financial statements.
In 2011, the credit risk relating to government bonds was significant. This risk is not valued by the standard formula proposed by QIS5, while the internal model estimates the credit risk also for the government component, on the basis of the issuer rating.
The significant amount of securities issued by the Italian State, the subsequent downgrading, as well as the volatility of the spread compared to risk free securities, significantly impacted on the valuation of this risk, which in the internal model was the greatest risk among market risks.
The technical risks are also valued through internal models and the models proposed by the standard QIS5 formula.
The most significant component is the reserve risk relating to the Non-Life division. The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements.
The term life and redemption risks and inflation currently represent a minor technical risk.
Particular attention however was placed on the acceleration of the redemption of life policies, which occurred in the final part of the year, particularly in the portfolios sold through the bancassurance channel, where there is greater sensitivity to volatility in the financial markets.
Currently, this aspect is monitored on specific scenario analysis; however the modelisation of this event may be premature due to the short period in which there was a significant amount of redemption.

2 Information on Operational Risks

2.1 *Objectives and criteria of the Financial Risk Management*

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors of the parent company Fondiaria-SAI approved the document “Investment and Risk Management Policy” of the Group.

The policy adopted has the objective to guarantee:

- adequate diversification, avoiding excessive concentration;
- a readily liquid portion of investments;
- structuring of the assets with liabilities through the utilisation of ALM policies;
- a prudent management, limiting the exposure in securities with low credit ratings;
- a use of derivative instruments principally for hedging purposes.

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In accordance with these objectives, the Board of Directors of Milano Assicurazioni, through the "Investment framework resolution" defined the operating limits with reference to all the financial risk types, considering also any exposure to risk concentration.

The structure of the limits is extended to the principal asset classes which make up the investments, in particular, the limits are defined in terms of:

- maximum percentage per asset class of the total of the Assets Under Management (Total Investments);
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap (broken down between Non-Life and Life);
- limits in terms of minimum hedging on the strategic investments;
- limits in terms of liquidity, i.e. maximum percentage of "illiquid" instruments.

The portfolio structure of the assets in the Life Division is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Division, the assets are selected also in consideration of the foreseeable development of the settlement of claims in relation to the relevant reserves.

2.2 Market Risk

Market risk refers to "the risk of losses from changes in interest rates, in share prices, exchange rates and property prices".

The monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:

- The obtaining of uniform measures of risks which permit the comparison of different instruments;
- Determine position limits;
- Construction of "risk-adjusted" measures.

In particular, the measures adopted are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at 31/12/11 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

Analysis of the Value at Risk of the Life Division at 31/12/2011

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	5,39	12,64	0,29	12,93
Totale Derivati	0,06	N/A	0,00	N/A
Esposizione Azionaria Netta	5,45	10,83	0,29	11,12
Totale Obbligazioni e Fondi	78,61	1,39	0,09	1,49
Totale Azioni non quotate	9,26	4,26	0,00	4,26
Totale	93,32	2,23	0,09	2,32
Altri Attivi	6,68	1,43	0,04	1,47
Totale generale	100,00	2,18	0,09	2,27

Analysis of the Value at Risk of the Life Division at 31/12/2010

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	5,47	10,40	0,23	10,63
Totale Titoli	79,06	1,35	0,08	1,43
Totale Azioni non quotate	9,16	2,64	0,00	2,64
Totale	93,68	2,01	0,08	2,09
Altri Attivi	6,32	1,34	0,03	1,37
Totale generale	100,00	1,97	0,08	2,04

Analysis of the Value at Risk of the Non-Life Division at 31/12/2011

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	7,38	9,44	0,11	9,55
Totale Derivati	0,16	N/A	0,00	N/A
Esposizione Azionaria Netta	7,54	5,21	0,10	5,31
Totale Titoli	72,80	0,68	0,00	0,68
Totale Azioni non quotate	18,42	4,86	0,03	4,89
Totale	98,76	1,81	0,01	1,82
Altri Attivi	1,24	0,68	0,00	0,68
Totale generale	100,00	1,79	0,01	1,81

Analysis of the Value at Risk of the Non-Life Division at 31/12/2010

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	13,83	9,30	0,25	9,55
Totale Obbligazioni e Fondi	64,69	0,90	0,00	0,90
Totale Azioni non quotate	19,10	2,93	0,02	2,94
Totale	97,62	2,49	0,04	2,52
Altri Attivi	2,38	0,92	0,00	0,92
Totale generale	100,00	2,45	0,04	2,49

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.
- The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

Analysis of the Risk Capital of the Life Division at 31/12/2011

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	5,39	46,29	1,34	47,62
Totale Derivati	0,06	N/A	0,00	N/A
Esposizione Azionaria Netta	5,45	41,51	1,32	42,83
Totale Obbligazioni e Fondi	78,61	6,72	0,42	7,13
Totale Azioni non quotate	9,26	18,49	0,00	18,49
Totale	93,32	9,92	0,43	10,35
Altri Attivi	6,68	6,92	0,17	7,09
Totale generale	100,00	9,72	0,41	10,13

Analysis of the Risk Capital of the Life Division at 31/12/2010

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	5,47	40,83	1,07	41,89
Totale Obbligazioni e Fondi	79,06	5,41	0,36	5,77
Totale Azioni non quotate	9,16	11,96	0,00	11,96
Totale	93,68	8,11	0,37	8,48
Altri Attivi	6,32	5,35	0,15	5,49
Totale generale	100,00	7,94	0,35	8,29

Analysis of the Risk Capital of the Non-Life Division at 31/12/2011

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	7,38	33,59	0,49	34,09
Totale Derivati	0,16	N/A	0,00	N/A
Esposizione Azionaria Netta	7,54	23,32	0,48	23,80
Totale Obbligazioni e Fondi	72,80	2,88	0,00	2,88
Totale Azioni non quotate	18,42	20,64	0,15	20,78
Totale	98,76	7,75	0,06	7,82
Altri Attivi	1,24	2,87	0,00	2,87
Totale generale	100,00	7,69	0,06	7,75

Analysis of the Risk Capital of the Non-Life Division at 31/12/2010

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	13,83	36,23	1,16	37,39
Totale Obbligazioni e Fondi	64,69	3,18	0,00	3,18
Totale Azioni non quotate	19,10	13,40	0,08	13,47
Totale	97,62	9,86	0,18	10,04
Altri Attivi	2,38	3,29	0,00	3,29
Totale generale	100,00	9,71	0,17	9,88

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The columns "Risk Capital Rate/Price" and "Risk Capital Exchange %" show the percentage on the market values.
- The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

The reduction of the risk of the portfolio compared to 31/12/10 is principally due to the equity component arising from the contraction in volatility and the change in the method in measuring equity risk. In relation to the principle proposed by EIOPA (formerly CEIOPS) in the Quantitative Impact Study 2010 (QIS5) for the calculation of the equity risk, the strategic investments were valued applying the lower volatility coefficients.

2.2.1 Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Company principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mix between fixed income securities and variable rates. The ALM management has the aim to maintain an equilibrium in duration between assets and liabilities.
Through the utilisation of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme situations. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Sensitivity analysis of the bond component

	+50bp		-50bp	
(€ milioni)	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Totale	**-129**	**-128**	**135**	**134**
di cui Danni	-34	-32	35	33
di cui Vita	-94	-96	100	101

Notes:

- The structured securities are not included.

The table below shows the analysis of the duration, of the VaR and of the Risk Capital of the bond portfolio at 31/12/11 divided by type of issuer and maturity.

Analysis of the Life bond component by VaR and Risk Capital maturity

Tipologia	Composizione % (Quotato Tel Quel)	Duration Macaulay	Sensitività Tasso %	VaR Tasso %	Risk Capital Tasso %
Government Euro	**76,82**	**6,29**	**-2,49**	**1,44**	**7,08**
Tasso Variabile	***9,69***	***0,78***	***-0,59***	***0,26***	***1,55***
Tasso Fisso	***67,13***	***7,01***	***-2,74***	***1,62***	***7,88***
0,0< <=1,5	10,03	0,72	-0,64	0,25	0,30
1,5< <=3,0	7,01	2,32	-1,75	0,86	3,19
3,0< <=5,5	5,10	3,89	-2,43	1,24	5,64
5,5< <=7	7,45	5,56	-2,90	1,69	8,32
>7	37,53	9,48	-3,29	2,16	11,00
Corporate Euro	**20,27**	**4,23**	**-2,25**	**1,20**	**5,39**
Tasso Variabile	***0,41***	***0,11***	***-0,11***	***0,00***	***0,87***
Tasso Fisso	***19,86***	***4,31***	***-2,30***	***1,22***	***5,48***
0,0< <=1,5	2,69	0,86	-0,76	0,31	0,28
1,5< <=3,0	6,84	2,27	-1,72	0,78	2,81
3,0< <=5,5	4,16	4,29	-2,55	1,38	6,48
5,5< <=7	2,84	5,31	-2,83	1,73	8,42
>7	3,33	8,34	-3,29	2,24	11,42
Fondi Obbligazionari Euro	**1,52**	**3,00**	**-2,11**	**0,93**	**3,88**
Tasso Fisso	***1,52***	***3,00***	***-2,11***	***0,93***	***3,88***
1,5< <=3,0	1,52	3,00	-2,11	0,93	3,88
Government Non Euro	**0,90**	**5,07**	**-2,91**	**0,28**	**1,17**
Tasso Fisso	***0,90***	***5,07***	***-2,91***	***0,28***	***1,17***
3,0< <=5,5	0,60	3,34	-2,43	0,24	0,92
5,5< <=7	0,05	5,62	-3,50	0,24	0,62
>7	0,25	9,70	-4,05	0,39	1,90
Corporate Non Euro	**0,50**	**1,08**	**-0,89**	**0,09**	**0,18**
Tasso Variabile	***0,04***	***0,07***	***-0,07***	***0,00***	***0,00***
Tasso Fisso	***0,46***	***1,18***	***-0,96***	***0,10***	***0,20***
0,0< <=1,5	0,33	0,64	-0,58	0,08	0,09
1,5< <=3,0	0,10	1,80	-1,51	0,16	0,50
3,0< <=5,5	0,03	4,47	-3,05	0,16	0,38
Totale Obbligazioni	**98,48**	**5,86**	**-2,44**	**1,38**	**6,64**
Totale	**100,00**	**5,83**	**-2,44**	**1,37**	**6,60**

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

Tipologia	Composizione % (Quotato Tel Quel)	Duration Macaulay	Sensitività Tasso %	VaR Tasso %	Risk Capital Tasso %
Government Euro	**91,05**	**2,13**	**-1,36**	**0,63**	**2,59**
Tasso Variabile	***30,98***	***0,65***	***-0,52***	***0,21***	***1,18***
Tasso Fisso	***60,07***	***2,95***	***-1,83***	***0,85***	***3,32***
0,0< <=1,5	18,14	0,84	-0,76	0,30	0,03
1,5< <=3,0	14,39	2,11	-1,63	0,75	2,55
3,0< <=5,5	20,80	3,75	-2,41	1,08	4,86
5,5< <=7	3,33	5,05	-2,78	1,59	7,69
>7	3,42	8,47	-3,28	2,04	10,39
Corporate Euro	**8,29**	**4,97**	**-2,52**	**1,17**	**5,66**
Tasso Variabile	***0,50***	***0,15***	***-0,14***	***0,01***	***1,27***
Tasso Fisso	***7,79***	***5,33***	***-2,69***	***1,25***	***5,95***
0,0< <=1,5	0,29	0,72	-0,66	0,32	0,00
1,5< <=3,0	0,35	1,67	-1,37	0,64	1,74
3,0< <=5,5	2,97	3,67	-2,35	1,19	5,34
5,5< <=7	1,17	5,35	-2,87	1,48	7,26
>7	3,02	8,68	-3,54	1,37	7,10
Fondi Obbligazionari Euro	**0,66**	**3,00**	**-2,11**	**0,93**	**3,88**
Tasso Fisso	***0,66***	***3,00***	***-2,11***	***0,93***	***3,88***
1,5< <=3,0	0,66	3,00	-2,11	0,93	3,88
Totale Obbligazioni	**99,34**	**2,36**	**-1,45**	**0,68**	**2,85**
Totale	**100,00**	**2,36**	**-1,46**	**0,68**	**2,86**

Notes:

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

2.2.2 Equity risk, exchange risk and real estate risk

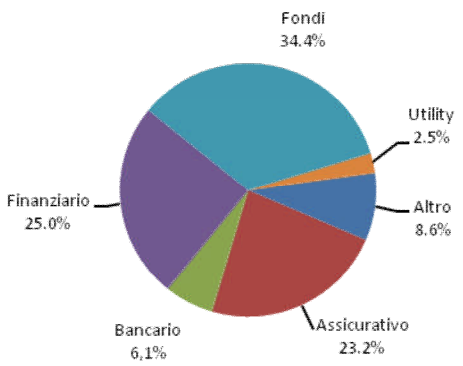
The equity risk or "risk of unexpected losses deriving from adverse changes in equity prices" and the foreign exchange risk or "risk of unexpected losses deriving from adverse changes in exchange rates" are valued as stochastic models calibrated on the market.

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

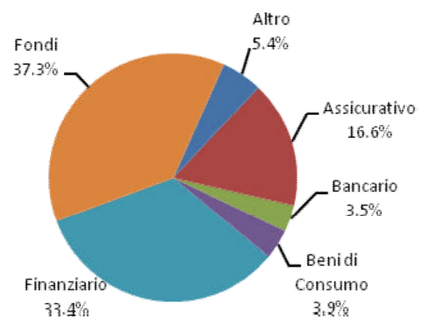
The graphs below show the composition of the portfolio of the equity sector.

Composition of the equity portfolio

Life Division



Non-Life Division



The impact in the income statement is shown below of a reduction in listed equity prices of 10%. The analysis was carried out gross of the tax effects.

Sensitivity analysis of the listed equity portfolio

(€ milioni)	31/12/2011	31/12/2010
Totale	**-35**	**-73**
di cui Danni	-19	-51
di cui Vita	-16	-22

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.

Composition analysis and Value at Risk Life Division

Tipologia	Divisa	Composizione % (Quotato	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Azioni	Euro	5,08	12,45	0,00	12,45
	Franco svizzero	0,10	15,78	7,39	23,17
	Sterlina inglese	0,20	15,81	4,05	19,86
	Totale Azioni quotate	**5,39**	**12,64**	**0,29**	**12,93**
Derivati su azioni	Euro	0,06	N/A	0,00	N/A
	Totale Derivati	**0,06**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**5,45**	**10,83**	**0,29**	**11,12**
Fondi obbligazionari	Euro	1,22	0,93	0,00	0,93
Obbligazioni	Dollaro americano	0,53	0,30	5,63	5,92
	Euro	76,29	1,42	0,00	1,42
	Franco svizzero	0,57	0,15	7,52	7,67
	Totale Obbligazioni Fondi	**78,61**	**1,39**	**0,09**	**1,49**
Azioni	Euro	9,26	4,26	0,00	4,26
	Totale Azioni non quotate	**9,26**	**4,26**	**0,00**	**4,26**
	Totale	**93,32**	**2,23**	**0,09**	**2,32**
	Dollaro americano	0,04	1,38	5,58	6,96
	Euro	6,64	1,43	0,00	1,43
	Altri Attivi	**6,68**	**1,43**	**0,04**	**1,47**
	Totale generale	**100,00**	**2,18**	**0,09**	**2,27**

Composition analysis and Value at Risk Non-Life Division

Tipologia	Divisa	Composizione % (Quotato	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Azioni	Corona norvegese	0,01	18,98	3,87	22,86
	Corona svedese	0,01	19,14	3,93	23,07
	Euro	7,18	9,36	0,00	9,36
	Sterlina inglese	0,18	11,74	4,05	15,79
	Totale Azioni quotate	**7,38**	**9,44**	**0,11**	**9,55**
Derivati su azioni	Euro	0,16	N/A	0,00	N/A
	Totale Derivati	**0,16**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**7,54**	**5,21**	**0,10**	**5,31**
Fondi obbligazionari	Euro	0,48	0,93	0,00	0,93
Obbligazioni	Euro	72,32	0,68	0,00	0,68
	Totale Obbligazioni Fondi	**72,80**	**0,68**	**0,00**	**0,68**
Azioni	Dollaro americano	0,11	8,84	5,56	14,40
	Euro	18,31	4,84	0,00	4,84
	Totale Azioni non quotate	**18,42**	**4,86**	**0,03**	**4,89**
	Totale	**98,76**	**1,81**	**0,01**	**1,82**
	Euro	1,24	0,68	0,00	0,68
	Altri Attivi	**1,24**	**0,68**	**0,00**	**0,68**
	Totale generale	**100,00**	**1,79**	**0,01**	**1,81**

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column "VaR Price %" and "VaR Foreign Exchange %" shows the percentage on the market values.
- The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

Composition analysis and Risk Capital Life Division

Tipologia	Divisa	Composizione % (Quotato	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Azioni	Euro	5,08	45,69	0,00	45,69
	Franco svizzero	0,10	56,80	33,01	89,81
	Sterlina inglese	0,20	56,00	18,99	74,99
	Totale Azioni quotate	**5,39**	**46,29**	**1,34**	**47,62**
Derivati su azioni	Euro	0,06	N/A	0,00	N/A
	Totale Derivati	**0,06**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**5,45**	**41,51**	**1,32**	**42,83**
Fondi obbligazionari	Euro	1,22	3,88	0,00	3,88
Obbligazioni	Dollaro americano	0,53	1,36	25,79	27,15
	Euro	76,29	6,85	0,00	6,85
	Franco svizzero	0,57	0,34	33,59	33,93
	Totale Obbligazioni Fondi	**78,61**	**6,72**	**0,42**	**7,13**
Azioni	Euro	9,26	18,49	0,00	18,49
	Totale Azioni non quotate	**9,26**	**18,49**	**0,00**	**18,49**
	Totale	**93,32**	**9,92**	**0,43**	**10,35**
	Dollaro americano	0,04	6,67	25,60	32,27
	Euro	6,64	6,92	0,00	6,92
	Altri Attivi	**6,68**	**6,92**	**0,17**	**7,09**
	Totale generale	**100,00**	**9,72**	**0,41**	**10,13**

Composition analysis and Risk Capital Non-Life Division

Tipologia	Divisa	Composizione % (Quotato	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Azioni	Corona norvegese	0,01	67,89	18,22	86,11
	Corona svedese	0,01	68,25	18,46	86,71
	Euro	7,18	33,28	0,00	33,28
	Sterlina inglese	0,18	43,32	18,99	62,32
	Totale Azioni quotate	**7,38**	**33,59**	**0,49**	**34,09**
Derivati su azioni	Euro	0,16	N/A	0,00	N/A
	Totale Derivati	**0,16**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**7,54**	**23,32**	**0,48**	**23,80**
Fondi obbligazionari	Euro	0,48	3,88	0,00	3,88
Obbligazioni	Euro	72,32	2,87	0,00	2,87
	Totale Obbligazioni Fondi	**72,80**	**2,88**	**0,00**	**2,88**
Azioni	Dollaro americano	0,11	38,06	25,50	63,56
	Euro	18,31	20,53	0,00	20,53
	Totale Azioni non quotate	**18,42**	**20,64**	**0,15**	**20,78**
	Totale	**98,76**	**7,75**	**0,06**	**7,82**
	Euro	1,24	2,87	0,00	2,87
	Altri Attivi	**1,24**	**2,87**	**0,00**	**2,87**
	Totale generale	**100,00**	**7,69**	**0,06**	**7,75**

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.
- The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

In relation to the real estate risk, or rather the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment. The analysis model for the residential and commercial buildings is calibrated on a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

2.3 Credit Risk

The analysis of the credit risk is broken down as follows:

- **Counterparty Default Risk**, the risk of possible losses due to unexpected non compliance of the counterparties and of the debtors, excluding issuers of bond securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- *Spread Risk*, the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

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

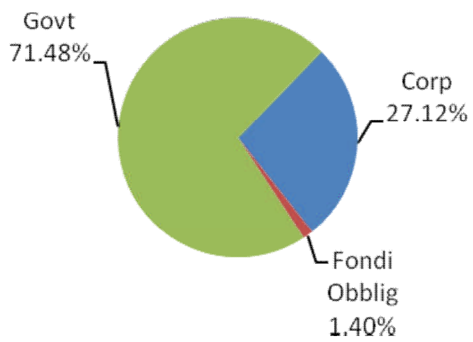
The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a consequence of "migration" of the issuers from one class to another rating. This latter is considered more adequate for the total determination of the Economic Capital. On the basis of these models, the exposure of the Company to the credit risk is periodically monitored.

In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

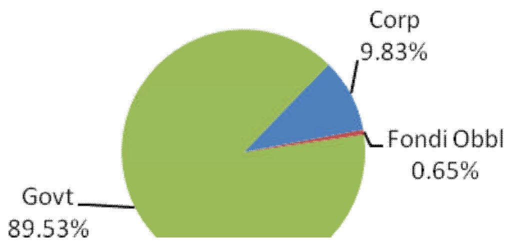
The graph shows the bond portfolio by issuer, rating and segment.

Composition of the Bond portfolio

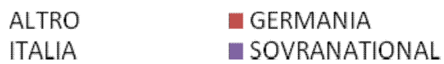
Life Division



Non-Life Division



Government bond portfolio by country of the Life Division

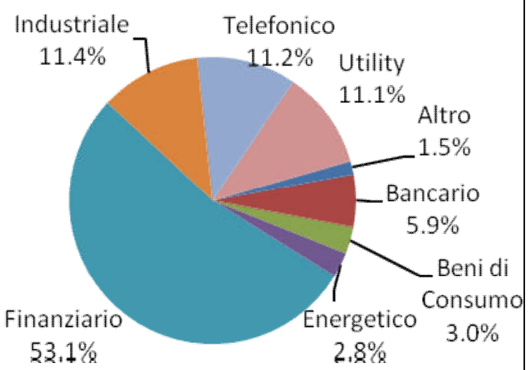
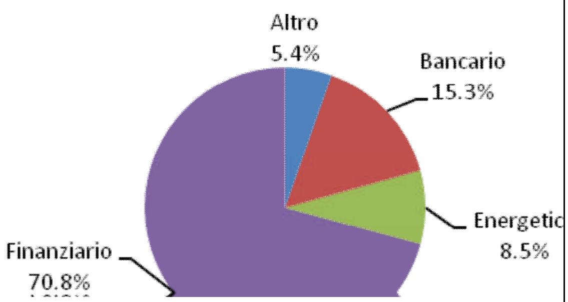


Paese Emittente	Quota (%)
AUSTRIA	0.08%
BELGIO	0.04%
CANADA	0.16%
FRANCIA	0.08%
GERMANIA	2.32%
GRECIA	0.41%
IRLANDA	0.10%
ITALIA	92.32%
MESSICO	0.13%
PORTOGALLO	0.03%
SOVRANATIONAL	1.54%
SPAGNA	2.27%
STATI UNITI D'AMERICA	0.22%
SVIZZERA	0.31%

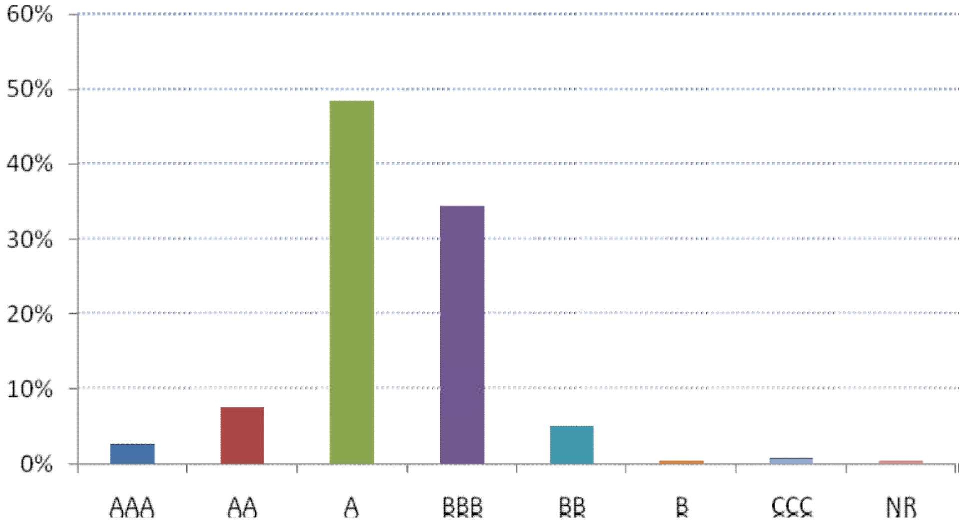
Government bond portfolio by country of the Non-Life Division

Paese Emittente	Quota (%)
SOVRANATIONAL	0,24%
GERMANIA	20,29%
ITALIA	79,47%

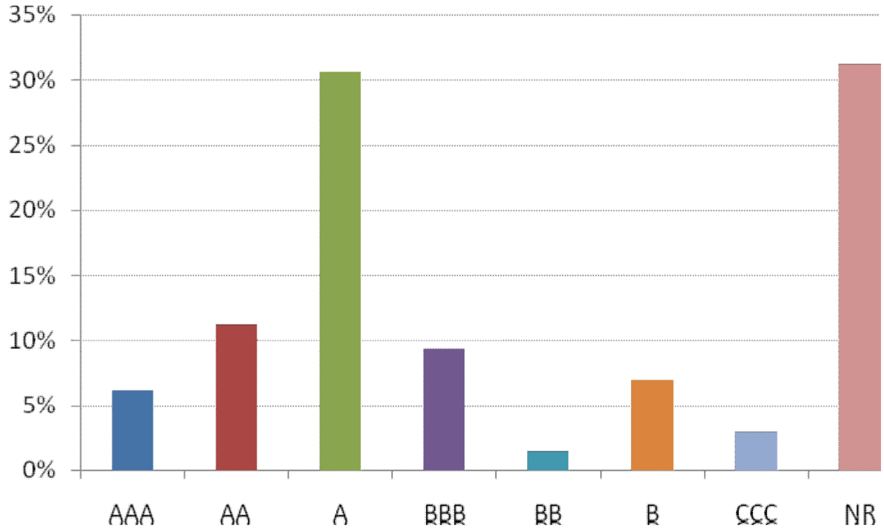
Composition of corporate bonds by segment

Life Division	Non-Life Division
	

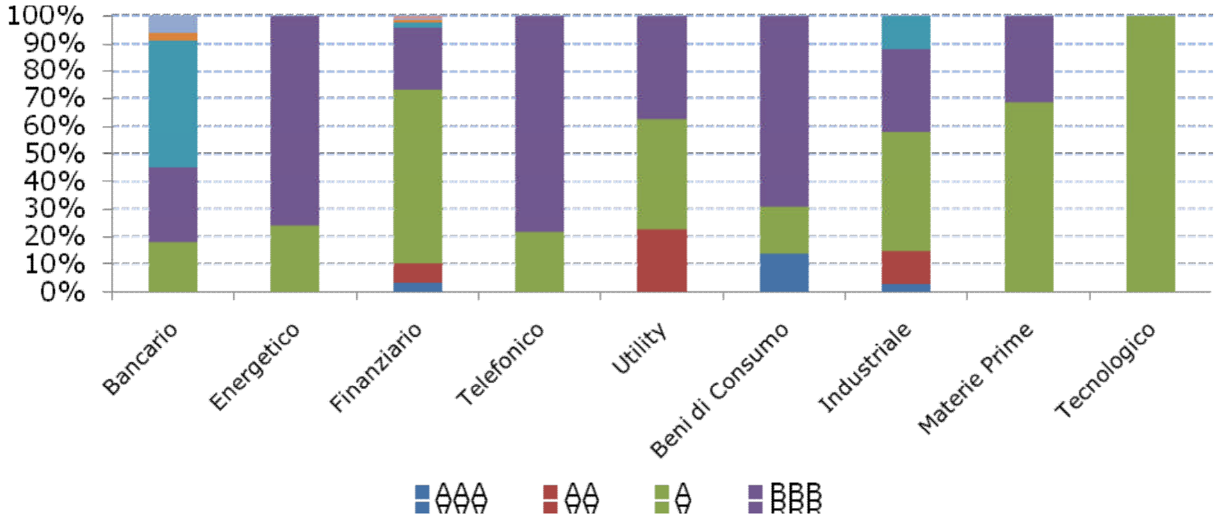
Corporate bond portfolio by Standard & Poor's rating for the Life Division



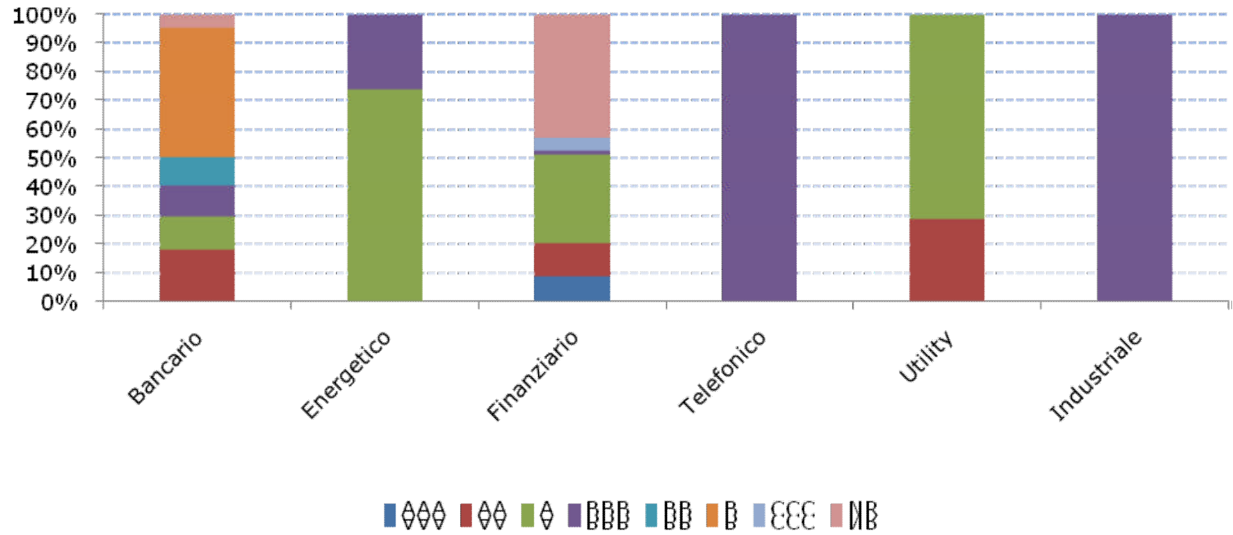
Corporate bond portfolio by Standard & Poor's rating for the Non-Life Division



Corporate bond portfolio by sector and rating of the Life Division



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

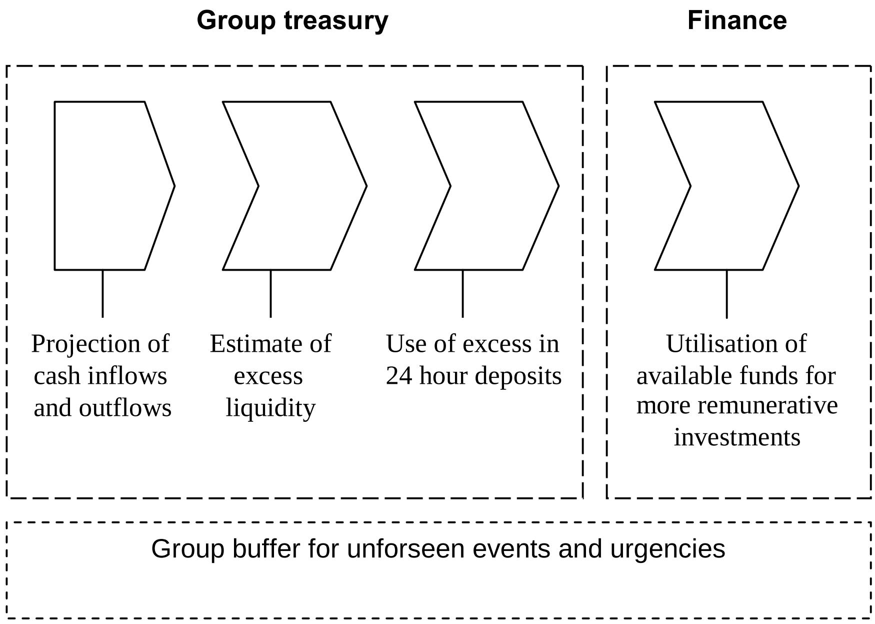


2.4 Liquidity Risk

The liquidity risk involves "the risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses".

For the management of liquidity, the Company adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily *cash pooling*), also the optimisation of the returns on the liquidity realised through the centralised management of the excess liquidity compared to the programmed commitments. The Group Treasury activities seek to ensure a balance between the maintaining of monetary credit lines capable of covering any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



The funds in restricted 24 hour deposit accounts (so-called time deposits) are managed by counterparty banks according to the following criteria:

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

In relation to the fund investments, on the basis of the Group Risk Policy, limits were fixed relating to the illiquid assets compared to the total assets under management (AUM).

3 Information on Operational Risks

3.1 The Framework of Operational Risk Management

The operating risk concerns the *"risk of loss deriving from inefficiencies of staff, processes and systems, including those utilised for distance selling, or external events, such as fraud and the activities of supplier services (Outsourcing risk)"*. Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include risk compliance and reputational risk, with the objective to evaluate the direct and indirect effects of events relating to operating risks.

In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

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

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

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

3.2 Activities carried out and objectives for 2012

During the year, the Risk Self Assessment activity continued of the business processes according to the qualitative-quantitative methodology based on questionnaires which identified the most significant risks in terms of economic impact. The questionnaires were drawn up making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit department, with the support of the respondents and based on the preceding verifications carried out.
In relation to the definition of the Business Continuity general plan, the recognition activity was concluded on the principal business processes and on the principal Group operating site in order to define the minimum operating requirements in emergency conditions against the principal catastrophic events (Business Impact Analysis).

On the management of the IT risk, some evaluations were made on the vulnerability of the IT system with particular focus on the evaluation of the infrastructure managed by the outsourcer FSST and some applications on the internet.
The IT risk and business continuity management also includes the Disaster Recovery plans.
The activity relating to the definition of a data quality management model, within the Solvency II convergence, was undertaken through a pilot project which created the basis for a data dictionary and for a census methodology and controls. Simultaneously specific work was undertaken to improve the quantity and quality of the information relating to catastrophic risk in the Non-Life Corporate policy sector.

The Solvency II convergence project

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

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

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

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

Other information

Pursuant to the corporate governance system of the Company, we declare that the conduct of the corporate boards and of the committees therein was appropriate to ensure compliance with current regulations and of the recommendations of Consob in relation to the appointment of the corporate boards of companies listed on the Stock Exchange.

In accordance with the recommendations of Consob, before the issue of the respective reports on the financial statements, the Board of Statutory Auditors and the independent Audit Firm exchanged reciprocal information on the controls undertaken.

Audit fees and other services provided by audit firm

The following table shows the information required pursuant to article 149 of the Consob Issuer's Regulation:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Milano Assicurazioni	907
	Deloitte & Touche S.p.A.	Immobiliare Milano Ass.	135
	Deloitte & Touche S.p.A.	Pronto Assistance Servizi	47
b) certification work (*)	Deloitte & Touche S.p.A.	Milano Assicurazioni	220
c) fiscal consulting			-
d) other services	Deloitte & Touche S.p.A.	Milano Assicurazioni	340
Total fees in the year			**1.649**

(*) of which:	
audit fee of the separated management	181
audit fee of the internal insurance funds	15
audit fees of the open pension funds	14
Other services	10

Compliance with privacy laws (Legislative Decree No. 196/2003)

In accordance with the rule 26 of the "Technical Governance on security matters", Attachment B) of Legislative Decree No. 196 of June 30, 2003, Milano Assicurazioni declares to have prepared the Programmed Security Document relating to the year 2011, in compliance with the provisions of article 34 of Legislative Decree No. 196 of 30/06/2003 and the Technical Governance cited above.

Litigation

At December 31, 2011, 42,182 claim disputes were still open. Of these, 32,578 relate to the Motor TPL Class. During the year, a total of 20,805 cases were settled, of which 17,483 relating to the Motor TPL class.

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 Lombardy and Tuscany (relating to the consolidating company Fondiaria-Sai) Regional Tax Authorities - finalised the tax position. The finalisation also involved the parent company Fondiaria-Sai 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 May 16, 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 company, exercising the option to pay through instalments and the instalments were paid on the respective due dates.
The agreement did not relate to the appeal on penalties concerning the non payment of withholding taxes in the year 2005-2008.

The tax charge of Milano Assicurazioni following the finalisation of these disputes for the period 2005-2008 amounted to Euro 34.6 million, in addition to interest (of which Euro 13.1 million concerning the year 2005). In addition to this amount a charge was incurred of Euro 1.2 million for the agreement relating to other assessments received in 2008 concerning a general inspection for the year 2004.

The total charge of Euro 35.8 million compares to a potential assessment risk of over Euro 230 million and was expensed in the income statement for the year 2011 for Euro 11.8 million, while Euro 24 million was already accrued in the previous year.

Communications to the Motor TPL Claims Databank

On March 24, 2011, ISVAP sent to all companies operating in the market a letter concerning the communication obligations to the Motor TPL Claims Databank by companies of the details concerning each claim.
With the above-stated letter, ISVAP announced to having encountered since the entry into force of the new claims communication methods (February 2011), significant deficiencies in that communicated by companies, comprising errors or incompleteness of the data concerning the individual claims.

In announcing that measures, including penalties, would be applied in accordance with the relevant regulations, ISVAP highlighted in the letter the need for the Compliance Departments of the companies to ensure the suitability of the procedures utilised to guarantee compliance with the relative provisions, suggesting that the companies bring the question to the attention of the Board to discuss the most appropriate manner and timeframe for the corrective actions necessary to conform with the regulations concerning the issue at hand.
On May 18, ISVAP notified Milano Assicurazioni of non-compliance concerning communications made in the period between February 1, 2011 and March 31, 2011. In particular, the company was charged with errors and incomplete communication concerning 62,880 claims, for a total amount of penalties which range from a minimum of Euro 34.4 million to a maximum of Euro 314.4 million. The penalty was calculated multiplying the number of incomplete claims or erroneous claims by the amounts established by Article 316 of the Private Insurance Code.

Following the notices sent to the insurance companies operating on the market, ANIA proposed a meeting, which was held on May 26, to analyse the critical issues and to agree possible solutions. The need of the insurance companies to promptly present an appeal before the Lazio Regional Court became apparent as, in consideration of the significance of the penalties contested, it was necessary for the protection of the companies to appeal within the applicable period (60 days). Simultaneously, ANIA senior management initiated meetings with the General Management of ISVAP in order to agree solutions which considered the difficulties for the insurance companies to communicate all of the data requested for the Claims Databank. A significant amount of the errors recorded relate in fact to data which the Insurance Companies do not directly have access to (for example, data relating to the driver, the trustee, the doctor, the testimony of the counterparties) and for which proper legal instruments are not available to the companies to ensure such acquisition.

Based on these issues, Milano Assicurazioni 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 June 22, 2011, the Lazio Regional Court rejected the demand for suspension of the execution presented by Milano and fixed for December 19, 2011 the hearing in relation to the dispute.

On July 15, 2011, Milano Assicurazioni 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.

The technical offices of ISVAP involved in the examination of the Claims Databank requested meetings with the Insurance Companies in order to assess the degree of motivation behind the presentation of an appeal as per Article 327 of Legs. Decree 209/2005 and in order to explore further the most difficult issues, in addition to preliminarily analysing the work plans prepared for the improvement of communications to the Claims Databank.
These issues were also discussed at a meeting between the Fondiaria-Sai Group and ISVAP on July 13, which involved also the Legal, Claims, IT and Compliance departments.

In December 2011 Isvap communicated to Milano Assicurazioni and the other companies of the Group that the measures adopted were considered appropriate to resolve the organisational problems identified.

Subsequently the Lazio Regional Administration Court on February 16, 2012 accepted the appeal of the insurance companies, including that of Milano Assicurazioni, cancelling both the letter of March 24, 2011 of Isvap and the notice sent to Milano Assicurazioni on May 18, 2011, considering Isvap's interpretation to apply the sanctions to each claim incorrect and ruling that these should be applied in relation to the periodic communications to be made to the Claims Databank.

However we report that the actions undertaken have permitted a considerable reduction in the transmission errors reducing the percentage to below 2%.

However, we are awaiting indications from Isvap on how they wish to manage the problems in the future given the fact that the procedure for the application of the sanctions as per Article 327 of the Insurance Code would now not be applicable.

Stock Exchange Listing

From June 27, 2011 the share capital increase began of Milano Assicurazioni, approved by the Board of Directors of May 14 and of June 22, 2011, in execution of the power conferred by the Extraordinary Shareholders’ Meeting of April 27, 2011. The capital increase provided for:

- the issue of 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each:
- the issue of 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

As described in the significant events in the year section, the share capital increase concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

Taking account of the adjustments concerning the increase, in 2011, the ordinary share price was valued in a range between a minimum of Euro 0.2123 at December 14, 2011 and a maximum of Euro 0.88659 at March 11, 2011; the minimum listing for savings shares was Euro 0.171 on December 20, 2011 with a maximum of Euro 0.8899 on March 10, 2011.

The stock exchange capitalisation at the year-end was Euro 440.1 million (Euro 706.6 million at 31/12/2010), lower than the net book value. 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 for the purposes of the consolidated financial statements confirm the correctness of the shareholders' equity recorded.

* * *

Pursuant to article 126 of Resolution No. 11971 of May 14, 1999, the list of the non-listed companies and of the Companies in which the Company held at December 31, 2011, directly and/or indirectly, a holding above 10% of the share capital or in relation to which the shares or quota attributed to the company the voting right above the percentage held, is shown as an attachment.

Subsidiary and associated companies

The list, pursuant to article 2427, point 5, of the Civil Code, is shown in attachment No. 6 to the notes. For each of these, the balance sheet and the income statement of the last financial statements approved are attached.

The key financial information for 2011 of the principal subsidiaries and associated companies are shown below.

Subsidiary companies

LIGURIA Società di Assicurazioni S.p.A. – Milan (direct holding 99.97%)

In 2011, the company reports a loss of Euro 44.1 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 (-9.8%) following the planned redevelopment or disposal of sales points with negative technical performances 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 adjustments to the net value on the securities portfolio and investments for a total of Euro 21.7 million.

Premiums written in the year amounted to Euro 236.8 million, a decrease of 9.8% on Euro 262.9 million in 2010.
The claims/premiums ratio in the direct non life segment was 84.9%, an improvement on 114.4% in 2010, with a consequent improvement in the gross technical result, which was a loss of Euro 24.4 million compared to a loss of Euro 96.1 million in the previous year.

Net financial charges were Euro 13.4 million compared to net financial income of Euro 3.3 million in 2010. The financial result was impacted by impairments on sovereign debt in the Eurozone (of which Euro 5.2 million relating to Greek bond securities) and the impairment on the subsidiary Liguria Vita, made principally to reflect the loss for the year by the subsidiary, due to adjustments on securities in portfolio.

The actions continued in 2011 for the further integration of companies within the group. The most significant project, for the important synergies which will derive from the settlement of claims, is the migration of Liguria onto the IT claims system of the Group (IES system) programmed in 2011 and implemented in January 2012. Other integration projects implemented in 2011 saw the expected benefits, especially in the personnel and administration areas.

In relation to the product portfolio, the new Motor TPL tariff, which was introduced in June, introduced new customisation parameters which, together with the “personalised” management by the agencies, permitted the maintaining of good levels of inflows and an increase in the average premiums.

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.

On January 31, 2012 the parent company Milano Assicurazioni S.p.A. made a capital account payment of Euro 46 million to maintain the solvency margin and ensure compliance with regulatory obligations.

LIGURIA VITA – Milan (indirect holding 99.97%)

Premiums written amounted to Euro 19.7 million, a decrease of 19% on Euro 24.3 million in the previous year, and relate to traditional Class I products for Euro 17 million (Euro 21.3 million in 2010) and Class V securitisation contracts for Euro 2.7 million (Euro 3 million in 2010). Also in 2011 no Class III products were placed.

New business in 2011 amounted to Euro 13.1 million and reports a decrease of 21.4% on 2010 (Euro 16.7 million). These concern single premiums for Euro 11.4 million (Euro 14.7 million in 2010); recurring premium products for Euro 0.9 million (Euro 1.2 million in 2010) and annual premium contracts for Euro 0.9 million (Euro 0.7 million in 2010).
The sums paid in 2011 amounted to Euro 17.2 million, an increase of 25.4% on the previous year.

The gross technical reserves of class C amount to Euro 112.8 million, of which Euro 95.3 million relates to Class I individual policies and Euro 17.5 million relates to the technical reserves of the Class V securitisation policies. Technical reserves of the contracts linked to market indices in Class III amount to Euro 5.2 million.

In relation to the separated management performances, the "**Liguria Fund**" recorded a yield of 3.64% and substantially in line with the previous year (3.72%) and considered satisfactory in light of the 2011 financial market performance.
The strong tensions on the financial markets at the end of the year strongly impacted the result which includes impairments on securities of Euro 8.8 million, a significant increase on the previous year (Euro 2.8 million). The impairments principally refer to sovereign debt securities of countries in the Eurozone.

As a result, in 2011 a loss of Euro 8.9 million was recorded (loss of Euro 2.4 million in 2010). The high level of losses in the year, as described, strongly impacted by the financial result, required recapitalisation of Euro 7 million by the parent company, in order to maintain the regulatory obligations.

DIALOGO ASSICURAZIONI S.p.A. – Milan (direct 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.

In 2011, a loss of Euro 11.4 million was recorded (loss of Euro 15.1 million in 2010). The key factors in 2011 which contributed to this result are summarised below.

The total premiums written amounted to Euro 39.6 million, an increase of 17.9% on the previous year. The development is in line with the declared objective in the industrial plan which provides for the strengthening of the Fondiaria-Sai Group in the direct sales of insurance policies market. Premiums written in the year, net of reinsurance, amounted to Euro 21.8 million, compared to Euro 16.9 million in the previous year, an increase of 29.1%.

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.

The management expenses of the direct business decreased by Euro 1.6 million due to the reduction in advertising costs.

The outward reinsurance, structured with a proportional coverage and an excess claims coverage, recorded a positive technical balance of Euro 3.1 million, compared to Euro 2.4 million in the previous year.

The financial management, impacted by the turbulence on the financial markets, reports a net loss of Euro 0.2 million. The result was particularly affected by the prices on the sovereign Italian debt which resulted in an impairment of Euro 1.3 million.

Extraordinary items report a loss of Euro 1.2 million, principally due to penalties of Euro 1 million by the Supervisory Board. Against this sanction the company appealed to the Regional Administrative Court.

SYSTEMA Compagnia di Assicurazioni S.p.A. – Milan (direct holding 100%)

The Company operates in the non-life classes through the commercialisation of standardised products distributed by bank partners in accordance with specific contracts.

Premiums in the year amounted to Euro 37.7 million, an overall increase of the premiums portfolio of 73.6% on the previous year, against an increase of 12.8% in the non motor classes (Euro 7.5 million) and substantial doubling of premiums written in the motor segment (increase to Euro 30.2 million) principally due to premiums from the distribution channels of the Banco Popolare di Milano Group.

The technical result reported a loss of Euro 3.8 million compared to a profit of Euro 0.3 million in the previous year. The deterioration is principally due to some significant claims in the Motor TPL class, which resulted in a significant worsening of the claims/premiums ratio for the current year, with the creation of a reserve for risks in course.

In relation to prior year claims, the settlement activity resulted in a charge for the year principally due to the strengthening of the residual claims reserves, following the increase recorded in the average cost of claims.

The financial management, impacted by the turbulence on the financial markets, reports a net loss of Euro 0.4 million. The result was particularly affected by the prices on the sovereign Italian debt which resulted in an impairment of Euro 1.3 million.

Following that stated above, in 2011, a loss of Euro 3.3 million was recorded (loss of Euro 0.2 million in 2010).

IMMOBILIARE MILANO ASSICURAZIONI S.r.l. - Milan (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 241.9 million comprising property, shareholdings in subsidiary and associated companies, cash and cash equivalents and financial debt.

In 2011, the company recorded a loss of Euro 35.2 million (loss of Euro 15.9 million in 2010). The loss is principally due to the impairments on property and investments holding property. The changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years.
The key events which contributed to this result are summarised below:
- revenues amounted to Euro 6.8 million, in line with the previous year;
- the operating costs for the management of property of Euro 8.3 million was in line with 2010;
- depreciation amounted to Euro 4 million, in line with 2010;
- property impairments were made of Euro 19.5 million, based on specifically appointed independent experts' valuations;

- the 27.5% holding in Citylife was sold, a company which was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The sale resulted in a gain of Euro 12.5 million;
- impairments on investments held were recorded of Euro 9 million, of which Euro 5.2 million relating to the subsidiary Sintesi Seconda and Euro 2.8 million relating to the associated company Sviluppo Centro Est;
- Write-downs were recorded on receivables from associated companies of approx. Euro 12.6 million, of which Euro 8 million from Sviluppo Centro Est and approx. Euro 4 million from Metropolis.

At December 31, 2011 the assets of the company principally comprise property, for a book value of Euro 224 million and holdings in subsidiary and associated companies for Euro 43 million, including:

- a holding of 16.67% in IGLI S.p.A., with a book value of Euro 35.9 million, which holds in turn as its only asset approx. 29.96% of the company Impregilo. It is recalled that the Group company Immobiliare Fondiaria-Sai S.r.l. holds a further 16.67% of IGLI and that the group Fondiaria-Sai has a total holding in IGLI of 33.33% of the share capital, equal to the other two shareholders of IGLI, Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A. On December 27, 2011 Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed with Argo Finanziaria a contract regarding the purchase by the latter of 8,040,000 ordinary shares of IGLI S.p.A., held by Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni and comprising 33.33% of the share capital.

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

  Argo Finanziaria may designate its subsidiary Autostrada Torino Milano to acquire the IGLI shares.

  Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni 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, 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 is subject to any required authorisation of the antitrust authorities and compliance with the pre-emption procedure established in the by-laws of IGLI and is expected to be completed by the end of March 2012. The sale will permit Immobiliare Milano to record a gain of approx. Euro 8 million in its statutory financial statements;

- The entire share capital of Sintesi Seconda S.r.l. which, after the above-mentioned impairment of Euro 5.2 million, has a residual book value of Euro 0.3 million. The Company owns 4 buildings for office and service use situated in Milan;
- a holding of 44.93% in Borsetto s.r.l., with a book value of Euro 3.4 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

Financial payables to banking institutions amount to Euro 12.7 million.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio (direct holding 100%)

The company owns a hotel real estate complex at Madonna di Campiglio and of a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the business, in line with market values for similar operations. In 2011 the company reported a loss of Euro 294 thousand, due in part to the weakness which continues to impact the hotel sector (loss of Euro 59 thousand in 2010).

SOGEINT – Milan (direct holding 100%)

The Company undertakes commercial assistance to the agencies. Substantial breakeven was recorded in 2011.

PRONTO ASSISTANCE SERVIZI (direct and indirect holding 54.55%)

The Company provides services to Fondiaria-Sai Group policyholders who have undertaken Assistance class guarantees. The result in 2011 was a loss of Euro 0.2 million.

Associated companies

IMMOBILIARE LOMBARDA S.p.A. – Milan (direct holding 35.83%)

Following the partial spin-off of 2009 Immobiliare Lombarda adopted a new mission, changing from a mixed real estate operator, as well as captive, of the Fondiaria Sai Group, to a specialised operator in the consultancy and the provision of services relating to the management and development of both Group and third party real estate assets, open to commercial alliances with other real estate operators through which it can expand its presence in the sector.

In 2011, the Company continued its property consultancy activities, particularly to companies belonging to the Fondiaria-Sai Group.

A loss of approx. Euro 1.6 million was reported compared to a profit of Euro 0.8 million in 2010.

GARIBALDI S.C.A. – Luxembourg (direct holding 32%)

The company is involved in the real estate project – promoted and managed by the US Group Hines - Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 4,000 sq.m. for residential use, 12,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
The result in 2011 was a loss of Euro 86 thousand.
Within this project, the total financial commitment of Milano Assicurazioni is expected at approx. Euro 117 million. Loans granted at December 31, 2011 amounts to approx. Euro 64 million and are recorded as Profit Participating Bonds, based on the profits achieved in relation to the property project currently under development.

ISOLA S.C.A. (direct holding 29.56%)

The company, through its subsidiaries, is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned 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.
The result in 2011 was a loss of Euro 80 thousand.
Within this project, the total financial commitment of Milano Assicurazioni is expected at approx. Euro 21 million. Loans granted at December 31, 2011 amounts to approx. Euro 14.6 million as Profit Participating Bonds, based on the profits achieved in relation to the property project currently under development.

ATAHOTELS S.p.A. - Milan (direct holding 49.00%)

In 2011 the company reports a loss of Euro 23.3 million compared to a loss of Euro 52.1 million in 2010. The net equity at December 31, 2011 amounts to Euro 1.7 million.

The company continues to be affected by the difficult economic environment and the serious crisis in the convention sector, in which the company enjoys a leadership position, even though the operational actions undertaken has seen the company react better than competitors. The result is also affected by the high level of rents paid.

The tourism sector, after a relatively good performance in the first eight months of the year, in the final four months was impacted by the economic crisis, with a slowdown also in occupancy rates in January 2012 compared to January 2011. Despite this the company achieved the revenue objectives fixed at the beginning of the year, increasing revenues 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 and benefitted from a small recovery in the tourist market in Italy. Overall hotel revenues amounted to Euro 126.7 million, an increase of 14.4% on Euro 110.7 million in the previous year (+11% like-for-like).

In this context, the more flexible operating costs resulting from the restructuring actions undertaken in the last two years benefitted from the increased revenues.
Personnel costs, overheads and outsourcing costs remained in line with 2010 and, consequently, the EBITDA 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).

In relation to other costs, we highlight the high level of rents which despite the reductions agreed with the Fondazione Enpam and Enpam Real Estate S.r.l. and Fondiaria-Sai, amount to Euro 36.2 million, and accounting for approx. Euro 28% of revenues. In addition the company pays leasing charges for the buildings at Varese and Petriolo amounting to Euro 1.5 million and depreciation of Euro 10 million.

VALORE IMMOBILIARE S.r.l. – Milan (direct holding 50%)

The company was incorporated in December 2008 by the FONDIARIA-SAI Group through Milano Assicurazioni, and by the Generali Group, which holds the residual 50%, for the acquisition of three buildings in Milan - Piazza Firenze n. 6, Via Caracciolo n. 16 and Via Cagliero n. 3 - and in Rozzano (MI), Via Montepenice n. 6-8-10. The 2010 financial statements, the last approved for the preparation of the present report, reports a loss of Euro 0.7 million. At the end of December 2011, the company completed the sale of property and does not expect new investments.

Transactions with related parties

Reported below are the transactions with related parties, pursuant to Consob Resolution No. 17221 of March 12, 2010, amended with resolution No. 17389 of June 23, 2010 which adopted the "Regulation on related party transactions" pursuant to Article 2391 *bis* of the Civil Code, as well as Articles 113*ter*, 114, 115 and 154 *ter* of Legislative Decree 58/98.

The account land and buildings at December 31, 2011 comprises:

- Euro 73.6 million of payments on account in previous years in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome, of which Euro 72.6 million paid to "Avvenimenti e sviluppo Alberghiero s.r.l.".
  The amount recorded is net of write downs of Euro 29.9 million made based on updated expert valuation reports on the building under construction, which report a property value of approx. Euro 82 million. It is reported that the changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. As the shareholders of Avvenimenti e Sviluppo Alberghiero S.r.l deems it to be a related party of Milano Assicurazioni, in addition to the parent company Fondiaria-SAI, fairness and legal opinions from expert advisors were obtained for this operation. The fairness opinions confirmed the appropriateness of the sales prices of the areas and the purchase price of the buildings under construction. In 2011 no further payments was made as the work was suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000. At December 31, 2011 the residual commitment amounts to Euro 8.3 million.

- Euro 58.3 million of payments concerning the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola), of which Euro 57.1 million concerning the company "IM.CO. S.p.A.. The amount is net of a write-down of Euro 12.6 million, made based on an updated valuation report on the building under construction, which highlights a property value of approx. Euro 88 million and takes into account the deterioration of the outlook for the real estate sector, as indicated above.

With reference to this operation, it is recalled that, with deed of December 22, 2005, Milano Assicurazioni sold to IM.CO. at the price of Euro 28.8 million, plus VAT, the above-mentioned land and with subsequent deed of November 15, 2006, following the obtaining by the promised seller of the Construction Permit, Milano Assicurazioni acquired from IM.CO., at the price of Euro 93.7 million, plus VAT, full ownership of all future buildings 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.
The operation was, prior to its completion, examined and approved, in accordance with the corporate governance principles adopted by the company, by the Board of Directors in the meetings of October 20, 2005 and November 10, 2005.

In the execution of the works, whose completion was originally scheduled for April 30, 2008, the parties by common agreement approved some changes which regard to the qualitative aspects of the complex. To implement the changes, it was necessary to agree with the selling parties an extension of the delivery deadline, approved by the Board of Directors' meeting of February 18, 2009, which also took into account the suspension of the administrative procedures.
Due to a further suspension of works imposed by the judicial authorities – which concluded, by order of the Re-examination Court, with the declaration of the full compliance of the procedure adopted by the City Council Administration – in 2010 the parties signed an agreement on the possibility to optimise the project taking into account the inclusion of the rezoned urban area "Porta Nuova" which adds significant value to the project.
It was therefore necessary to amend the architectural characteristics of the building in order to allow maximum flexibility of the internal spaces and therefore to create a building which can facilitate a wide range of possible tenants, in line with market developments.
With Private Modifying Agreement of March 8, 2011 and – once the property deed became effective – with subsequent Amending Deed of August 2, 2011, the parties agreed that the above-stated amendments would result in charges of Euro 5.4 million, an amount which includes also the charges and claims between the parties in the period before the halting of building as well as the consequent delayed completion of the building as a result of the new project, with the scheduled completion date postponed to 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 taxes.

As IM.CO. is considered a related party of the Company, the operation is considered by Milano Assicurazioni in accordance with the adopted regulations issued by CONSOB and subject therefore to specific procedures: therefore the independent expert Scenari Immobiliari provided a report which confirms the correctness of the overall price of Euro 99.1 million. The Raynaud & Partners Law Firm was also requested to provide a legal opinion, which issued a positive opinion concerning the above-stated deed. The above decision was approved by the Board of Directors' meeting of Milano Assicurazioni on February 23, 2011.
In 2011, Euro 13.6 million was capitalised for the advancement of work in addition to Euro 4 million paid on the signing of the Private Modifying Agreement. The residual commitment at December 31, 2011 amounts to Euro 29.7 million.

In relation to the above-mentioned real estate project Milano Assicurazioni will only become owner of the buildings once the work is completed and approved. As described above, the Company has already made payments on account based on the advancement of the works.

These types of contracts expose the companies of the Group, where the selling counterparties (IM.CO. and Avvenimenti e Sviluppo Alberghiero, subsidiaries of Sinergia Holding di Partecipazioni S.p.A. and related parties of Milano Assicurazioni) are unable to comply with their obligations, to the risk of losing their right to the delivery of the assets subject to these contracts, remaining debtor of the sums paid on account, as these real estate projects under development do not have guarantees.

The valuation of the real estate projects and developments were made on the basis that the counterparty related party of the Sinergia Holding di Partecipazioni Group continue to operate on a going concern basis, also in consideration of the debt renegotiation of the Sinergia Group with its banks creditors. Consequently, in the absence of the conditions outlined above, the full recovery of the investment may not be possible for Milano Assicurazioni, except in accordance with the application of judicial protection.

However, the write-downs made on the above mentioned projects, as indicating a valuation lower than the sum of the amounts paid on account in relation to the state of advancement of the works, already constitute a protection considered adequate compared to the risks illustrated above.

Finally, we report that the above-mentioned related parties have recently requested the Company for the payment of further sums against changes to the original plans. It is considered that these requests, for which the necessary examinations are taking place, are not founded and for the moment are therefore rejected.

* * *

The principal transactions with the parent company, subsidiaries, associated companies, group companies, other investments and other related parties are summarised below. They principally relate to:

- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the Fondiaria-SAI Group of the cost of the general services;
- credit and debit balances deriving from the involvement by Milano Assicurazioni in the Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets	Liabilities	Revenues	Costs
Holding companies				
Fondiaria-Sai	164.563	46.167	15.253	21.568
Subsidiary companies				
Systema	4.465	9.070	16.338	17.003
Dialogo	2.796	14.512	16.890	20.548
Liguria	2.192	65	1.598	65
Sogeint	4.063	1.553	7	1.553
Other subsidiaries	608	-	628	2.641
Group companies	338.893	118.239	153.572	270.986
Associated companies	78.581	-	225	9
Other holdings	1.251	-	96	171
Other related parties	208.455	2.743	10.595	51.858

Fondiaria-Sai

The assets refer principally to:
- the inter-group balances following the adherence, by Milano Assicurazioni, to the tax consolidation of the Fondiaria-SAI Group (Euro 98,154 thousand credit for payments on account paid and Euro 4,543 thousand paid for group VAT receivables);
- receivables and reserves related to reinsurance transactions, for Euro 57,570 thousand.

The liabilities relate to:
- payables for services received of Euro 7,498 thousand;
- payables and reserves deriving from reinsurance and co-insurance transactions of Euro 38,669 thousand.

The revenues principally include the recovery of expenses (Euro 1,397 thousand) and reinsurance (Euro 12,839 thousand).

The costs essentially relate to reinsurance transactions (Euro 12,817 thousand), overhead costs (Euro 7,334 thousand) and financial charges (Euro 1,259 thousand).

Subsidiary companies
Transactions with Dialogo Assicurazioni and Systema Assicurazioni essentially relate to reinsurance operations.
The transactions with Liguria Assicurazioni principally regard seconded personnel and services provided.

Group companies
The transactions with group companies principally include:
- reinsurance transactions, particularly in relation to the Group company The Lawrence Re and in particular: reinsurers receivables and reserves (Euro 121,592 thousand); payables and reserves on indirect business (Euro 31,266 thousand); technical reinsurance costs (Euro 95,159 thousand); technical reinsurance revenues (Euro 68,903 thousand).
- recharges relating to the consortium company Fondiaria-Sai Servizi Group (Euro 77,166 thousand for recharges made and Euro 160,014 thousand for recharges received, of which Euro 84,090 thousand still to be paid at year-end);
- bank deposits at BancaSai (Euro 105,359 thousand) and bonds issued by BancaSai (Euro 26,216 thousand).

Associated companies
The assets comprise Profit Partecipating Bonds issued by the associated companies Garibaldi S.C.A. and Isola S.C.A. which are currently developing property projects in Milan, as previously commented upon.

Other related parties
The assets principally include the total payments on account in the year and in previous years paid to the companies *IM.CO. and Avvenimenti e sviluppo alberghiero* in relation to the real estate operations in Milan, Lunetta dell'Isola and Rome, Via Fiorentini. The above-mentioned operations have already been commented upon in the present report. These include bonds issued by Unicredit (Euro 67,258 thousand) and the costs incurred with Unicredit for the share capital increase undertaken in the year recorded under intangible assets (Euro 5,915 thousand).

The costs principally include the impairments on real estate developments illustrated above (Euro 42,476 thousand). Also included are fees paid to Directors, Statutory Auditors and Senior management, the amortisation in the year of the above-mentioned share capital costs as well as the contributions paid to the employee pension funds. Revenues principally relate to premiums concerning contracts signed by the Employee Pension Fund of the Fondiaria-SAI Group.

* * *

On March 14, 2012, the Board of Directors approved the financial statements; subsequently, on March 23, 2012, the Board approved some supplementations to the financial statements taking into account – and in order to align disclosure information – requests made by Consob to the parent company Fondiaria-SAI on some matters concerning also Milano Assicurazioni, as well as disclosure relating to the publication on March 19, 2012 of the report of the Board of Statutory Auditors of the parent company Fondiaria-SAI in relation to the complaint made pursuant to Article 2408 of the civil code presented by a shareholder of the company. No other significant event, other than that illustrated above, took place after March 14, 2012.

Finally, in accordance with Consob communication No. DEM/6064293 of July 28, 2006, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Milan, March 14-23, 2012

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

Proposals to the Shareholders' AGM

DIRECTORS' REPORT

on the proposals relating to the Matters on the Agenda of the Shareholders' AGM called in ordinary session for April 23, 2012 at the time of 11.30 AM, in first call, at the Atahotel Executive in Milan, Viale Don Luigi Sturzo No. 45, and where necessary on April 24, 2012, at the same time and same place, in second call.

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

1. **Financial statements at December 31, 2011**
   Board of Directors' Report on Operations.
   Report of the Board of Statutory Auditors and Independent Auditors' Report.
   Resolutions thereon.

Having reviewed the Directors' Report and the Report of the Board of Statutory Auditors, pursuant to Legislative Decree No. 58/1998 and having reviewed the independent auditors' report (all documents available to the shareholders, together with the financial statements in accordance with the manner and provisions established by law), we invite you to approve the financial statements at December 31, 2011, which record a loss of Euro 783,309,309.50 – comprising a loss of Euro 61,771,956.59 in the Life Division and a loss of Euro 721,537,352.91 in the Non-Life Division.

We therefore propose to cover the 2011 loss through the use of the extraordinary equity reserves of the Life and Non-Life Divisions and the share premium reserves, in the manner set out below:

COPERTURA PERDITA ESERCIZIO 2011			
	Vita	Danni	Totale
Perdita di esercizio	**(61.771.956,59)**	**(721.537.352,91)**	**(783.309.309,50)**
Utilizzo della riserva straordinaria dei rami vita a copertura della perdita dei rami vita	61.771.956,59		61.771.956,59
Utilizzo della riserva straordinaria dei rami danni a copertura parziale della perdita dei rami danni		176.928.191,94	176.928.191,94
Utilizzo della riserva da sovrapprezzo emissione azioni a copertura della perdita residua dei rami danni		544.609.160,97	544.609.160,97
	0,00	0,00	0,00

2. Resolutions concerning the composition of the Board of Directors following the resignation of Ms. Giulia Maria Ligresti.

We recall that Ms. Giulia Maria Ligresti resigned on December 23, 2011 as a director from the Company.

You are therefore called to resolve on the composition of the Board of Directors.

We propose to confirm the number of directors as 19 and to nominate, as replacement of Ms. Giulia Maria Ligresti, a new independent director both pursuant to the Self-Governance Code of listed companies and the CFA in order that the Board of Directors is always composed of a majority of independent directors, as required by current regulations for listed companies which, as for MILANO ASSICURAZIONI, are subject to the management and coordination of another listed company.

We invite you to propose to the Company any candidates, accompanied by a curriculum vitae and a declaration that they accept the office and of their independence.

In accordance with Article 12 of the Company By-Laws, the resolutions on the composition of the Board of Directors will be taken by the majority in accordance with law without the application of voting by lists, as Ms. Giulia Maria Ligresti was nominated by a single slate presented for the appointment of the Board of Directors.

3. Proposal for the appointment of the audit for the years 2012-2020.

The shareholders' meeting of April 26, 2006 resolved to confer to the audit company Deloitte & Touche S.p.A., for the 2006-2011 period, the audit appointment of the individual and consolidated financial statements, as well as the limited audit of the half-year report and the quarterly verification of the application of correct accounting procedures and of the true and correct recording of events.

This appointment may not be renewed.

In accordance with article 159 of Legislative Decree No.58/98, as amended by Legislative Decree No.303/2006, the audit appointment will be conferred by the shareholders' meeting on the proposal of the Board of Statutory Auditors.

The Board of Statutory Auditors received a proposal from the company RECONTA ERNST & YOUNG S.p.A. – already a principal auditor of the group belonging to PREMAFIN FINANZIARIA – HOLDING DI PARTECIPAZIONI S.p.A. and taking into account audit standard No. 600 with reference to the audit by the same audit firm of the most significant part of the consolidated financial statements of PREMAFIN – for the audit for the years 2012-2020.

Attached to the Directors' Report for the shareholders' meeting is a proposal of the audit firm together with the reasons for the approval by the Board of Statutory Auditors to the shareholders' meeting for the appointment to RECONTA ERNST & YOUNG for the above-mentioned period.

We invite you to approve the proposal of the Board of Statutory Auditors.

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

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

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

The new issues resulted in the adaptation of the existing remuneration policies by the approval date of the 2011 financial statements and the preparation of new personnel remuneration policies which will be submitted for your approval.
For these activities MILANO ASSICURAZIONI was assisted by a leading specialised and independent consultancy company, with extensive experience in the financial services sector.
In compliance with that established by the regulation, the remuneration policies of MILANO ASSICURAZIONI ensure the proper and prudent management of risk and concur with the strategic objectives, the profitability and the equilibrium of the company, ensuring its competitivity within the market, also in relation to remuneration, in a period of extensive change.

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

5. Resolutions in relation to treasury shares in accordance with article 2357 and 2357-ter of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 6,764,860 ordinary shares, equal to 0.367% of the ordinary share capital and 0.348% of the entire share capital. The Company does not hold any savings shares.

The average unit carrying value of the ordinary shares held by the company was Euro 0.2285; the official market value of the share at March 13, 2012 was Euro 0.2915.

On April 27, 2012, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 27, 2011 for the purchase and sale of treasury shares will expire.

We proposes you to authorise, in accordance with articles 2357 of the civil code, further purchases of ordinary treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, on one or more occasions (and also for a period of 12 months from the date of the resolution) of the treasury shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.

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

The request to renew authorisation for purchase and sale of treasury shares has the purpose of:
- in relation to the utilisation the objective is to achieve, where possible, positive results;
- in relation to the purchases – within the limits, as stated, of the shares sold - to avail of further investment opportunities relating to the liquidity from time to time of the share and of the trend in the share price and the market.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.
We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of ordinary treasury shares, for a maximum number equaling the number of treasury shares sold in the meantime, within the maximum amount however of Euro 2,500,000, and in accordance with the limits as per article 2357 of the civil code.

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

We propose that each purchase is carried out for a unitary amount not above 5% of the average price recorded on the IT systems of Borsa Italiana in the three sittings preceding each single operation.
With regard to the sales, we propose the same:
- in the case of sales on the market, such are carried out at a price not lower than 5% than the average price recorded by the IT system of Borsa Italiana in the three sittings prior to each single operation;
- in the case of sales to third parties, such are carried out at a price not lower than 5% than the average price recorded by the IT system of Borsa Italiana in the five sittings prior to each single operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applicable also in the case of sale of treasury shares on the market.

In any case, in accordance with Article 2357, paragraph 3 of the civil code, the total number of treasury shares, also taking into account those held by subsidiary companies, may not exceed the number of shares in circulation. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount existing at the date of the shareholders' meeting resolution, of the "Reserves for treasury shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 2,500,000 to the "Reserve of treasury shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to Article 2357 of the civil code in the case of revaluation of the treasury shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

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

6. Resolutions on the shares of the direct parent company FONDIARIA-SAI S.p.A. pursuant to Article 2359-bis of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 9,982,557 ordinary shares of the direct holding company FONDIARIA-SAI S.p.A., equal to 2.720% of the ordinary share capital of this latter and 2.018% of the entire share capital.

The average unit carrying value of the ordinary shares of the direct parent company FONDIARIA-SAI held by the Company was Euro 0.6194; the official market value of the share at March 13, 2012 was Euro 1.2193.

On April 27, 2012 the twelve-month period fixed by the Shareholders' Meeting of the Company of April 27, 2011 for the purchase and sale of shares of the direct holding company FONDIARIA-SAI terminates.

We propose to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the direct holding company FONDIARIA-SAI, in one or more tranches for a period of twelve months from the date of the Shareholders' Meeting resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, on one or more occasions (and also for a period of 12 months from the date of the resolution) of the FONDIARIA-SAI parent company shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.
The total number of ordinary shares of the direct parent company FONDIARIA-SAI, held by the Company may not at any time exceed the amount of ordinary shares of the direct parent company currently held, as indicated above. The Company therefore will purchase new shares only against the preceding sale of shares and for an amount of shares purchased not exceeding the amount of shares sold.

The request of the renewal of the authorisation to purchase and sell shares of the direct holding company FONDIARIA-SAI has the objective, with relation to the sale, the achievement of positive results and with regards to the purchase, to avail – within the limits, as stated, of the sales made - of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell.
Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the direct holding company FONDIARIA-SAI, for a maximum amount of shares equal to the number of shares sold in the meantime, within the maximum amount however of Euro 500,000, and in accordance with the limits as per Article 2359 of the civil code.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applied also in the sale of shares (but not in the case of the sale of rights options concerning the share capital increases) of the parent company FONDIARIA-SAI on the market.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total number of the shares of the holding company FONDIARIA-SAI, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the number of shares in circulation of the same FONDIARIA-SAI. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases we propose - with prior elimination, for the amount existing at the date of the shareholders' meeting resolution, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 500,000 to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which we also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the direct holding company FONDIARIA-SAI shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

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

7. Resolutions on the shares of the indirect parent company Premafin Finanziaria S.p.A pursuant to article 2359 of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 9,157,710 ordinary shares of the indirect holding company Premafin Finanziaria S.p.A. (hereafter: PREMAFIN) equal to 2.232% of the share capital.

The average unit carrying value of the ordinary shares of the parent company PREMAFIN held by the Company was Euro 0.1248. The official market value of the share at March 13, 2012 was Euro 0.3619.

On April 27, 2012, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 27, 2011 for the purchase and sale of shares of the indirect holding company Premafin terminates.

We propose to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the indirect holding company Premafin and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the Shareholders' Meeting resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, on one or more occasions (and also for a period of 12 months from the date of the resolution) of the PREMAFIN parent company shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.

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

The request of the renewal of the authorisation to purchase and sell shares of the indirect holding company PREMAFIN has the objective, with relation to the sale, the achievement of positive results and with regards to the purchase, to avail – within the limits, as stated, of the sales made - of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the indirect holding company PREMAFIN, for a maximum amount of shares equal to the number of shares sold in the meantime, within the maximum amount however of Euro 300,000, and in accordance with the limits as per Article 2359 of the civil code.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applied also in the sale of shares (but not in the case of the sale of rights options concerning the share capital increases) of the indirect parent company Premafin on the market.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total number of the shares of the indirect holding company Premafin, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the number of shares in circulation of the same Premafin. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases we propose - with prior elimination, for the amount existing at the date of the shareholders' meeting resolution, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 300,000 to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which we also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the indirect holding company Premafin shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

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

Milan, March 14, 2012

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

FINANANCIAL STATEMENTS

- *Balance Sheet*
- *Income Statement*

Sheet 1

Company **COMPAGNIA DI ASSICURAZIONE DI MILANO**

Share capital underwritten E. 373682600.42 Paid in E. 373682600,42

Regstd. office MILANO VIA SENIGALLIA 18/2

Legal office MILANO

SEPARATE FINANCIAL STATEMENTS

Balance Sheet

Year **2011**

(Amounts in Euro)

Balance Sheet

ASSETS

					Current year			
A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL							1	0
of which called in			2	0				
B. INTANGIBLE ASSETS								
1. Acquisition commissions to be amortised								
a) life division	3	627,242						
b) non-life division	4	0	5	627,242				
2. Other acquisition expenses			6	0				
3. Formation, start up and similar costs			7	11,771,314				
4. Goodwill			8	23,227,661				
5. Other deferred costs			9	919,287			10	36,545,504
C. INVESTMENTS								
I - Land and buildings								
1. Property used for business activities			11	2,115,057				
2. Property used by third parties			12	515,757,096				
3. Others buildings			13	438,689				
4. Other property rights			14	0				
5. Assets in progress and advances			15	132,000,961	16	650,311,803		
II - Investments in group companies and in other holdings								
1. Shares and holdings in companies								
a) holding companies	17	7,326,078						
b) subsidiaries	18	540,986,989						
c) group companies	19	31,128,451						
d) associated companies	20	8,363,571						
e) other	21	239,243	22	588,044,332				
2. Bonds issued by:								
a) holding companies	23	0						
b) subsidiaries	24	0						
c) group companies	25	20,622,328						
d) associated companies	26	78,581,300						
e) other	27	0	28	99,203,628				
3. Loans to:								
a) holding companies	29	0						
b) subsidiaries	30	0						
c) group companies	31	0						
d) associated companies	32	0						
e) other	33	0	34	0	35	687,247,960		
				to carry forward				36,545,504

Previous year

			181 0
	182 0		
183 1,004,675			
184 0	185 1,004,675		
	186 0		
	187 0		
	188 39,550,049		
	189 1,059,996		190 41,614,720
	191 2,843,505		
	192 551,864,034		
	193 438,689		
	194 0		
	195 156,838,237	196 711,984,465	
197 189,305,802			
198 595,620,819			
199 31,699,006			
200 10,363,571			
201 239,243	202 827,228,441		
203 0			
204 0			
205 21,107,280			
206 68,100,100			
207 0	208 89,207,380		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 916,435,821	
	to carry forward		41,614,720

BALANCE SHEET

ASSETS

						Current year		
carried forward								36,545,504
C. INVESTMENTS (cont.)								
III - Other financial investments								
1. Shares and quotas								
a) Shares listed	36	330,635,862						
b) Shares not listed	37	165,543						
c) Quotas	38	1,770,972	39	332,572,377				
2. Investment fund units			40	567,110,990				
3. Bonds and other fixed-income securities								
a) listed	41	5,764,779,181						
b) not listed	42	38,441,896						
c) convertible bonds	43	16,020,850	44	5,819,241,927				
4. Loans								
a) secured loans	45	0						
b) loans on policies	46	21,184,693						
c) other loans	47	2,750,582	48	23,935,275				
5. Units in mutual investments			49	0				
6. Deposits at credit institutions			50	0				
7. Other financial investments			51	2,544,852	52	6,745,405,421		
IV - Deposits with reinsuring companies					53	2,078,014	54	8,085,043,198
D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICY HOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS								
I - Investments relating to the performance of investments funds and market indices					55	171,692,210		
II - Investments derived from pension fund management					56	18,109,657	57	189,801,867
D bis. TECHNICAL RESERVES – REINSURANCE AMOUNT								
I - NON LIFE DIVISION								
1. Unearned premium reserve			58	33,516,395				
2. Claims reserve			59	159,992,886				
3. Reserve for profit sharing and reversals			60	0				
4. Other technical reserves			61	0	62	193,509,281		
II - LIFE DIVISION								
1. Actuarial reserves			63	61,553,207				
2. Reserves for complementary insurances			64	0				
3. Reserve for claims to be paid			65	2,914,224				
4. Reserve for profit sharing and reversals			66	0				
5. Other technical reserves			67	0				
6. Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds			68	0	69	64,467,431	70	257,976,712
to carry forward								8,569,367,281

Previous year

			carried forward				41,614,720
216	611,104,119						
217	151,614						
218	1,770,972	219	613,026,705				
		220	669,278,719				
221	5,618,077,708						
222	39,036,329						
223	40,229,192	224	5,697,343,229				
225	38,536						
226	24,626,674						
227	2,870,130	228	27,535,340				
		229	0				
		230	0				
		231	56,240	232	7,007,240,233		
				233	2,487,788	234	8,638,148,307
				235	226,043,047		
				236	13,906,429	237	239,949,476
		238	37,951,274				
		239	236,711,938				
		240	0				
		241	0	242	274,663,212		
		243	81,738,539				
		244	0				
		245	3,587,051				
		246	0				
		247	0				
		248	0	249	85,325,590	250	359,988,802
			to carry forward				9,279,701,305

BALANCE SHEET

ASSETS

					Current year			
carried forward								8,569,367,281
E. RECEIVABLES								
I - Receivables, derived from direct insurance operations, composed of:								
1. Policyholders								
a) premiums for current year	71	251,060,381						
b) premiums for previous years	72	11,779,058	73	262,839,439				
2. Insurance brokers			74	301,346,081				
3. Insurance company current accounts			75	11,125,961				
4. Policyholders and others for sums to be recovered			76	48,897,004	77	624,208,485		
II - Receivables, derived from direct insurance operations, composed of:								
1. Insurance and reinsurance companies			78	45,867,624				
2. Reinsurance brokers			79	16	80	45,867,640		
III - Other receivables					81	311,181,846	82	981,257,971
F. OTHER ASSETS								
I - Fixed assets and inventories								
1. Furniture, EDP and internal transport			83	1,854,130				
2. Tangible assets recorded in public registers			84	57,314				
3. Plant and equipment			85	50				
4. Stocks and other assets			86	0	87	1,911,494		
II - Cash and cash equivalents								
1. Bank and postal deposits			88	411,203,759				
2. Cheques and cash on hand			89	24,663	90	411,228,422		
III - Treasury shares					91	1,545,770		
IV - Other assets								
1. Receivable transitory reinsurance accounts			92	893,908				
2. Other assets			93	473,292,768	94	474,186,676	95	888,872,362
G. PREPAYMENTS AND ACCRUED INCOME								
1. Interest					96	74,621,099		
2. Rental					97	207,718		
3. Other prepaid and accrued income					98	0	99	74,828,817
TOTAL ASSETS							100	10,514,326,431

Previous year

			carried forward				9,279,701,305
251	281,925,079						
252	16,832,297	253	298,757,376				
		254	311,743,526				
		255	11,247,299				
		256	46,507,959	257	668,256,160		
		258	63,193,559				
		259	11	260	63,193,570		
				261	322,521,894	262	1,053,971,624
		263	1,435,779				
		264	171,995				
		265	349				
		266	0	267	1,608,123		
		268	209,462,969				
		269	51,057	270	209,514,026		
				271	8,081,302		
		272	322,940				
		273	411,661,735	274	411,984,675	275	631,188,126
				276	69,512,938		
				277	62,513		
				278	0	279	69,575,451
						280	11,034,436,506

BALANCE SHEET

LIABILITIES AND NET EQUITY

			Current year			
A. SHAREHOLDERS' EQUITY						
I - Share capital subscribed or equivalent fund			101	373,682,601		
II - Share premium reserve			102	960,907,479		
III - Revaluation reserve			103	0		
IV - Legal reserve			104	51,679,501		
V - Statutory reserves			105	0		
VI - Reserves for treasury shares and of holding companies			106	8,871,849		
VII - Other reserves			107	365,878,809		
VIII - Retained earnings/(accumulated losses)			108	0		
IX - Loss for the year			109	-783,309,310	110	977,710,929
B. SUB-ORDINATED LIABILITIES					111	150,000,000
C. TECHNICAL RESERVES						
I - NON-LIFE DIVISION						
1. Unearned premium reserve	112	1,045,039,784				
2. Claims reserve	113	4,070,806,906				
3. Reserve for profit sharing and reversals	114	0				
4. Other technical reserves	115	2,841,457				
5. Equalisation reserves	116	13,909,282	117	5,132,597,429		
II - LIFE DIVISION						
1. Actuarial reserves	118	3,345,428,812				
2. Reserves for complementary insurances	119	100,838				
3. Reserve for claims to be paid	120	41,732,005				
4. Reserve for profit sharing and reversals	121	0				
5. Other technical reserves	122	17,667,852	123	3,404,929,507	124	8,537,526,936
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICY HOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS						
I - Reserve relating to the performance of investments funds and market indices funds and market indices			125	171,692,209		
II - Reserves derived from pension fund management			126	18,109,633	127	189,801,842
to carry forward						9,855,039,707

Previous year

			281	305,851,341		
			282	718,146,635		
			283	1,276,548		
			284	51,679,501		
			285	0		
			286	197,387,103		
			287	649,600,575		
			288	0		
			289	-512,679,407	290	1,411,262,296
					291	150,000,000
	292	1,088,057,478				
	293	3,768,586,088				
	294	0				
	295	3,185,413				
	296	12,402,121	297	4,872,231,100		
	298	3,539,474,420				
	299	201,398				
	300	47,279,749				
	301	0				
	302	19,651,416	303	3,606,606,983	304	8,478,838,083
			305	226,043,275		
			306	13,906,415	307	239,949,690
to carry forward						10,280,050,069

BALANCE SHEET

LIABILITIES AND NET EQUITY

			Current year			
carried forward						9,855,039,707
E. PROVISION FOR RISKS AND CHARGES						
1. Provisions for pension and similar			128	0		
2. Tax provisions			129	12,643,397		
3. Other provisions			130	164,909,791	131	177,553,188
F. DEPOSITS RECEIVED FROM REINSURERS					132	83,594,612
G. PAYABLES AND OTHER LIABILITIES						
I - Payables, derived from direct insurance operations, composed of:						
1. Insurance brokers	133	11,276,133				
2. Insurance company current accounts	134	6,276,075				
3. Policyholders for deposits and premiums	135	0				
4. Policyholder guarantee provisions	136	21,138	137	17,573,346		
II - Payables, derived from direct insurance operations, composed of:						
1. Insurance and reinsurance companies	138	25,871,351				
2. Reinsurance brokers	139	173	140	25,871,524		
III - Bonds			141	0		
IV - Payables to banks and financial institutions			142	0		
V - Secured debts			143	0		
VI - Loans and other financial payables			144	1,589,353		
VII - Post-employment benefits			145	20,941,424		
VIII - Other payables						
1. Policyholders' tax due	146	15,513,320				
2 Other taxes due	147	45,301,956				
3. Social security and welfare institutions	148	7,688,681				
4. Other payables	149	116,303,873	150	184,807,830		
IX - Other liabilities						
1. Payable transitory reinsurance accounts	151	313,297				
2. Commissions on premium collection	152	41,974,669				
3. Other liabilities	153	100,748,966	154	143,036,932	155	393,820,409
to carry forward						10,510,007,916

Previous year

carried forward			10,280,050,069
		308 0	
		309 41,169,505	
		310 140,930,200	311 182,099,705
			312 103,598,022
	313 14,581,541		
	314 14,077,411		
	315 0		
	316 65,240	317 28,724,192	
	318 32,518,586		
	319 265	320 32,518,851	
		321 0	
		322 0	
		323 0	
		324 1,506,050	
		325 23,569,338	
	326 15,826,429		
	327 17,864,367		
	328 8,259,176		
	329 132,286,585	330 174,236,557	
	331 461,598		
	332 44,675,765		
	333 159,389,141	334 204,526,504	335 465,081,492
to carry forward			11,030,829,288

BALANCE SHEET

LIABILITIES AND NET EQUITY

		Current year
carried forward		10,510,007,916
H. PREPAYMENTS AND ACCRUED INCOME		
1. Interest	156 4,311,647	
2. Rental	157 6,868	
3. Other accruals and deferred income	158 0	159 4,318,515
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		160 10,514,326,431

BALANCE SHEET

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

		Current year
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS		
I - Guarantees given		
1. Sureties		161 0
2. Endorsements		162 0
3. Other non-secured guarantees		163 0
4. Secured guarantees		164 44,942,602
II - Guarantees received		
1. Sureties		165 225,316,365
2. Endorsements		166 0
3. Other non-secured guarantees		167 307,700
4. Secured guarantees		168 400,000
III - Guarantees given by third parties on behalf of the company		169 41,661,504
IV - Commitments		170 100,796,040
V - Third party assets		171 0
VI - Pension fund assets managed on behalf of third parties		172 0
VII - Securities deposited with third parties		173 7,447,255,845
VIII - Other memorandum accounts		174 157,442,887

Previous year

carried forward		11,030,829,288
	336 3,596,942	
	337 10,276	
	338 0	339 3,607,218
		340 11,034,436,506

Previous year

		341 0
		342 0
		343 0
		344 50,824,684
		345 227,856,419
		346 0
		347 449,318
		348 400,000
		349 45,547,841
		350 147,966,796
		351 0
		352 0
		353 7,981,643,068
		354 75,011,000

Allegato II

Company **COMPAGNIA DI ASSICURAZIONE DI MILANO**

Share capital underwritten E. 373682600,42 Paid in E. 373682600,42

Regstd. office MILANO VIA SENIGALLIA 18/2

Legal office MILANO

SEPARATE FINANCIAL STATEMENTS

Income statement

Year **2011**

(Amounts in Euro)

INCOME STATEMENT

				Current year
I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION				
1. EARNED PREMIUMS NET OF REINSURANCE				
a) Gross premiums written			1 2,697,733,898	
b) (-) Premiums ceded			2 93,862,690	
c) Change in the gross amount of the unearned premium reserve			3 -39,528,729	
d) Change in reinsurers reserves for unearned premiums			4 -3,885,151	5 2,639,514,786
2. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT				6
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE				7 16,134,736
4. CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE				
a) Claims paid				
aa) Gross amount		8 2,161,597,174		
bb) (-) reinsurers' share		9 50,439,153	10 2,111,158,021	
b) Change in recoveries net of reinsurers' share				
aa) Gross amount		11 38,616,733		
bb) (-) reinsurers' share		12	13 38,616,733	
c) Change in claims reserve				
aa) Gross amount		14 301,996,393		
bb) (-) reinsurers' share		15 -17,327,761	16 319,324,154	17 2,391,865,442
5. CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE				18 -343,956
6. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE				19 108,827
7. MANAGEMENT EXPENSES:				
a) Acquisition commissions			20 391,946,808	
b) Other acquisition costs			21 76,820,099	
c) Change in commissions and other costs of acquisition to be amortised			22	
d) Collection commissions			23 23,337,859	
e) Other administrative expenses			24 79,598,311	
f) (-) Reinsurers commissions and profit participation			25 29,851,528	26 541,851,549
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE				27 93,936,213
9. CHANGE IN EQUALISATION RESERVES				28 1,507,161
10. TECHNICAL ACCOUNT RESULT - NON-LIFE DIVIDSION (Account III. 1)				29 -373,275,714

				Previous year	
		111	2,809,183,521		
		112	105,744,391		
		113	3,740,452		
		114	1,795,053	115	2,701,493,731
				116	
				117	26,063,618
118	2,377,449,007				
119	60,298,226	120	2,317,150,781		
121	48,194,764				
122		123	48,194,764		
124	90,858,466				
125	-23,031,223	126	113,889,689	127	2,382,845,706
				128	-227,394
				129	264,903
		130	395,936,000		
		131	82,738,284		
		132			
		133	23,595,674		
		134	85,047,967		
		135	30,949,416	136	556,368,509
				137	106,466,158
				138	1,548,569
				139	-319,709,102

INCOME STATEMENT

						Current year
II. TECHNICAL ACCOUNT - LIFE DIVISION						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written			30	387,801,887		
b) (-) premiums ceded			31	10,432,922	32	377,368,965
2. INVESTMENT INCOME						
a) Income from shares and quotas			33	6,737,765		
(of which: group companies and other holdings			34	)		
b) Income from other investments						
aa) land and buildings	35					
bb) other investments	36	157,693,540	37	157,693,540		
(of which: coming from group companies)			38	105,391)		
c) Write-back on investments			39	4,498,370		
d) Gains on investment disposals			40	40,645,537		
(of which: group companies and other holdings			41	88)	42	209,575,212
3. INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT					43	11,127,253
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE					44	913,609
5. CLAIMS INCURRED NET REINSURANCE						
a) Claims paid						
aa) Gross amount	45	691,794,219				
bb) (-) Reinsurers share	46	19,245,030	47	672,549,189		
b) Change in reserve for sums to be paid						
aa) Gross amount	48	-5,548,292				
bb) (-) Reinsurers share	49	-672,746	50	-4,875,546	51	667,673,643
6. CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES NET OF REINSURANCE						
a) Actuarial reserves:						
aa) Gross amount	52	-195,333,722				
bb) (-) Reinsurers share	53	-11,782,204	54	-183,551,518		
b) Unearned premiums provision						
aa) Gross amount	55	-100,560				
bb) (-) Reinsurers share	56		57	-100,560		
c) Other technical reserves						
aa) Gross amount	58	-1,983,564				
bb) (-) Reinsurers share	59		60	-1,983,564		
d) Technical reserves where the investment risk is borne by policyholders and those relating to administration of pensions						
aa) Gross amount	61	-50,377,783				
bb) (-) Reinsurers share	62		63	-50,377,783	64	-236,013,425

					Previous year	
			140	512,069,922		
			141	10,816,874	142	501,253,048
			143	16,721,856		
(of which: group companies and other holdings			144	9,078,012)		
	145					
	146	156,553,353	147	156,553,353		
(of which: coming from group companies)			148	50,213)		
			149	4,571,795		
			150	33,093,572		
(of which: group companies and other holdings			151	)	152	210,940,576
					153	21,525,414
					154	970,247
	155	593,215,527				
	156	25,046,554	157	568,168,973		
	158	8,992,199				
	159	2,003,014	160	6,989,185	161	575,158,158
	162	35,155,898				
	163	-18,126,987	164	53,282,885		
	165	-36,998				
	166	-857	167	-36,141		
	168	-1,757,601				
	169		170	-1,757,601		
	171	-43,399,556				
	172		173	-43,399,556	174	8,089,587

INCOME STATEMENT

				Current year	
7. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE				65	
8. MANAGEMENT EXPENSES:					
a) Acquisition commissions			66	6,863,729		
b) Other acquisition costs			67	8,964,438		
c) Change in commissions and other costs of acquisition to be amortised			68	-377,433		
d) Collection commissions			69	3,520,734		
e) Other administrative expenses			70	9,458,018		
f) (-) Reinsurers commissions and profit participation			71	2,290,025	72	26,894,327
9. ASSET AND FINANCIAL CHARGES						
a) Investment management charges and interest expenses			73	6,294,567		
b) Value adjustments on investments			74	165,340,332		
c) Losses on investment disposals			75	7,100,174	76	178,735,073
10. ASSET AND FINANCIAL CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR INVESTMENT RISK, AND MANAGEMENT OF PENSION FUNDS					77	12,215,548
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					78	7,044,989
12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT I					79	
13. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2)					80	-57,565,116
III. NON TECHNICAL ACCOUNT						
1. TECHNICAL ACCOUNT RESULT – NON-LIFE DIVISION (account I.10)					81	-373,275,714
2. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13)					82	-57,565,116
3. INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION						
a) Income from shares and quotas			83	8,005,491		
(of which: group companies and other holdings			84	510,723)		
b) Income from other investments						
aa) land and buildings	85	16,561,492				
bb) other investments	86	82,202,449	87	98,763,941		
(of which: coming from group companies)			88	1,086,610)		
c) Write-back on investments			89	5,338,622		
d) Gains on investment disposals			90	36,152,600		
(of which: group companies and other holdings			91	)	92	148,260,654

						Previous year
					175	
			176	6,607,887		
			177	8,298,678		
			178	-911,208		
			179	3,964,925		
			180	10,273,624		
			181	3,252,078	182	26,804,244
			183	8,657,026		
			184	137,927,208		
			185	11,480,715	186	158,064,949
					187	5,608,932
					188	11,438,248
					189	
					190	-50,474,833
					191	-319,709,102
					192	-50,474,833
			193	11,724,798		
(of which: group companies and other holdings			194	4,041,682)		
	195	21,143,898				
	196	75,190,918	197	96,334,816		
(of which: coming from group companies)			198	813,221)		
			199	10,590,543		
			200	54,715,971		
(of which: group companies and other holdings			201	)	202	173,366,128

INCOME STATEMENT

				Current year
4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (account II.12)			93	
5. ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION				
a) Investment management charges and interest expenses	94	19,555,594		
b) Value adjustments on investments	95	459,039,578		
c) Losses on investment disposals	96	28,244,930	97	506,840,102
6. (+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (accoun			98	
7. OTHER INCOME			99	135,937,760
8. OTHER CHARGES			100	211,400,088
9. RESULT FROM ORDINARY ACTIVITY			101	-864,882,606
10. EXTRAORDINARY INCOME			102	12,134,012
11. EXTRAORDINARY CHARGES			103	86,941,716
12. RESULT FROM EXTRAORDINARY ACTIVITY			104	-74,807,704
13. LOSS BEFORE TAXES			105	-939,690,310
14. INCOME TAXES			106	-156,381,000
15. LOSS FOR THE YEAR			107	-783,309,310

			Previous year	
			203	
204	17,757,422			
205	310,947,860			
206	17,197,068		207	345,902,350
			208	
			209	106,157,892
			210	223,537,671
			211	-660,099,936
			212	80,364,382
			213	24,706,132
			214	55,658,250
			215	-604,441,686
			216	-91,762,279
			217	-512,679,407

Part A

Accounting principles

Section 1

Illustration of the accounting principles

General principles

The accounting principles adopted in the preparation of the present financial statements are in accordance with current law and for their interpretation the accounting principles issued by the National Council of Professional Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and the Italian Accounting Organisation (Organismo Italiano di Contabilità). The accounting principles have not changed from the previous year.

Intangible assets

Acquisition commissions to be amortised the commissions on the long-term contracts, on both life and non-life contracts, are entirely expensed in the income statement in the year in which they are issued. The amount recorded in the account relates to the residual amount still to be amortised of the commissions on long-term contracts of the life classes existing in 2002 of Milano Assicurazioni and in the 2007 accounts of Sasa Vita which, in line with the accounting principles adopted until 2002 by Milano Assicurazioni and until 2007 by Sasa Vita, continue to be recorded over the duration of each contract and in any case not for a period greater than 10 years.

Formation and start-up costs: the amount recorded in the account refers to costs recorded for the share capital increase in 2011. These costs are amortised on a straight-line basis over 5 years.

Goodwill. The amount recorded in the accounts includes:
- the goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni in 1992;
- the goodwill relating to the life portfolio of La Previdente Assicurazioni, originally acquired from La Previdente Vita (formerly Latina Vita) in 1993;
- the goodwill deriving from the acquisition in 2005 of the portfolio of Maa Assicurazioni S.p.A. by Nuova Maa, incorporated into Milano Assicurazioni in 2003;
- the goodwill accorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the carrying value of the investment and the net equity book value.

This goodwill is amortised on a straight line basis over 20 years with the exception of the goodwill recorded in 2003 following the merger by incorporation of Maa Vita into Milano Assicurazioni, which is amortised over 10 years.

These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.

The amortisation on the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A. was completed during the current year.

The quota of amortisation for the year amount to Euro 16,322 thousand and is recorded in the account *other charges*.

Other deferred costs: they are recorded as an asset for an amount equal to the acquisition cost, and amortised on a straight-line basis for their relative useful lives.

Investments

Buildings
They are considered non-current investments in accordance with article 15, paragraph 2, of Legislative Decree 173/97.

They are recorded at cost increased, where applicable, in the current and previous years by:

- incremental expenses on the values;
- INVIM ten year, with the exclusion of the extraordinary part as per Law 363/91;
- revaluations made pursuant to law No. 576 of December 2, 1975, No. 72 of March 19, 1983 and No. 413 of December 30, 1991;
- revaluations made on the allocation of the merger deficit;

and decreased, where applicable, by:
- write-downs made to take account of permanent losses in value, determined on the basis of independent expert valuations.

The buildings for the activities of the business are systematically depreciated with a depreciation rate of 3%. The buildings for use by others are not subject to depreciation, in consideration of their constant maintenance, and therefore their utilisation is not limited over time.

Investments in group companies and equity securities:
The investments in group companies and other holdings are generally recorded under non-current assets in accordance with the provisions of article 15, paragraph 2, of Legislative Decree No. 173/97 and are therefore recorded at cost, adjusted for any permanent loss in value.

The permanent loss in value of subsidiaries and associated companies are generally recorded with reference to the share of the loss for the year; the book values for the investments in subsidiaries and associated companies are compared with the corresponding share of net equity, determined in accordance with article 16, paragraph 5, of Legislative Decree 173/1997 and any higher book values are maintained only if, and for the relative portion, justified by goodwill, progressively recovered through the normal operations.

Other shares and non-current investments are recorded at cost and adjusted for any permanent impairment in value.

The listed shares which are not recorded as non-current assets are recognised at the lower value between book value, determined in accordance with the continual average cost criteria, and that resulting from the stock exchange price on the final trading day of the year.

Where the criteria pursuant to article 16, paragraphs 3 and 6, of Legislative Decree 173/97 exists the recoveries in value are recorded within the limits of the write-downs made in previous years.

Bonds and other fixed-income securities:
The securities recorded under non-current investments are valued at purchase cost applying the continual average cost criteria, adjusted by the quota of the trading margin (positive or negative difference between the purchase value and repayment value) matured in the year and, where applicable, for permanent loss in value.

The listed securities recorded under current assets are recognised at the lower value between the book value, determined with the continual average cost criteria, adjusted to take account of issue margins matured, and that resulting from the stock market listing on the last trading day of the year.

The issue and trading margins of bond securities without prefixed maturity (so-called perpetual) were calculated with reference to the *first call* date provisioned in relation to their repayment method.

Where the criteria pursuant to article 16, paragraphs 3 and 6, of Legislative Decree 173/97 exists the recoveries in value are recorded within the limits of the write-downs made in previous years.

Other financial investments:
The **investment fund units** recorded under non-current assets are valued at cost, net of any reduction for permanent loss in value; those recorded under current assets are valued at the lower between purchase cost and the value, recorded at the reporting date.

The **time deposit contracts** with repurchase obligation are recorded in the accounts as independent investments or financial operations. In particular the spot and forward purchase operations are recorded in the account *other financial investments* for the amounts corresponding to the spot value, while those, where applicable, relating to spot sales and forward repurchase are recorded as payables, without generating changes in the holdings of securities. The income components are recorded pro-rata respectively in the *Income from other investments* and *Investment management charges* and *Interest expense.*

Options on derivative contracts: the premiums paid relating to the options acquired are recorded in the account *other financial investments*; the premiums received relating to the options sold are *recorded under other loans* and *other financial payables*. The premiums exercised at maturity are recorded as an adjustment to the carrying value or of the sales price of the related asset or the amount received or paid following the exercise of the cash settlement option; the premiums relating to the options abandoned are recorded under profits or losses on realisation of the investments.
The derivative instruments hedging investments are valued in accordance with the applicable accounting principles. In particular this results in the recording in the income statement of gains and losses from valuations in line with the correlated gains or losses on the hedged financial instrument. The other operations on financial derivative instruments for financial management are recorded at the lower between cost and market value.

Investments in which the risks are borne by the policyholders

The securities hedging commitments deriving from life contracts, whose services are linked to the performance of specific equity indices (Index-Linked) or to internal funds (Unit-Linked), are recorded at fair value based on the official price on the last trading day of the year or for the investments made on non regulated markets, at the average price at which these investments were traded on the last day of settlement of the year; this criteria is also utilised to determine the commitments towards policyholders, in order to create the correlation with the actuarial reserves recorded under liabilities.

The reserve for transfer of assets from class C to class D, recorded in net equity, includes the difference between the carrying value and current value of the bonds transferred to the class "Investments relating to services linked with investment funds and market indices". The reserve is subsequently reduced on the maturity and the sale of the investments from which the gains are derived. The residual reserve at December 31, 2011 amounts to Euro 14 thousand and is unchanged on the previous year.
In relation to the composition of each account of these investments and the relative comparison with the purchase cost, reference should be made to attachment 11 of the present notes.

Premiums written

NON-LIFE DIVISION:

The gross premiums written include the amounts matured in the year from insurance contracts. In accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation No. 22 of April 4, 2008, they include:
- The cancellations due to technical reversals of the individual securities issued in the year;
- The changes of contracts, with or without changes in premiums, made through replacement or supplemented;

While they do not include, as they are included in the account *other technical charges:*
- The write-downs for doubtful receivables from policyholders for premiums of the year made at the reporting date;
- The write-downs and cancellations of receivables from policyholders for premiums in previous years.

LIFE DIVISION:

The gross premiums written include all the amounts matured in the year from insurance contracts. In accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation No. 22 of April 4, 2008, they include:
- The cancellations due to technical reversals of the individual securities issued in the year;
- The cancellation of premiums from annuities expired in previous years;
- The changes of contracts, with or without changes in premiums, made through replacement or supplemented;

While they do not include, as they are included in the account *other technical charges:*
- The write-downs for doubtful receivables from policyholders for first annuity premiums of the year made at the reporting date;
- The write-downs and cancellations of receivables from policyholders from first year annuity premiums or units issued in previous years.

Technical reserves

NON-LIFE DIVISION:

Premiums reserve on direct insurances risks: this includes the reserve for premium fractions, the reserve for risks in course and where applicable the integrations to the reserve for premium fractions, calculated in accordance with Section I of ISVAP Regulation No. 16 of March 4, 2008.

The reserve for premium fractions was determined in accordance with the pro-rata method applied analytically for each policy based on the gross premiums written.

Relating to the reserve for risks in course, the valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts.
The ratio includes net damages for claims of the current generation including the direct and settlement expenses, both externally and internally, as well as the claims reserves at the year-end for the current generation claims, which also include the quota attributable to direct expenses and settlement expenses.
The denominator of the ratio represents the premiums for the period excluding the premiums issued from the acquisition commissions paid, in order to make the calculation based on elements (premiums written, reserve premiums pro-rata at the beginning and end of the year) technically uniform in their content.

The procedure for the determination of the reserve for risks in course is as follows:
- The claims ratio to premiums in the current year is determined in accordance with the procedures indicated;
- This ratio is valued in accordance with the values assumed in the previous years to verify the reasonableness of assuming repeatability, ascertaining also the existence of objective elements which may provide significant variables in the immediate future on the value in terms of greater frequency of claims or higher average costs;
- Where this ratio is above 100%, the excess of the reserve is applied for the premium fraction as well as the premium instalments which will be made on the relative contracts.

The additional reserve for premium fractions relate, where the requirements are fulfilled, to credit, bond, hailstorm and natural calamity insurance, in accordance with the provisions of Chapter I, Section III, of the above-mentioned ISVAP regulation No. 16/2008 as well as attachment 1 for the credit contracts stipulated or renewed by December 31, 1991.

The total amount provisioned is considered appropriate to cover the commitments for risks in course at the year-end.

Claims reserve on direct insurances risks: this reserve includes the total amount of the sums that from a prudent evaluation made based on objective elements and separate for each claim, are necessary against the payment of the claims during the year or in previous years, and those still not paid, as well as the relative settlement expenses.

In accordance with the provisions contained in ISVAP regulation No. 16 of March 4, 2008, the reserve for claims reported was determined from a separate and analytical evaluation of the cost of each claim reported and not fully paid at the year-end and valued at the last cost, taking into account all the future foreseeable costs based on historical data and reliable projections.

The 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.

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

Motor TPL
From February 2007, a direct compensation procedure has been in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

In this context, from the 2011 financial statements actuarial models were developed which separately analysed the claims up to 2006 and the claims thereafter and separating these latter between claims not within the direct indemnity system (prevalently as they concern physical injuries greater than 9% or they concern more than two vehicles involved) and those within the CARD claims system.

However, for the determination of the last cost of the claims reserves, the Chain Ladder and Fisher-Lange methods were utilised, considering it appropriate to utilise a coefficient of 65% for the first and a coefficient of 35% for the second, as a high level of parameters utilised in the Fisher-Lange model results in a higher “risk model”. In addition, from the 2011 financial statements, the valuation process was improved utilising a dynamic model and thus a change from the 2010 annual accounts with consideration taken of all claims without any distinction between on time and late claims. Consequently the estimate of the final reserve obtained from the model includes the IBNR reserve.(Incurred but not reported)

The reserve for claims not yet reported (IBNR) was determined in accordance with the general calculation criteria pursuant to paragraph 1 of Article 32 of ISVAP Regulation No. 16 of March 4, 2008, implementing a method which provides the estimate of the IBNR claims reserve, by number and amount, on the basis of experience acquired in the previous years, taking into account the trend in the number of late claims and the average cost of claims reported late, as well as the average cost of claims reported in the year. The estimate of the number of expected late claims was made separately between No Card and Card.

For the claims within the CARD claims system the recoverable flat-fee was recorded based on the amounts and rules defined by the Technical Committee set up pursuant to Presidential Decree No. 254/2006.

For the claims for property damage within the CARD system the reserve was provisioned based on the flat-fee established for each year by the Technical Committee created pursuant to Pres. Decree No. 254/2006. For the claims with driver physical injuries or within the Third Party Passenger Convention (CTT) of an amount equal to or greater than Euro 25,000, the reserve was made based on communications received from CONSAP. For claims less than Euro 25,000, the average statistical cost table was utilised, adjusted to take account of any Isvap regulations relating to minimum thresholds and maximum levels.

Other Non-Life Classes
The determination of the last cost was made on the basis of the reserves of the liquidators, adjusted to take into account past experience in relation to the changes in the claims reserve.

The claims reserve includes also the total amount of the sums necessary to cover previous year claims not yet claimed at the year-end (I.B.N.R. claims reserve). The last cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance division, of the late claims made in comparison to the year of occurrence of the event giving rise to the claim.

Other technical reserves: the account includes the aging reserve of the health class, which offsets the greater risk due to the increased life span of the policyholders. The determination was made separately for each contract utilising technical-actuarial criteria in accordance with article 47, point 2, of ISVAP regulation No. 16 of March 4, 2008.

Equalisation reserves: these amounts are reserved in order to reduce the volatility in the movements in the claim rate in future years or to cover specific risks, in accordance with the Isvap Regulation No. 16/2008, section V, paragraph III. In particular, the account is comprised of:
- the equalisation reserve of the credit class, accrued to cover any negative technical balance retained of the class at the year-end;
- the equalisation reserve for natural calamity risk and the risks deriving from nuclear energy, accrued to cover any claims over the time horizon of the contracts.

Unearned premium reserve on indirect business: the reserve is calculated based on the communications received from the reinsurance companies; where this has not been received, appropriate rates are applied to the premiums written and the related risks still in course at the year-end, taking into account the specific regulations for insurance for Credit, Bonds, Hailstorm and other natural calamities and damage coverage related to nuclear energy.

Claims reserve for reinsurance risks: the reserve is calculated based on the communications received from the insurance companies supplemented by objective and statistical elements in our possession. The provisions are considered sufficient to meet the commitments at the year-end.

LIFE DIVISION:

Technical reserve relating to direct insurances risks: they are calculated in accordance with the actuarial techniques which comply with current legislative provisions and in particular the principles contained in ISVAP Regulation No. 21 of March 28, 2008. The calculation is made analytically for each contract, based on the commitments without detraction for acquisition expenses; the base calculation techniques (interest rates, demographic assumption for eliminations for death or invalidity and frequency of abandon) are the same utilised for the calculation of the premiums of the individual contracts. In any case, the actuarial reserve is not lower than the redemption values.

The account also includes the additional reserve for financial risk and demographic risk. Among the additional reserves for financial risk, we highlight the additional reserve for guaranteed interest rate risk, calculated in accordance with the provisions of articles 47 and 48 of ISVAP regulation No. 21/2008.

The provision for this reserve derives from the higher cost that the company must incur against the difference between the interest rate guaranteed to the policyholders and the current and expected returns on the assets represented by the actuarial reserves, calculated in accordance with the provisions of the previously stated Regulation 21 (art. 38-46).

The additional reserve for demographic risk, made in line with articles 50, 51 and 52 of ISVAP Regulation No. 21, provides for the higher cost that the company must incur against the average extension of the human life for the annuity tariffs or where the option for conversion of capital to annuity exists.

For the products in accordance with article 41, paragraphs 1 and 2 of Legislative Decree 209 of 7/9/2005, as well as the Open Pension Funds, the calculation is made analytically contract by contract, adopting assumptions that represent with maximum approximation the value of the underlying assets.

Technical reserves for reinsurance risks: they are recorded based on communications provided by the insurance companies.

Technical reserves attributed to reinsurers

The technical reserves relating to the reinsurers are calculated applying the same criteria adopted for direct premiums, taking account of the reinsurance contractual clauses.
The reserves attributable to the reinsurance companies are determined with the same criteria utilised for the formation of the reserves of the underwritten risks and represent the share, attributable to them, of the contractual commitments undertaken.

Receivables

They are recorded at realisable value, taking into account the doubtful debt provisions recorded as a direct reduction of the nominal value. In particular the write-down of the receivables from policyholders for premiums was made taking into account the expected amounts collectible, based on experience acquired in the previous years and recorded in categories similar to these receivables.

Other asset accounts

Tangible assets and inventories: they are recorded at purchase cost, net of the relative depreciation. The depreciation for the year is calculated with rates adequate in relation to the residual utilisation of the assets.

The following rates are applied:

Furniture and fittings	12%
Office machines	12%
Internal transport	20%
Tangible assets recorded in public registers	25%
Plant and equipment	15%

The above rates are reduced by half for the purchases in the year.

Provisions for risks and charges

They relate to:
- provision for taxes, which includes, where the requirements are met, current income taxes, limited to the IRAP regional tax, the deferred tax liability charge, in addition to future charges arising from any tax assessments. The current tax charge relating to the IRES income tax was recorded in the account *payables to parent company* following the inclusion by Milano Assicurazioni to the Fondiaria-SAI Group tax consolidation;
- provisions for future risks and expenses, accrued with reference to certain charges relating to the year and known at the date of the preparation of the financial statements.

Prepaids and accruals

These include the portion of charges and income covering two or more periods, in accordance with the accrual basis of accounting.

Accounting principles of the other accounts

Indirect business: the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The reinsurance contracts with third parties are recorded in the income statement for the year 2010 in accordance with the provisions of article 42 of Legislative Decree 173/97. The data relating to the year 2011, only partially received, is suspended in the transitory accounts under assets and liabilities.

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

The dividends are recorded at the moment of receipt.

Conversion into Euro of accounts in foreign currencies

The accounts are prepared in Euro. The accounts in foreign currencies are translated into Euro at the year-end rate, with the exchange differences recorded in the accounts *other charges* and *other income* of the non-technical account.

Deferred taxes

Italian accounting principle No. 25 is applied relating to the accounting treatment of income taxes, which requires the calculation of the fiscal charge for the year taking into account the taxes paid but referring to future years (deferred tax assets) and those on the other hand which, although payable in future years, relate to the current year (deferred tax liabilities). The deferred tax assets are recorded only in the presence of reasonable certainty of their future recovery, while the deferred tax liabilities are not recorded when there is little probability that the payable will arise.
The reasonable certainty of the recovery of the deferred tax asset was verified on the basis of the capacity of the Company to produce assessable income at least sufficient to recover these taxes.

The deferred tax assets considered principally refer to the tax losses of Milano Assicurazioni and the subsidiary companies involved in the tax consolidation of the Fondiaria-Sai Group, the changes in the long-term component of the claims reserves, to provisions for risks and charges, to the doubtful debt provisions and to the adjustments to buildings and to equity securities with exclusion of those within the *participation exemption* regime as per article 97 of Pres. Decree 917/86. However the deferred tax assets relating to the provisions made against costs of uncertain deductibility are not considered and the change to the life technical reserves as per article 111, paragraph 1 *bis* of Pres. Decree 917/86.

The deferred tax assets on tax losses were recorded on fulfilling the following requirements:

- there exists a reasonable certainty to achieve, in a reasonable immediate time period, fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

From the year 2011, due to the amendments introduced by Legislative Decree No. 98/2011, Article 84 of the CFA, fiscal losses carried forward and not yet lapsed may be carried forward for 80% of the assessable income without time limit. The possibility that the benefits related to the tax losses will be realised was analysed based on the 2012-2014 Industrial Plan, recently approved by the Board of Directors of the Company and on the outlook for the coming years, also considering that established for the purposes of the impairment tests on goodwill carried out in the consolidated financial statements. The benefit will be absorbed in the next 4 years.

The benefit related to the losses recorded by subsidiaries participating in the tax consolidation was allocated to the Risks Provision. Based on the agreement concerning the rules for application of the tax consolidation, this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them. The utilisation of the risk provisions with the consequent recording of the benefit will take place once the above-stated condition has been fulfilled.

The deferred tax liabilities relating to the gains assessable over several years were also considered, principally relating to buildings sold.

The calculation of the deferred tax assets and liabilities were made separately for IRES income tax and IRAP regional tax relating to current tax rates, respectively of 27.5% and 6.82%.

The deferred tax assets are recorded in the account *other assets* of the balance sheet, while the deferred tax liabilities are recorded under *provision for risks and charges* in the account *provisions for taxes*.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting principles necessarily implies significant elements of opinion based on estimates and assumptions which are uncertain at the time of their formation.

For the accounts for the year 2011 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. In the notes, adequate and exhaustive information is provided into the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the accounting standards.

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

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

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

- in establishing the long-term nature of the losses in investments and other financial instruments;
- in the determination of the loss in value of buildings
- in the calculation of the technical reserves;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges, for the uncertainty therein and of the time period and the assumptions utilised.

The valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. Despite the losses in 2011, the net equity is more than adequate also to support the solvency margin, while the outlook is positive and the company regularly complies with the regulations issued concerning the coverage of technical reserves.

Information on financial risks is contained in the directors' report.

* * *

In relation to the significant events at the beginning of 2012 and transactions with related parties, reference should be made to the directors’ report.

Part B

Notes on the Balance Sheet and Income Statement

The Company undertakes insurance business in the classes indicated in article 2, paragraphs 1 and 3 of Legislative Decree 209/2005 (Private Insurance Code). We therefore attach the following:

- The balance sheet relating to the non-life management (attachment 1);
- The balance sheet relating to the life management (attachment 2);
- The statement relating to the division of the result for the year between life and non-life divisions (attachment 3).

All the amounts are expressed in thousands of Euro.

Balance Sheet - Assets

Section 1

Intangible assets (account B)

	2011	2010	Change
1.Acquisition commissions to be amortised			
a)Life Division	627	1,005	-378
b)Non-Life Division	-	-	-
2.Other acquisition expenses	-	-	-
3. Formation and start-up costs	11,771	-	11,771
4.Goodwill	23,228	39,550	-16,322
5.Other deferred costs	920	1,060	-140
TOTAL	**36,546**	**41,615**	**-5,069**

The commissions on the long-term contracts, both life and non-life, are entirely expensed in the income statement in the year in which they are issued. The amount recorded in the account relates to the residual amount still to be amortised of the commissions on long-term contracts of the life classes existing in 2002 of Milano Assicurazioni and in the 2007 accounts of Sasa Vita (today incorporated into Milano Assicurazioni) which, in line with the accounting principles adopted until 2002 by Milano Assicurazioni and until 2007 by Sasa Vita, continue to be recorded over the duration of each contract and in any case not for a period greater than 10 years.

The account *formation and start-up costs* refer to the share capital increase in the year. The total costs amount to Euro 14,714 thousand and are amortised on a straight-line basis over 5 years. The amount is net of the amortisation in the year of Euro 2,943 thousand.

The goodwill account comprises:

-The goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni S.p.A., in 1992	3,257
-The goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from La Previdente Vita (formerly Latin a Vita) in 1993	1,693
-The goodwill deriving from the acquisition of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in Milan in 2003	17,763
-The goodwill recorded in 2003 following the merger by incorporation of Maa Vita	515
TOTAL	**23,228**

Goodwill is amortised on a straight-line basis over 20 years with the exception of goodwill recorded in 2003 following the merger by incorporation of Maa Vita, which is amortised over 10 years.
These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.
The verification of the recoverability of goodwill, carried out on the preparation of the consolidated financial statements, verifiesthe goodwill recorded to the separate financial statements.
The amortisation on the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A. was completed during the current year.
The amortisation charge for the year amounted to Euro 16,322 thousand and is recorded in the income statement account *other charges*.

The account *other long-term costs* principally refer to the quota to be amortised of the commissions incurred against the subordinated loan of Euro 100 million granted by Mediobanca in 2008. These commissions, of an original amount of Euro 1.4 million, are amortised over 10 years, in line with the period beyond which the beneficiary may repay the loan. The residual amount at December 31, 2011 is Euro 917 thousand.

The changes in the year of *Intangible Assets* are analysed in attachment 4.

Section 2

Investments (account C)

Land and Buildings (account C. I)

		2011	2010	Change
I.	Property used for business activities	2,115	2,843	-728
II.	Property used by third parties	515,757	551,864	-36,107
III.	Others buildings	439	439	-
IV.	Other property rights	-	-	-
V.	Fixed assets under construction and advances	132,001	156,838	-24,837
TOTAL		**650,312**	**711,984**	**-61,672**

The changes compared to the previous year principally relate to:

Real estate projects payments on account	17,639
Improvement works	2,080
Sales	-2,919
Adjust. to values	-78,356
Depreciation	-116
TOTAL	**-61,672**

The **real estate projects payments on account** refer to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell’Isola). This operation, which took place in 2005, involved the sale by Milano Assicurazioni to the company *IM.CO*. of the land in question and the purchase from *IM.CO* by Milano Assicurazioni of a building for office use, to be built on the land in question at a price of Euro 99.1 million, considering that agreed at the end of 2010. For further and more detailed information on these operations and the relative price, reference should be made to that reported in the directors’ report at the chapter dedicated to transactions with related parties.

Improvement works principally relate to the restructuring works on the building located in Rome, Via Tre Madonne.

The **sales** principally related to the following buildings:
- Rozzano, Palazzo V - Strada 5, sold for Euro 1, 450 thousand;
- Verona, Corso Cavour, sold for Euro 1,280 thousand;

The gain realised following the sale amounted to Euro 2,156 thousand.

The **impairments** related in particular to hotel complexes, vacant buildings and development areas and were made based on independent expert valuation reports. In addition, to ensure rotation, it was considered appropriate to utilise different real estate experts than those normally utilised in previous years. The breakdown by building is as follows:
- Rome, Via Fiorentini, for Euro 29,883 thousand;
- Milan, Via Confalonieri - Via de Castillia, for Euro 12.593 thousand;
- Milan, Via Caldera, for Euro 9,200 thousand;
- Milan, Via Crespi, for Euro 6,492 thousand;
- Milan, Viale Lancetti – Via dell'Aprica, for Euro 9,573 thousand;
- Bologna, Via Bassi, for Euro 5,883 thousand;
- Turin, Strada del Drosso, for Euro 2,727 thousand.

The lower value attributed to property compared to the prior year valuations follows the changed economic-financial environment (increase in interest rates and difficulties in achieving sustainable profit levels), in addition to the consequent need to undertake a more prudent valuation - although utilising similar methods - in order to obtain a fair market value of the assets held.
Considering also the difficulties in acquiring credit by real estate operators and the significant slowdown in demand, the Company adopted a more prudent valuation for property with unsatisfactory profitability and for development initiatives which are affected by greater uncertainty concerning their completion.
The property portfolio was impacted by the international financial crisis which resulted in a decline in the market value of properties, with an increase in the risk perception of investors and in the expected profit from such investments. This resulted in a reduction of expected income for vacant buildings or for development areas by the valuers and an increase in the discount rates and the exit yield in the DCF (Discounted Cash Flow) utilised principally for the valuation of the assets, compared to that utilised in valuations in the previous year with a consequent reduction in the market value of property and the imposition of write-downs on the book value. In particular, the property portfolio reports a decrease in the market value of 10% between the end of 2009 and the end of 2011. A similar decline was reported over recent years also for the Italian property market as a whole.

The **depreciation** concerns the buildings used for business activities. The buildings for use by others are not subject to depreciation, in consideration of their constant maintenance, and therefore their utilisation is not limited over time.

The change in the account *land and buildings* compared to the previous year is detailed in attachment 4 to the present notes, which include, pursuant to article 16, point 7 of Legislative Decree 173/97, the current value of the buildings at the balance sheet date, amounting to Euro 725.7 million and approx. Euro 75.4 million above the book value.

This current value was obtained by estimates made by independent experts and determined through a separate evaluation of each land and building utilising asset type methods, based on the intrinsic and extrinsic value of the assets and taking into account their profitability, in accordance with the provisions of Isvap Regulation No. 22 of April 4, 2008.

The list of the buildings owned by the company and the movements in the year are shown in an attachment to the notes.

Investments in group companies and other companies (account C. II)

	2011	2010	Change
Shares and holdings in group companies	588,044	827,229	-239,185
Bonds in group companies	99,204	89,207	9,997
Loans to group companies	-	-	-
TOTAL	**687,248**	**916,436**	**-229,188**

The account ***shares and holdings in group companies*** comprise:

(In Euro thousands)	Book value	Share held directly (%)
Parent companies		
Fondiaria-Sai	6,183	2.72
Premafin	1,143	2.23
	7,326	
Subsidiary companies		
Campo Carlo Magno	27,219	100.00
Dialogo Assicurazioni	5,586	99.85
Immobiliare Milano	380,990	100.00
Liguria Società di Assicurazioni	121,300	99.97
Pronto Assistance Servizi	605	28.00
Sogeint	100	100.00
Systema Compagnia di Assicurazione	5,187	100.00
	540,987	
Group companies		
Atahotels	843	49.00
Fondiaria-Sai Servizi Group	11,703	34.21
Immobiliare Lombarda	8,364	35.83
Nuove Iniziative Toscane	3,891	3.12
Sai Investimenti	1,200	29.00
Saiagricola	4,900	6.80
Service Gruppo Fondiaria-Sai	227	30.00
	31,128	
Associated companies		
Garibaldi Sca	660	32.00
Isola Sca	1,599	29.56
Valore Immobiliare	6,105	50.00
	8,364	
Other holdings		
Bancapulia Ord	155	0.18
Bancapulia Priv	28	0.22
Tirrena Assicurazioni	-	11.14
Ufficio Centrale Italiano	56	10.98
	239	
TOTAL	**588,044**	

Impairments on shares or holdings in Group companies

These amount to Euro 154,432 thousand and principally relate to the companies indicated below:

Fondiaria-Sai

The holding in Fondiaria-SAI consists of 9,982,557 shares, equal to 2.72% of the ordinary share capital after the capital increase concluded on July 27, 2011, with a carrying value at year-end of Euro 6,183 thousand after total impairments of Euro 99,013 million.

In this regard the following is reported:

- During the exercise period of the rights option relating to the above-mentioned share capital increase, Milano Assicurazioni, pursuant to Article 2359 *quinquies* of the civil code, which prohibits a company subscribing to shares of the parent company, sold on the market 9,982,557 rights options held. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 7.72, obtained applying to the book value of the shares the impairment factors relating to the share capital increase. The sale resulted in a loss of Euro 70 million. Following the separation of the value of the rights option, the unitary carrying value of the Fondiaria-Sai share, originally classified in the non-current segment, was reduced from Euro 18.26 on December 31, 2010 to Euro 10.54;
- On the approval of the half-year report at June 30, 2011, taking into account the investment which was recorded under non-current investments, verifications were made on the carrying value and any permanent loss in value.

  Firstly the share price performance is considered, establishing if a significant long-term reduction in the price has taken place.

  As indicated in the relevant accounting standard (OIC 20) a market capitalisation below the book value of the investment may indicate a possible impairment, but by itself is not sufficient for the recognition of such an impairment if an analysis does not confirm also the long-term nature of the reduced value of the investment.

  Consideration was therefore taken of the valuation of the Fondiaria-Sai share by an independent expert appointed by the indirect parent company Premafin. The valuation was made utilising the Dividend Discount Model method, specifically the Excess Capital model.

  As no updated industrial plan is available, the valuator, for the years 2011-2013 undertook his work based on market information, such as the expectations of analysts and, for the additional two years of forecasts based on his own projections. At the end of his work, the valuator identified an interval of the value of the ordinary Fondiaria-Sai shares between a minimum of Euro 4.98 and a maximum of Euro 6.08 per share.

In view of the above, the directors considered it appropriate to adjust the carrying value of the Fondiaria-Sai shares to the higher limit of the interval identified by the valuator (Euro 6.08);

- on December 20, 2011, the Board of Directors of Milano Assicurazioni approved the transfer, effective as of December 30, 2011, of 9,982,557 Fondiaria-Sai shares held in portfolio from the non-current segment to the current segment, taking into account the fact that recognition in the current segment is more in line with the nature and purpose of the resolutions to purchase these shares, adopted by the Shareholders' Meeting pursuant to Article 2359 *bis* of the civil code, and allows a correct recognition and accounting treatment of these shares at Fondiaria-Sai Group level, within an extremely volatile market.

  Following the transfer the shares were recorded in the financial statements at the price on the last trading day (Euro 0.619), recording a total adjustment of Euro 99 million.

Liguria Assicurazioni

The carrying value of the investment was reduced to Euro 121.3 million, recognising an impairment of Euro 8.7 million. The impairment was made based on the valuation of the company under the Sum of the Parts method (SOP) utilising the Dividend discount model (DDM) for the valuation of Liguria Assicurazioni and the appraisal value method for Liguria Vita, and taking into account the Surplus Asset represented by the deferred tax assets on cumulated losses at December 31, 2011, of Euro 29.7 million.

The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

The parameters utilised for the application of DDM were as follows:

- *combined ratio*: gradual alignment to the target value estimated at 96%;
- cost of capital for the discounting of cash flows: 10.2%;
- long-term growth rate (g-rate): 2%;
- financial income: gradual alignment of the investment yield to the target value, estimated at 3%;
- *solvency ratio*: 120%, calculated according to the Solvency I rules.

The valuation was carried out based on the 2012 budget of the company and the 2013-2014 plan and the 2015 and 2016 projections drawn up to reflect a normal level of profitability.

Dialogo Assicurazioni

The valuation adjustment amounts to Euro 11,398 thousand and represents the share of losses in the year recorded by the company. Net of these adjustments the book value of the investment, amounting to Euro 5,586 thousand, is in line with the relative net equity.

Campo Carlo Magno
The carrying value of the investment was reduced to Euro 27.2 million, recognising an impairment of Euro 10.1 million. The impairment was made based on an updated valuation report on the real estate located at Madonna di Campiglio, Golf Hotel, owned by the subsidiary.

Atahotels S.p.A.
The company in 2011 reports a loss of Euro 23,280 thousand and a net equity of Euro 1,720 thousand. The impairment recorded in 2011 amounted to Euro 17,181 thousand. Net of these adjustments the book value of the investment, amounting to Euro 843 thousand, is in line with the relative net equity.

Gruppo Fondiaria-Sai Servizi S.c.r.l.
The adjustment in value (Euro 2,125 thousand) includes the share of losses for the year in order to align the book value with the relative net equity. The loss is principally due to the non-deductibility for IRAP purposes of the personnel costs from the consortium company.

Premafin
The holding consists of 9,157,710 shares recorded under the current asset segment and the carrying value at the year-end amounts to Euro 1,143 thousand, after recording a value adjustment of Euro 5,901 thousand, determined with reference to the stock exchange prices at year-end.

* * *

In accordance with article 16, paragraph 4 of Legislative Decree 173/97 we provide information included in the account *shares in Group companies* which are recorded at a value above the corresponding net equity share. The book value is compared with the net equity prepared in accordance with Italian GAAP for a uniform comparison.

In Euro thousands	**Valued in accord. with art. 16, point 4, Lgs Decree 173/97**	**Book value**	**Difference**
Liguria Assicurazioni	21,369	121,300	99,931
Immobiliare Milano Assicurazioni	343,182	380,990	37,808
Campo Carlo Magno	19,727	27,219	7,492

For **Liguria Assicurazioni**, the higher carrying value represents the goodwill based on the valuation of the investment carried out by an independent expert, as described in the previous paragraph, in addition to the value of the Surplus Asset comprising the tax losses of the company.

For **Immobiliare Milano** the difference relates to gains on investments held and deferred tax assets prudently not recorded by the company.

For **Campo Carlo Magno** the difference is due to the higher value of the hotel real estate complex at Madonna di Campiglio, Golf Hotel, compared to the carrying value in the accounts of the company.

The account ***Bonds issued by group companies*** includes:

- Profit Participating Bonds for Euro 78,581 thousand, issued by the associated companies Garibaldi S.C.A (Euro 64,034 thousand) and Isola S.C.A. (Euro 14,547 thousand).
  Garibaldi S.C.A. is a Luxembourg-registered company involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 4,000 sq.m. for residential use, 12,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
  Isola S.C.A. is a Luxembourg-registered company which through its subsidiaries is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned 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.
  The yield of the bonds, with expiry on December 31, 2020, is based on the profits achieved by the issuing companies in relation to the property projects currently under development.
- bonds issued by the Group company Banca Sai S.p.A. for Euro 20,622 thousand.

The following information is attached:
- The changes in the year of shares and holdings, of bonds and of loans to group companies and other investments (Attachment 5);
- The schedule containing information relative to investment holdings (Attachment 6);
- The schedule analysing the movements (Attachment 7).

Other financial investments (account C. III)

	2011	2010	Change
Shares and quotas	332,572	613,027	-280,455
Investment fund units	567,111	669,279	-102,168
Bonds and other fixed-income securities	5,819,242	5,697,343	121,899
Loans	23,935	27,536	-3,601
Units in mutual investments	-	-	
Deposits at credit institutions	-	-	
Other financial investments	2,545	56	2,489
TOTAL	**6,745,405**	**7,007,241**	**-261,836**

The account *shares and quotas* includes Euro 245,947 thousand of listed shares recorded under current assets and Euro 86,625 thousand of shares recorded under non-current assets.

The **shares recognised as current assets** are valued at the lower between the carrying value and the stock exchange price recorded on the last trading day of the year, recording a net value adjustment of Euro 140,948 thousand, of which Euro 79,123 thousand comprising the investment in **Assicurazioni Generali** totalling 9,411,014 shares. In June, the investment was transferred from the non-current segment to the current segment. The decision results from the Board of Directors' meeting resolution of June 22, 2011 of Fondiaria-Sai and by the Board meeting of Milano Assicurazioni on July 12, 2011 in relation to the commitment taken with the market regulator to sell the shareholding held in Generali by December 31, 2012.
Therefore based on this commitment, the investment in Generali is no longer considered a long-term strategic investment appropriate to be classified, in accordance with Article 14, paragraph 2 of ISVAP Regulation No. 36, as an investment in the non-current segment.
Subsequent to the transfer, the investment in Generali was therefore valued in accordance with the criteria for the segment and therefore the lower between carrying value (Euro 20 per share) and stock market prices at December 31, 2011 (Euro 11.53 per share), recognising the above-stated impairment of Euro 79,123 thousand.

The **non-current investments** are recorded at cost, adjusted for any permanent impairment in value. In order to establish impairments appropriate analyses were carried out on the most significant investments.
Firstly the share price performance is considered, establishing if a significant long-term reduction in the price has taken place.

In order to establish if the stock market performance represents a long-term value adjustment, the economic-financial, historical and future, conditions of the relative companies are analysed based on the information publicly available according to the so-called desk valuation method. In accordance with the indications contained in the OIC 20 accounting principle, it is considered that the provisions established by IAS 36 are appropriate to determine any long-term value impairment utilising appropriate analyses and information on the economic-financial, historical and future conditions of these companies. The valuation methodologies adopted are commonly used by specialised operators and establish the medium-long term recoverable value. The results confirm the recoverability of the current stock market values.
In particular, for **Unicredit** a valuation interval between Euro 8.6 and Euro 9.2 was identified and between Euro 1.23 and Euro 1.43 for **RCS**.
The valuation interval in turn derives from sensitivity analyses carried out on the principal variables of the models utilised, such as the cost of capital, the rate of sustainable growth and for Unicredit the requirements for the constitution of minimum capital levels.

In light of these results:
- the carrying value of the investment in Unicredit was reduced from Euro 31 (post reverse stock split of the shares of 1 share for every 10 shares held made at the end of the year) to Euro 8.81 per share, with an impact on the income statement of Euro 106,438 thousand;
- the carrying value of the investment in RCS was reduced from Euro 1.55 per share to Euro 1.23 per share, with an impact on the income statement of Euro 4,037 thousand. In fact it was considered appropriate to utilise the lower level of the valuation interval, also in consideration of the conduct of the other shareholders within the Shareholders' Agreement.

Net of impairments, the listed shares in the non-current segment indicate, compared to the stock exchange prices on the last trading day of the year, net unrealised losses of Euro 30,415 thousand, as set out below:

Unicredit	-11,488
RCS Mediagroup	-6,956
Mediobanca	-11,104
Banca Intermobiliare	-226
Industria e Innovazione	-641
TOTAL	**- 30,415**

Units in mutual investments report net unrealised gains of Euro 28,939 thousand in the year.

The account ***Bonds and other fixed income securities*** are broken down as follows:

Listed government securities	4,833,987
Non-listed government securities	6,914
Other listed securities	930,792
Other non-listed securities	31,528
Convertible bonds	16,021
TOTAL	**5,819,242**

During the year, issue margins were recorded in this account of Euro 19,160 thousand and trading margins of Euro 11,215 thousand.

The **listed bonds recorded in the current segment** amounted to Euro 2,020,889 thousand and were valued at the lower between carrying value and the stock exchange price recorded on the last trading day of the year, taking account however of the adjustments in value of previous years following the recording of the relative write-backs following share price increases. The valuation led to net impairments of Euro 89,263 thousand.

The **listed bonds in the non-current segment** amount to Euro 3,743,890 thousand and were maintained at cost, adjusted for any impairment. In consideration of the serious crisis within the Greek economy and the initiatives undertaken at European level to restructure the Greek sovereign debt, the Greek government securities recorded in the non-current portfolio (Euro 16 million at nominal value) were valued at market prices at the year-end, considering the loss to be a permanent loss in value. Consequently, the carrying value was reduced from Euro 15,993 thousand to Euro 3,641 thousand, recording an impairment in the income statement of Euro 12,352 thousand, as further detailed in the paragraph below relating to the peripheral Eurozone countries.

The non listed bonds were maintained at cost, as there were no permanent losses in value, except for the impairments recognised. The carrying value of the Bony Lux Cash Unicredit 09/50 bonds were adjusted from 95.7 to 59.9 (for each Euro 100 nominal), based on a valuation opinion on the security by a primary market operator. The impairment resulted in a charge of Euro 7,091 thousand in the income statement.

Overall, the *bonds and other fixed-income securities* recorded the following gains/losses compared to:
- the stock exchange prices at year-end for listed securities;
- the prices realised for the non-listed securities.

	Gains	Losses
Listed securities	43,316	-375,853
Non-listed securities	1,431	-786
TOTAL	**44,747**	**-376,639**
of which:		
Current	9,393	-
Non-current	35,354	-376,639

The most significant amounts by issuer are shown below:

Issuer	Carrying value 31/12/2011 *(000/€)*
Italy	4,191,070
Germany	535,603
Unicredit Group	67,258
Spain	50,857
Intesa San Paolo	49,645
Banco Popolare	33,430
Goldman Sachs Group Inc.	28,268
Allianz Finance	25,451
Royal Bank of Scotland	23,850
Santander Insuances Unipersonal	22,578
British Telecom PLC	20,671

The table below summarises the assets, which have subordination clauses:

(Euro thousands)

beneficiary	Carrying value Euro/000 at 31/12/11	Expiry date	Subordination level	Interest rate	Advance repayment
ALLIANZ FINANCE	25,451	perpetual	Upper Tier 2	4.375%	17/02/17
ASSURANCE GEN.DE FRANCE	2,607	perpetual	Tier 1	4.625%	10/06/15
AVIVA	6,591	perpetual	Tier 1	4.729%	28/11/14
AXA	13,196	perpetual	Tier 1	5.777%	06/06/16
BANCA CARIGE	2,805	07/06/16	Lower Tier 2	Euribor 3m+102	07/0312
BANCA ITALEASE	1,049	15/10/14	Lower Tier 2	Euribor 3m+50	16/01/12
BANCA LOMBARDA	3,500	perpetual	Tier 1	8.170%	
BANCA POP. EMILIA ROMAGNA	3,325	23/03/16	Lower Tier 2	Euribor 3m+100	23/03/12
BANCHE POPOLARI UNITE	4,068	30/10/18	Lower Tier 2	Euribor 3m+50	30/10/13
BANCO BILBAO VIZCAYA ARG.	1,227	perpetual	Tier 1	4.939%	20/09/16
BANCO POPOLARE	15,905	31/05/21	Lower Tier 2	6.375%	no
BANCO POPOLARE	5,000	09/09/16	Lower Tier 2	5.700%	no
BANCO POPOLARE	3,588	28/04/17	Lower Tier 2	4.750%	no
BARCLAYS BANK	5,199	perpetual	Tier 1	4.737%	15/03/20
BARCLAYS BANK	4,343	23/01/18	Lower Tier 2	6.000%	no
BES FINANCE	2,194	perpetual	Upper Tier 2	4.488%	16/03/15
BNP PARIBAS	4,121	perpetual	Tier 1	8.667%	11/09/13
BNP PARIBAS CAPITAL TRUST	3,391	perpetual	Tier 1	5.868%	16/01/13
BNP PARIBAS	1,913	22/01/19	Lower Tier 2	4.375%	22/01/14
BCA POP COMMERCIO E INDUSTRIA	2,500	perpetual	Tier 1	5.400%	27/03/12
CASSA DI RISPARMIO DI FIRENZE	1,964	05/12/13	Upper Tier 2	Euribor 3m+95	no
COMMERZBANK	2,833	13/09/16	Lower Tier 2	2.337	13/03/12
CREDIT AGRICOLE	1,679	perpetual	Tier 1	4.119%	09/11/15
CREDIT SUISSE	419	20/12/14	Lower Tier 2	Zero Coupon	no
DANSKE BANK	2,594	16/03/18	Upper Tier 2	4.100%	16/03/15
DEUTSCHE BANK	3,961	31/01/13	Lower Tier 2	5.125%	no
DEUTSCHE BANK	1,131	17/02/15	Lower Tier 2	libor 3m +80	17/02/12
DEUTSCHE CAPITAL TRUST	4,590	perpetual	Tier 1	5.315%	19/09/13
DEUTSCHE POSTBANK FUNDING	3,795	perpetual	Tier 1	5.999%	29/06/17
FORTIS BANK	1,735	perpetual	Tier 1	4.612%	27/10/14
GENERALI FINANCE	15,405	perpetual	Tier 1	5.303%	16/06/16
GENERAL ELECTRIC CAPITAL CORP	3,917	15/09/17	Upper Tier 2	5.485%	15/09/17
GROUPAMA	9,435	perpetual	Tier 1	6.298%	22/10/17
HSBC CAPITAL FUNDING	2,316	perpetual	Tier 1	5.354%	24/03/14
HT1 FUNDING	2,536	perpetual	Tier 1	5.336%	30/0617
ING BANK	5,688	18/03/16	Lower Tier 2	Euribor 3m+67.5	19/03/12
INTESA SANPAOLO	6,603	perpetual	Tier 1	8.047%	20/06/18
INTESA SANPAOLO	13,703	28/05/18	Lower Tier 2	5.734%	28/05/13

INTESA SANPAOLO	3,000	perpetual	Tier 1	9.500%	01/06/21
INTESA SANPAOLO	2,991	16/06/20	Lower Tier 2	5.150%	no
INTESA SANPAOLO	5,129	20/02/18	Lower Tier 2	Euribor 3m+25	20/02/13
INTESA SANPAOLO	5,000	15/01/12	Lower Tier 2	5.200%	no
JP MORGAN CHASE BANK	3,726	30/11/21	Lower Tier 2	4.375%	14/11/16
MONTE DEI PASCHI DI SIENA	2,354	30/11/17	Lower Tier 2	Euribor 3m+40	30/11/12
OMW	1,978	perpetual	Tier 1	6.750%	26/04/18
PROSEC FUNDING	3,984	30/06/16	Upper Tier 2	4.668%	no
ROYAL BANK SCOTLAND	12,012	09/04/18	Lower Tier 2	6.934%	no
RWE	2,494	perpetual	Tier 1	4.625%	28/09/15
SANTANDER ISSUANCE	4,651	23/03/17	Lower Tier 2	Euribor 3m+25	23/03/12
SANTANDER ISSUANCE	13,420	24/10/17	Lower Tier 2	5.420%	24/10/12
SANTANDER ISSUANCE	4,507	30/09/19	Lower Tier 2	4.488%	30/09/14
SIEMENS	4,077	14/0966	Tier 1	5.236%	14/09/16
SL FINANCE	2,692	12/06/22	Lower Tier 2	6.375%	12/06/12
SNS BANK NEDERLAND	2,565	perpetual	Tier 1	5.734%	22/06/13
SOCIETE GENERALE	1,254	perpetual	Tier 1	4.196%	26/01/15
STANDARD CHARTERED	2,781	03/02/17	Lower Tier 2	3.625%	03/02/12
STANDARD CHARTERED	9,222	26/09/17	Lower Tier 2	5.875%	no
UNICREDIT GROUP	1,551	01/02/16	Upper Tier 2	3.950%	no
UNICREDIT GROUP	11,511	perpetual	Garanzia societa'	4.017%	27/10/15
UNICREDIT GROUP	7,185	26/09/17	Lower Tier 2	5.750%	no
UNICREDIT GROUP	3,656	22/09/19	Lower Tier 2	4.488%	22/09/14
UNICREDIT GROUP	11,855	15/12/50	Tier 1	Euribor 3m	23/02/16
UNIPOL ASSICURAZIONI	4,570	28/06/23	Upper Tier 2	5.645%	28/06/13
ZURICH FINANCE	2,633	02/10/23	Lower Tier 2	5.734%	02/10/13
	327,075				

Government bonds issued by Portugal, Ireland, Greece and Spain

As previously outlined, the current Greek economic conditions recently required the introduction of initiatives to restructure the Greek debt securities. In particular, on July 21, 2011, the International Institute of Finance released a restructuring plan for the Greek sovereign debt concerning the securities with maturity by 2020. In essence, the plan establishes the faculty for investors to exchange Greek government securities with other financial instruments, providing greater guarantees and extended maturity (15 or 30 years). Utilising a discount rate on coupon cash flows of 9%, each of the types of securities offered will result in a loss of approx. 21% compared to the repayment price.

On October 27, a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds, within a situation still not resolved and which may see further write-downs.

Taking into account the above considerations and further developments at the beginning of 2012, the Greek securities held in portfolio, both in the current and non-current segments, were valued at market prices in the financial statements at December 31, 2011, recording a total impairment of Euro 21.2 million. In particular, at December 31:

- the current portfolio includes securities issued by the Greek state for a carrying value of Euro 4.3 million, net of adjustments of Euro 8.8 million;
- the non-current portfolio includes two securities issued by Greece, maturing respectively in 2013 (nominal value Euro 7 million) and in 2022 (nominal value Euro 9 million). Also these securities were recorded in the financial statements at market prices at December 31, 2011, as considered permanent loss in value representing the difference between cost and market price. An impairment was therefore recorded of Euro 12.4 million, which reduced the carrying value from Euro 16 million, equal to purchase cost, to Euro 3.6 million.

The following table reports the breakdown of government securities issued by the other so-called peripheral Eurozone countries. In accordance with that recently requested by the European Securities and Markets Authority (ESMA) also the Italian government securities are reported in the table (in thousands of Euro).

(Euro thousands)

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total book value	Price at December 31	
Spain	-	25,998	-	24,859	50,857	45,540	5,317
Portugal	-	987	-	-	987	685	302
Ireland	-	-	1,941	-	1,941	1,941	-
Italy	792,065	1,535,631	1,454,426	408,949	4,191,070	3,879,193	311,877

These losses relate to securities recorded in the non-current segment, in that those recorded in the current segment in line with the applicable accounting principles for this segment were valued at the lower of book value and market value at December 31.

Derivative finance operations

Milano Assicurazioni has a limited use of derivative financial instruments in strict compliance with the provisions contained in Isvap Regulation No. 36/2011 and the Framework Resolution adopted by the Board of Directors pursuant to the same Regulation.
At December 31, 2011 the following derivative financial operations remain open, all hedging investments held in portfolio or interest rate risks in relation to the subordinated loans:

- nominal contract of Euro 50 million of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives the Euribor rate at 6 months. The charge recorded to the income statement amounted to Euro 0.8 million;
- nominal contract of Euro 100 million of an Interest Rate Swap with the counterparty Mediobanca expiring on July 14, 2018. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 2.35% and receives the Euribor rate at 6 months;
- combined options (put purchase – call sell) on 4,800,543 Unicredit shares, with average strike of Euro 7.9743. At year-end the non realised gain on these options was Euro 7.4 million;
- combined options (put purchase – call sell) on 6,817,390 Generali shares, with average strike of Euro 11.7082. These options were revalued in the accounts for Euro 1.3 million;
- combined options (put purchase – call sell) on 9,376,040 Banca Popolare di Milano shares, with average strike of Euro 0.2623. These options were written down at year-end for Euro 0.4 million.

These operations were undertaken in accordance with the Board of Directors' resolution of May 14, 2011 concerning investments and utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed.

The principal derivative finance operations closed in the year related to:

- in February, Milano Assicurazioni signed a BTP Spread Swap with Mediobanca on a notional Euro 15 million with maturity of December 15, 2011. This operation, undertaken to hedge the risk from the credit spread above a predetermined level, was closed in March with an unwind operation, which resulted in the recording of a charge to the income statement of Euro 0.4 million;

- in March, the Range Accrual Swap opened with Banca IMI on a notional of Euro 3.75 million and maturity of October 28, 2020 was closed through an unwind position and the recording of income in the income statement of Euro 0.3 million;

- in March, the Range Accrual Swap opened with Banca IMI on a notional of Euro 2.5 million and maturity of May 7, 2020 was closed through an unwind position and the recording of income in the income statement of Euro 0.2 million;

- in March, the Range Accrual Swap opened with BNP Paribas on a notional of Euro 5 million and maturity of April 1, 2020 was closed through an unwind position and the recording of income in the income statement of Euro 0.1 million;

- in May, the Credit Default Swap contracts with Morgan Stanley agreed on a nominal Euro 9.35 million and maturity on March 20, 2013, was closed through an unwind operation on recording in the income statement of charges of Euro 0.1 million;

- in May, the Credit Default Swap contracts with Merrill Lynch agreed on a nominal Euro 4.41 million and maturity on March 20, 2014, was closed through an unwind operation on recording in the income statement of charges of Euro 0.1 million;

- in the third quarter of the year combined put and call options hedging securities in portfolio were closed. In particular, the options closed related to 375,000 Mediobanca shares and, taking into account the unitary average strike price of Euro 7.28, a gain was recorded in the income statement of Euro 0.5 million;

- in October 4,320,000 call options on Generali shares matured which Milano Assicurazioni had sold to various counterparties with an average strike price of Euro 13.06. On maturity, the counterparties abandoned the options and Milano Assicurazioni realised a gain of Euro 0.5 million, equal to the amount of the premium received on the sale of the options.

No derivative contracts were signed on currencies as the exposure to exchange risk is immaterial.

Non-current assets

The assets considered as stable investments were allocated to the non-current segment in line with the economic and financial performance of the company.
This relates to investments of the classes B Other intangible assets, C.I. Land and buildings and of the Securities of classes C.II and C.III, these latter within the resolutions approved by the Board of Directors on May 14, 2011 which redefined the guidelines for the classification of investments as long-term.

This was also undertaken to stabilise the structure of the security portfolio, in line with the planning of the portfolio management and the timing profile of the commitments toward policyholders.

In particular, the resolution requires that the securities relating to the *Non-current investments* are those held in the company for the purposes of "stable investment", a requisite which must be established on allocation of the security to the segment. A further condition for recording the debt securities in the non-current investment segment is that they must be assigned a Standard & Poor's rating of at least BBB- or equivalent.

The non-current assets are recorded at cost, adjusted for any permanent impairment in value. The table below shows the Class C III non-current investments:

	31.12.2011	**31.12.2010**
Shares and quotas	86,626	383,122
Investment fund units	332	482
Bonds and other fixed-income securities	3,792,918	2,255,621
TOTAL	**3,879,876**	**2,639,225**

The account *shares and holdings* includes the following principal investments:

Company	**Number of shares**	**Book value** (in Euro thousands)
Unicredit	4,796,660	42,259
Mediobanca	3,107,046	24,811
Rcs Mediagroup	12,480,511	15,351

The significant reduction compared to the previous year principally derives from the transfer from the non-current segment to the current segment of the investments in Fondiaria-SAI and in Assicurazioni Generali, as previously illustrated.

The increase in the account *Bonds and other fixed income securities* principally derives from the transfer from the current segment to the non-current segment of bond securities totalling Euro 949,483 thousand, made on September 1 based on a resolution of the Board of Directors. The transfer was undertaken in accordance with the regulations for the segment. Therefore the losses matured up to the date of the transfer of Euro 29,188 thousand were recorded in the income statement. The transfer resulted in the non recording in the income statement of losses matured from September 1 to the year-end of Euro 64,341 thousand.

The following information is attached:

- Breakdown by current and non-current utilisation of the assets comprising the shares and quotas C.III.1, units in investment funds C.III.2, bonds and other fixed-income securities C.III.3; other financial investments - C.III.7 (attachment 8);
- The change in the year of the non-current assets include the accounts in the previous point (attachment 9);
- The changes in the year of the loans - account C.III.4 (attachment 10).

Deposits with reinsuring companies (account C. IV)

	2011	2010	Change
	2,078	**2,488**	**-410**

The account relates to the life division for Euro 1,484 thousand and to the non-life division for Euro 594 thousand and was created based on the respective reinsurance clauses.

Section 3

Investments where risk is borne by life policyholders and pension fund management (account D)

		2011	2010	Change
I.	Investments relating to the performance of investments funds and market indices	**171,692**	**226,043**	**-54,351**
II.	Investments derived from pension fund management	**18,110**	**13,906**	**4,204**
TOTAL		**189,802**	**239,949**	**-50,147**

The investments relating to the performance of investment funds and market indices concern index-linked products for Euro 128,091 thousand and unit-linked products for Euro 43,601 thousand, principally placed in previous years.

The investments deriving from the management of the pension funds relate to the Milano Assicurazioni Open Pension Fund, structured over six investment lines. The breakdown of the investments by line is shown in the table below:

Milano Bond	5,648
Milano Gest	4,654
Milano Mix	2,169
Milano Europa	1,790
Milano Global	1,900
Milano Premium TFR	1,949
TOTAL	**18,110**

Attachment 11 includes the assets deriving from the performance of investments funds and market indices.

Attachment 12 shows the assets deriving from the management of the pension funds.

Section 4

Technical reserves attributed to reinsurers (account D bis)

	2011	2010	Change
NON-LIFE DIVISION			
1. Unearned premium reserve	33,516	37,951	-4,435
2. Claims reserve	159,993	236,712	-76,719
3. Reserve for profit sharing and reversals	-	-	-
4. Other technical reserves	-	-	-
LIFE DIVISION			
1. Actuarial reserves	61,553	81,739	- 20,186
2. Reserves for complementary insurances	-	-	-
3. Reserve for claims to be paid	2,914	3,587	-673
4. Reserve for profit sharing and reversals	-	-	-
5. Other technical reserves	-	-	-
6. Technical reserves where investment risk borne by policyholders and reserves from pension fund management	-	-	-
TOTAL	**257,976**	**359,989**	**- 102,013**

The technical reserves relating to the reinsurers are calculated applying the same criteria adopted for direct premiums, taking account of the reinsurance contractual clauses.

The reserves attributable to the reinsurance companies are determined with the same criteria utilised for the formation of the reserves of the underwritten risks and represent the share, attributable to them, of the contractual commitments undertaken.

The reinsurance policy remained substantially stable compared to the previous year.
At the end of 2011, an agreement was signed with the group company The Lawrence Re for the excess cession on some claims of the Motor TPL class. The transaction totalled claims reserves of approx. Euro 60 million at market conditions based on 95% of the value of these reserves, resulting therefore in a charge expensed in the income statement of Euro 3 million, against cash receipts totalling Euro 57 million.

Section 5

Receivables (account E)

	2011	2010	Change
DIRECT INSURANCE OPERATIONS			
1. Policyholders for premiums	262,839	298,757	- 35,918
2. Insurance brokers	301,346	311,744	- 10,398
3. Insurance company current accounts	11,126	11,247	- 121
4. Policyholders and others for sums to be recovered	48,897	46,508	2,389
REINSURANCE OPERATIONS			
1. Insurance and reinsurance companies	45,868	63,194	-17,326
2. Reinsurance brokers	-	-	
OTHER RECEIVA BLES	311,182	322,522	-11,340
TOTAL	**981,258**	**1,053,972**	**- 72,714**

The values shown are net of a total write-down provision of Euro 134,913 thousand, recorded as a direct deduction of the specific receivable accounts to which they refer.

The account other receivables are composed of the following principal amounts:

Tax receivables	98,139
Receivables from Fondiaria-SAI for income tax payments on account and recorded under receivables following the inclusion by Milano Assicurazioni to the Fondiaria - SAI Group tax consolidation.	98,154
Invoices issued and to be issued, principally for personnel seconded by Gruppo Fondiaria-Sai Servizi S.c.r.l.	90,032
Receivables from Fondiaria-Sai for Group VAT	4,543

The receivables from the consortium Gruppo Fondiaria-Sai Servizi (Euro 77,166 thousand), which manages the centralised services for the entire Fondiaria-Sai Group, should be considered together with the payables to the consortium, principally for services received and recorded in the account *other payables* totalling Euro 84,090 thousand.

During the year losses on receivables were recorded for Euro 102,423 thousand, of which Euro 93,327 thousand refer to receivables from policyholders for premiums and Euro 9,096 thousand to other receivables. In relation to the cancellation of receivables from policyholders, we provide the following information on the principal classes:

Motor TPL	38,382
Land vehicles	4,014
Total Division – Motor	**42,396**
Accident	6,761
Fire	11,106
General TPL	11,505
Other Non-Life Classes	14,916
Total Non-Life Division	**86,684**
Life Division	**6,643**
TOTAL	**93,327**

Write-downs against policyholders for premiums were principally based on a statistical model of historical payments made.

Section 6

Other assets (account F)

	2011	2010	Change
TANGIBLE ASSETS AND INVENTORIES:			
1. Furniture, EDP and internal transport	1,854	1,436	418
2. Tangible assets recorded in public registers	57	172	- 115
3. Plant and equipment	-	-	
4. Stocks and other assets	-	-	-
CASH AND CASH EQUIVALENTS:			
1. Bank and postal deposits	411,204	209,463	201,741
2. Cheques and cash on hand	24	51	-27
TREASURY SHARES	1,546	8,081	- 6,535
OTHER ASSETS			
1. Receivable transitory reinsurance accounts	894	323	571
2. Other assets	473,293	411,662	61,631
TOTAL	**888,872**	**631,188**	**257,684**

The *bank deposits* include:
- Euro 404,806 thousand of deposits denominated in Euro, of which Euro 104,511 thousand relate to the group company Banca Sai;
- Euro 6,398 thousand of deposits denominated in foreign currencies.

The *transitory asset accounts from reinsurance* include the loss of a technical nature for the indirect business and ceded, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result of each contract.

The account *other assets* is composed of the principal amounts:

Deferred tax assets	397,958
Actuarial reserve tax as per Leg. Decree No. 209/02	9,411
Transit account between non-life and life division	18,105
Indemnities paid to agents terminated, whose commissions are in the course of application.	12,768

The account *Deferred tax assets* recorded the following changes:

Initial amount	268,572
Adjustment deferred tax asset for changes in IRAP tax rate	1,594
Transform deferred tax asset into tax credit	-26,900
Deferred tax assets arising in the year	179,520
Deferred tax assets cancelled in the year	-27,092
Other changes	2,264
Closing balance	**397,958**

The change in the deferred tax assets from changes in income tax rates derives from the increase of the IRAP from 4.82% in the previous year to 6.82% in the current year.

The decrease of Euro 26,900 thousand is due to the conversion of part of the deferred tax assets into tax credits in accordance with the limits permitted by Article 2, paragraph 55 & 58, of Legislative Decree 225/2010 and therefore for the amount obtained applying to the losses for the year the ratio between deferred tax assets and the sum of share capital and reserves.

The temporary differences deductible relating to the deferred tax asset principally relate to:
- The excess of the adjustments on insurance receivables of the years from 2000 to 2004 compared to the limit of 0.60% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The excess of the adjustments on insurance receivables of the years from 2005 to 2007 compared to the limit of 0.40% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The excess of the adjustments on insurance receivables of the years from 2008 to 2011 compared to the limit of 0.30% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The doubtful debt provision and the provision for risks and charges;
- Adjustments to the value on equity investments, which are not within the *participation exemption* regime;
- impairments on property;
- The quota of the increase of the claims reserve which for the part relating to the long-term component is deductible over eighteen years;

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in the previous year of Euro 36,510 thousand;
- the potential tax benefit related to the tax losses in 2010 recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 22,071 thousand;
- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2011 of Euro 54,658 thousand;
- the potential tax benefit related to the tax losses in 2011 recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 14,725 thousand.

The relative benefits of the tax losses were recorded on fulfilling the following requirements:

- a reasonable certainty exists to achieve, in a reasonably short time period, fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

From the year 2011, due to the amendments introduced by Legislative Decree No. 98/2011, Article 84 of the CFA, fiscal losses carried forward and not yet lapsed may be carried forward for 80% of the assessable income without time limit. The possibility that the benefits related to the tax losses will be realised was analysed based on the 2012-2014 Industrial Plan, recently approved by the Board of Directors of the Company and on the outlook for the coming years, also considering that established for the purposes of the impairment tests on goodwill carried out in the consolidated financial statements. The benefit will be absorbed in the next 4 years.

The benefit related to the losses recorded by subsidiaries participating in the tax consolidation was allocated to the Risks Provision. Based on the agreement concerning the rules for application of the tax consolidation, this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them.
The utilisation of the risk provisions with the consequent recording of the benefit will take place once the above-stated condition has been fulfilled.

From these provisional data, also in consideration of recent legislative changes, the agreement for the fiscal consolidation was updated, recognising to the consolidated companies the right, in consideration of the possibility of unlimited carry forward of fiscal losses, to opt for the immediate recognition of the fiscal losses transferred of an amount of 12%, without therefore awaiting the consequent assessable income in future years.
Milano Assicurazioni is concerned by the application of the new regulation both as a consolidated company (with the consolidating parent company Fondiaria-Sai) and as sub holding (with its own subsidiaries in the group fiscal consolidation).

The total of the temporary differences deductible taken into consideration amount to Euro 963,296 thousand, corresponding to deferred tax assets of Euro 397,958 thousand determined separately for IRES income tax and IRAP regional tax in accordance with the tax rates applicable.

The temporary deductible differences for which no deferred tax asset was calculated amounted to Euro 96,435 thousand and relate to the quota of the provisions made against costs of uncertain deductibility.

Section 7

Prepayments and accrued income (account G)

	2011	2010	Change
ACCRUED INCOME			
1. Interest	74,580	69,513	5,067
2. Rental	23	8	15
3. Other	-	-	-
PREPAYMENTS			
1.Interest	41	-	41
2.Rental	24	54	-30
3.Other	161	-	161
TOTAL	**74,829**	**69,575**	**5,254**

The accrued interest principally relates to coupons on bonds.

Balance Sheet - Liabilities

Section 8

Shareholders' Equity

	2011	2010	Change
1. Share capital	373,683	305,851	67,832
2. Share premium reserve	960,907	718,147	242,760
3. Revaluation reserve	-	1,277	-1,277
4. Legal reserve	51,679	51,679	-
5. Statutory reserves	-	-	-
6. Reserves for treasury shares and shares of holding companies	8,872	197,387	-188,515
7. Other reserves	365,879	649,600	-283,721
8. Retained earnings	-	-	-
9. Loss for the year	-783,309	- 512,679	-270,630
TOTAL	**977,711**	**1,411,262**	**-433,551**

At December 31, 2011, the share capital was comprised of 1,944,800,842 shares, of which 1,842,334,571 were ordinary shares and 102,466,271 saving shares.

The above-stated shares were entirely paid in and without a nominal value as resolved by the Extraordinary Shareholders' Meeting of April 27, 2011.

The savings shares do not carry voting rights and devolve the following rights:

- a dividend up to 5% of the amount of Euro 0.52 (and therefore of Euro 0.026). Where the profits for the year do not permit a dividend of 5% for the saving shares, the difference is included as an increase in the dividend in the two following years. Furthermore, 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 3% of Euro 0.52 (and therefore Euro 0.0156);
- 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 be wound up, the ordinary shares shall not receive any part of the share capital until the entire value of the savings shares has been reimbursed.

During the year the share capital increase approved by the Board of Directors of May 14 and of June 22, 2011 was carried out, in execution of the power conferred by the Extraordinary Shareholders' Meeting of April 27, 2011. The share capital increase provided for the issue of ordinary and saving shares assigned as rights options to Shareholders as follows:

- 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each;
- 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

During the rights offer period between June 27, 2011 and July 15, 2011 (the "Offer Period"), 542,567,376 option rights were taken up for 1,265,990,544 newly issued Milano Assicurazioni ordinary shares and 29,021,556 option rights for 67,716,964 savings shares, equal to respectively 98.528% of the total of the newly issued ordinary shares and 94.410% of the total of the newly issued savings shares offered, for a total value of Euro 343,783,874.79.

In accordance with underwriting commitments, the shareholders Fondiaria-SAI S.p.A., Fondiaria-SAI Nederland BV, Sai Holding Italia S.p.A., Sainternational S.A., Pronto Assistance S.p.A. and Popolare Vita S.p.A. exercised 350,396,460 option rights for the subscription of 817,591,740 new ordinary shares for a total value of Euro 210,448,113.88.

All 8,103,537 non-exercised ordinary rights options and 1,718,325 non-exercised saving share rights options at the end of the Offer Period were sold on July 20, 2011 during the first session in which the Rights Options were offered on the open market by Milano Assicurazioni through UniCredit Bank AG, Milan Branch in accordance with Article 2441, third paragraph of the Civil Code. At the end of the Stock Market Offer Period, 18,872,077 newly issued ordinary shares and 4,009,425 newly issued savings shares, respectively equating to 1.469% of the total of the newly issued ordinary shares and 5.590% of the total of the newly issued savings shares offered, for a total value of Euro 5,918,566.48 were subscribed to. Therefore 36,176 newly issued ordinary shares equating to 0.003% of the total of the newly issued ordinary shares, for a total value of Euro 9,311.70, had not been taken up.
These Shares were subscribed to by Credit Suisse, UniCredit Bank Milano, Keefe, Bruyette & Woods Limited, The Royal Bank of Scotland N.V. (London Branch), Banca Akros S.p.A. and Equita SIM S.p.A., in accordance with the guarantee agreements signed on June 22, 2011.

Following the subscription by the guarantee consortium banks, the Share Capital Increase therefore concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

The new share capital of Milano Assicurazioni therefore amounted 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.

The reserve for treasury shares or those of holding companies is composed of:

9,982,557 Fondiaria-Sai shares	6,183
9,157,710 Premafin shares	1,143
6,764,860 Treasury shares	1,546
TOTAL	**8,872**

During the year no acquisitions of treasury shares or of parent company shares took place. The significant reduction in the reserve compared to 2010 principally derives from the carrying value of the Fondiaria-Sai shares which, as previously illustrated in detail, recorded the following significant reduction:

- from the separation (for an amount of Euro 77,065 thousand) and the subsequent sale of the option rights relating to the share capital increase made by the parent company in the year;
- from the transfer of the shares from the non-current segment to the current segment and the consequent valuation of the shares at stock prices at year-end and which resulted in an impairment of Euro 99,013 thousand.

The account *other reserves* comprises:

Extraordinary reserve	322,691
Previdente Vita merger reserve	9,320
Maa Vita merger reserve	2,800
Sasa Vita merger reserve	12,993
Dialogo Vita merger reserve	801
Reserve for purchase of treasury shares	10,000
Reserve for purchase of holding company’s shares	3,000
Special life division reserve	4,260
Reserve for transfer of assets from class C to class D	14
TOTAL	**365,879**

The extraordinary reserve increased compared to the previous year by Euro 45,198 thousand due to the following:

- utilisation of Euro 147,317 thousand following the partial covering of the 2010 losses in accordance with the Shareholders' Meeting resolution of April 27, 2011;
- increase of Euro 188,515 thousand for the transfer from the reserves for treasury shares and for parent company shares, adjusted based on the carrying value at December 31, 2011, of the shares in portfolio;
- increase of Euro 4,000 thousand for the transfer from the reserve for purchase of Treasury Shares and shares of the Parent Company, based on that approved at the above-stated Shareholders' Meeting of April 27, 2011.

In addition, also based on the Shareholders' Meeting resolution of April 27, 2011 resolutions:

- the reserve for purchase of treasury shares decreased from Euro 12,500 thousand at the end of 2010 to Euro 10,000 thousand;
- the reserve for the shares of the parent company to be acquired decreased from Euro 4,500 thousand at the end of 2010 to Euro 3,000 thousand (Euro 2,500 thousand for shares of the direct parent company Fondiaria-SAI and Euro 500 thousand for shares of the indirect parent company Premafin).

The reserve for transfer of assets from class C to class D includes the difference between the carrying value and current value of the bonds transferred to the class "Investments relating to services linked with investment funds and market indices". The amount is unchanged on the previous year.

A summary of the changes in the shareholders' equity during the year is shown in the table below.

MILANO ASSICURAZIONI S.p.A.

Statement of changes in shareholders' equity

(in Euro)

	Share capital	Capital reserves	Net result for the year	Total
Balance at 31/12/09	**305,851,341**	**1,657,882,852**	**13,330,681**	**1,977,064,874**
Allocation of profits:				
Dividend ordinary shares			-11,013,418	-11,013,418
Dividend savings shares			-1,094,340	-1,094,340
Reserves		1,222,923	-1,222,923	0
Utilisation reserves				
Further dividend ordinary shares		-44,053,673		-44,053,673
Further dividend savings shares		-2,459,191		-2,459,191
Cancellation surplus for merger of Meridiano Orizzonti		4,696,863		4,696,863
Cancellation surplus for merger of Dialogo Vita		800,588		800,588
Loss for the year			-512,679,407	-512,679,407
Balance at 31/12/2010	**305,851,341**	**1,618,090,362**	**-512,679,407**	**1,411,262,296**
Utilisation reserves covering of losses year 2010		-512,679,407	512,679,407	0
Increase in share capital				
Ordinary shares	64,244,940			64,244,940
Savings shares	3,586,319			3,586,319
Share premium reserve		281,926,684		281,926,684
Loss for the year			-783,309,310	-783,309,310
Balance at 31/12/2011	**373,682,600**	**1,387,337,639**	**-783,309,310**	**977,710,929**

Section 9

Subordinated liabilities (account B)

	2011	2010	Change
Sub-ordinated loans	**150,000**	**150,000**	**-**

The account comprises:
- Euro 50 million related to the residual amount of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an amount of Euro 150 million (Euro 100 million was repaid in July 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 100 million relating to a loan provided to Milano Assicurazioni by Mediobanca in July 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months increased by 350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the above-stated subordinated liabilities are supported by particular contractual clauses protecting the rights and interests of the lenders.

In relation to the subordinated loan issued in 2006 (of which a nominal Euro 50 million is outstanding and concerning the subordinated loan contract of Euro 300 million signed on June 22, 2006, undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) of the contract establishes, as a general obligation of the Parent Company, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

In relation to the hybrid loan of Euro 100 million, the faculty to convert into shares of the Issuer is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Issuer of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

(i) the downgrade of the Standard & Poor's rating (or any other agency to which the Issuer is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not rectified to at least 130% of the requested solvency margin, Milano Assicurazioni may, over a period of more than two years, put in place measures to enable compliance with the requested parameters.

This information is provided although there is little possibility of contractual events arising for the protection of the lenders.

The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

Section 10

Technical reserves (account C.I. - Non-life division and C.II. Life division)

	2011	2010	Change
NON-LIFE DIVISION			
1. Unearned premium reserve	1,045,040	1,088,058	-43,018
2. Claims reserve	4,070,807	3,768,586	302,221
3. Reserve for profit sharing and reversals	-	-	-
4. Other technical reserves	2,841	3,185	- 344
5. Equalisation reserves	13,909	12,402	1,507
LIFE DIVISION			
1. Actuarial reserves	3,345,429	3,539,474	-194,045
2. Reserves for complementary insurances	101	201	- 100
3. Reserve for claims to be paid	41,732	47,280	-5,548
4. Reserve for profit sharing and reversals	-	-	-
5. Other technical reserves	17,668	19,652	- 1,984
TOTAL	**8,537,527**	**8,478,838**	**58,689**

The *unearned premium reserve* includes Euro 1,034,242 thousand of premium fraction reserve for direct business, Euro 9,977 thousand for the reserve for risks in course and Euro 821 thousand of unearned premium reserve relating to indirect business.

The direct business unearned premium reserve was calculated with the pro-rata temporis method, taking account of the expected legal amendments.
The reserve for risks in course comprises, as set out in Chapter II, Section I of ISVAP Regulation No. 16 of March 4, 2008, the provision to cover the risks arising after the year-end to meet all indemnities and expenses deriving from insurance contracts agreed before this date, in order that the expected costs of these risks exceed the reserve for premium fraction increased by the premiums, which will be due on these contracts.
The evaluation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year.

The ratio includes damages paid for claims of the current generation including the direct and settlement expenses, both externally and internally, as well as the claims reserves at the year-end for the current generation claims, which also include the quota attributable to direct expenses and settlement expenses.
The denominator of the ratio represents the premiums for the period excluding the premiums issued from the acquisition commissions paid, in order to make the calculation based on elements (reserve premiums pro-rata in and out and premiums written) technically uniform in their content.

The procedure is as follows:
- The claims ratio to premiums in the current year is determined in accordance with the procedures indicated;
- This ratio is valued in accordance with the values assumed in the previous years and verifies the existence of objective elements which may provide significant variables in the immediate future on the value in terms of greater frequency of claims or higher average costs;
- Where this ratio is above 100%, the excess of the reserve is applied for the premium fraction as well as the premium instalments which will be made on the relative contracts.

The table below shows the breakdown of the premium reserves by class.

	- Reserve for fractions of premium	Reserve for current risks	Indirect premiums reserve
Accident	63,551		
Health	18,386		
Land vehicles	89,679		
Railway	-		
Aviation	241		
Maritime	1,176	530	
Goods in transit	1,651		
Fire	103,750		82
Other damage to property	71,845		7
Motor TPL	531,537		
Aviation TPL	127		
Maritime TPL	1,622		
General TPL	78,843	9,314	497
Credit	39		
Bonds	45,912		235
Pecuniary losses	13,867	133	
Legal protection	2,496		
Assistance	9,520		
TOTAL	**1,034,242**	**9,977**	**821**

The claims reserves for direct business amounts to Euro 4,030,000 thousand and claims relating to inward reinsurance amount to Euro 40,807 thousand. The direct business reserves include Euro 3,804,790 thousand of reserves for indemnities and direct expenses and Euro 225,211 of reserves for settlement expenses. These amounts comprise Euro 319,895 thousand accrued against claims referring to the year but not yet reported at the balance sheet date (I.B.N.R. - Incurred but non reported - claims reserve).

The *other non-life technical reserves* include the aging reserve of the health class, which offsets the greater risk due to the increased life span of the policyholders. It was made separately for each contract utilising technical-actuarial criteria in accordance with article 47, point 2, of ISVAP regulation No. 16 of March 4, 2008.

The actuarial reserves for direct life business amount to Euro 3,343,941 thousand, while the residual amount of Euro 1,488 thousand relates to indirect business.
The technical direct business reserves are calculated analytically for each contract based on the pure commitments, without subtraction of the acquisition expenses. The base calculation techniques (interest rates, demographic assumption for eliminations for death or invalidity and frequency of abandon) are the same utilised for the calculation of the premiums of the individual contracts. In any case, the actuarial reserve is not lower than the redemption values.

The account other technical reserves - life division includes:

Future expense reserves:	
Class I	12,834
Class III	1,043
Class IV	88
Class V	3,675
Supplementary reserves (article 26, paragraph 2 of Isvap Regulation No. 21/2008):	
Class I	28
TOTAL	17,668

The following information is attached:

- statement of changes in the premiums reserve items (account C.I.1) and the claims reserve items (account C.I.2) and the non-life division (attachment 13);
- statement of changes in the actuarial reserve items (account C.II.1) and the claims reserve items (account C.I.2) and the reserve for profit sharing and premium refunds (account C.II.4) (attachment 14).

Section 11

Technical reserves where investment risk borne by policyholders and reserves from pension fund management (account D)

	2011	2010	Change
I. Reserves relating to the performance of investments funds and market indices	171,692	226,043	-54,351
II. Reserves derived from pension fund management	18,110	13,907	4,203
TOTAL	**189,802**	**239,950**	**-50,148**

The reserves relating to the performance of investments funds and market indices concern:

- products with services related to the performance of primary equity market indices for Euro 128,091 thousand;
- contracts for services related to internal and external investment funds for Euro 43,601 thousand.

The reserves deriving from the management of the pension funds relate to the Milano Assicurazioni Open Pension Fund. The breakdown of the reserve by line of investment is as follows:

Milano Bond	5,648
Milano Gest	4,654
Milano Mix	2,169
Milano Europa	1,790
Milano Global	1,900
Milano Premium TFR	1,949
TOTAL	**18,110**

Relating to the minimum guarantees offered to the policyholders, it is noted that:

- Index linked: in cases of predeceasing an additional service is guaranteed based on the age of the policyholder at the contract date;
- Unit Linked: in case of predeceasing an additional service is guaranteed equal to an increase in the value of the quota acquired based on the age reached at the moment of death;
- Pension Funds: for the segments Milano Premium TFR, Milano Gest and Milano Bond the payment of a minimum guaranteed amount recognised in the case of the exercise of the pension right, surrender for death, permanent invalidity or unemployment for over 48 months. The minimum guaranteed amount is equal to the sum of the net contributions paid, increased by 1.25% on an annual basis in the Milano ELI Premium segment and 2% on an annual basis in the Milano Gest segment and 2.5% in the Milano Bond segment.

The amount at December 31, 2011 of the actuarial reserves generated from these additional guarantees was Euro 2,333 thousand, recorded in the account C.II.1 - actuarial reserves.

Section 12

Provisions for risks and charges (account E)

	2011	2010	Change
1. Pension and similar obligations	-	-	-
2. Tax provisions	12,643	41,170	-28,527
3. Other provisions	164,910	140,930	23,980
TOTAL	**177,553**	**182,100**	**-4,547**

At the end of 2011, the tax provisions exclusively related to deferred tax liabilities at the year-end. Following the settlement of the fiscal position relating to the assessments for the tax year 2005, the provision was reversed and recorded under payables in line with the option to pay the amount due through instalments.

The changes in the deferred tax liability during the year were as follows:

Initial amount	15,144
Deferred tax liabilities arising in the year	-
Deferred tax liabilities cancelled in the year	-3,009
Adjustment deferred tax liability for changes in IRAP tax rate	508
CLOSING BALANCE	**12,643**

The change in the deferred tax assets from changes in income tax rates derives from the increase of the IRAP from 4.82% in the previous year to 6.82% in the current year.

The temporary taxable differences relating to the deferred tax liability principally concern:

- Capital gains which, in accordance with tax regulations, may be taxed on a straight line basis in the year in which they were realised and subsequent years up to a maximum of four years;
- Depreciation on buildings deducted in the income tax declaration;
- The quota assessable of the write back of securities in portfolio, written down in previous years.

The deferred tax liabilities cancelled in the year principally derive from the quota of gains realised in previous years and deductible over a number of years for tax purposes.

The total temporary taxable differences amounts to Euro 41,045 thousand, with corresponding deferred tax liabilities of Euro 12,643 thousand, determined separately for IRES income tax and IRAP regional tax in accordance with the tax rates applicable.

The account Other provisions includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course.
In particular:

- Euro 137,875 thousand relating to provision for risks, also related to disputes with the discontinued agencies and other disputes in course.
- Euro 27,035 thousand relating to provisions for future charges.

The account Other Provisions includes the estimated losses in relation to the probable renegotiation of the rental contracts with Atahotels of buildings owned by subsidiaries and associated companies, although the amount and timing of the renegotiation is uncertain.

Attachment 15 shows the changes in the year in the provision for risks and charges.

Section 13

Payables and other liabilities (account G)

Debts	2011	2010	Change
PAYABLES, DERIVED FROM DIRECT INSURANCE OPERATIONS, COMPOSED OF			
1. Insurance brokers	11,276	14,582	-3,306
2. Insurance company current accounts	6,276	14,077	-7,801
3. Policyholders for deposits and premiums	-	-	
4. Policyholder guarantee provisions	21	65	-44
PAYABLES, DERIVED FROM REINSURANCE OPERATIONS, COMPOSED OF:			
1. Insurance and reinsurance companies	25,871	32,519	-6,648
2. Reinsurance brokers	-	-	
BONDS	-	-	
PAYABLES TO BANKS AND FINANCIAL INSTITUTIONS	-	-	
PAYABLES WITH COLLATERAL	-	-	
LOANS AND OTHER FINANCIAL PAYABLES	1,589	1,506	83
EMPLOYEE LEAVING INDEMNITY PROVISION	20,941	23,569	-2,628
OTHER PAYABLES:			
1. Policyholders' tax due	15,513	15,826	-313
2. Other taxes due	45,302	17,864	27,438
3. Social security and welfare institutions	7,689	8,259	-570
4. Other payables	116,304	132,287	-15,983
TOTAL	**250,782**	**260,554**	**-9,772**

The changes during the year of the Employee Leaving Indemnity were as follows:

Balance at the beginning of the year	23,569
Revaluations	733
Provision matured during the year	5,173
Payments during the year	- 3,895
Employee leaving indemnity allocated to pension funds	- 4,639
Balance at the end of the year	**20,941**

The changes are also shown in attachment 15 of the present notes.

The account *other payables* include the following principal amounts:

Payables to Gruppo Fondiaria -Sai Servizi S.c.r.l. for services obtained relating to the overheads structure at group level	84,090
Payables to suppliers for the purchase of goods and services	20,092

The payables to the Fondiaria-Sai Servizi consortium, which centrally manages the services for the entire Fondiaria-Sai Group, are to be considered together with the receivables from the consortium, principally for personnel expenses, recorded to the account "*other receivables for invoices issued and to be issued*" (Euro 77,166 thousand).

Other liabilities	**2011**	**2010**	**Change**
Payable transitory reinsurance accounts	313	462	-149
Commissions on premium collection	41,975	44,676	-2,701
Other liabilities	100,749	159,389	-58,640
TOTAL	**143,037**	**204,527**	**-61,490**

The transitory liability accounts from reinsurance include the positive income values of a technical nature for the indirect business and ceded, as the counter-entry of operations recorded in the accounts with the insurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result of each assumption.

The account *other liabilities* include the following principal amounts:

Payments for claims in the non-life classes and sums in the life division in course of execution at the balance sheet date	37,807
Premiums on claim excess reinsurance	6,439
Transit account between non-life and life division	18,105
Over-accruals for the period, to be paid	10,005

Section 14

Accrued liabilities and deferred income (account H)

	2011	2010	Change
ACCRUED LIABILITIES			
1. Interest	4,312	3,597	715
2. Rental	-	-	-
3. Other	-	-	-
DEFERRED INCOME			
1. Interest	-	-	-
2. Rental	7	10	-3
3. Other	-	-	-
TOTAL	**4,319**	**3,607**	**712**

This account accrued interest can be broken down as follows:

- Euro 859 thousand for interest matured at December 31 on the residual amount of the subordinated loan provided by Mediobanca in 2006. We recall that this loan has an interest rate at Euribor 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 2,526 thousand for interest matured at December 31 on subordinated loans of Euro 100 million provided to Milano Assicurazioni by Mediobanca in 2008.
  This loan is of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to a limit of 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.
- Euro 751 thousand for interest matured at December 31 on Interest Rate Swap contracts on a nominal Euro 50 million signed in 2008 with the counterparty HVB, with maturity in 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives from the counterparty the Euribor rate at 6 months;
- Euro 176 thousand for interest relating to instalment payments due to the tax authorities following the fiscal assessment for the tax period 2005-2008, already illustrated in detail in the Directors’ Report under *Other Information*.

Section 15

Assets and liabilities relating to group companies and other investments

In attachment 16, the assets and liabilities concerning group companies and other holdings are shown.

Section 16

Receivables and payables

These receivables and payables are due within one year except where specified below.

The account C.III.4 under assets, Loans, includes Euro 21,185 thousand of loans on life policies, generally related to the residual duration of the relative contracts and in any case with possibility of advanced repayment by the policyholders.

The account E.I.2 *receivables from insurance brokers* includes Euro 48,991 thousand related to the termination of mandates, due beyond one year, of which Euro 24,677 thousand is due over five years.

Section 17

Guarantees, commitments and other memorandum accounts

	2011	2010	Change
GUARANTEES GIVEN			
1. Guarantees	-	-	-
2. Endorsements	-	-	-
3. Other non-secured guarantees	-	-	-
4. Secured guarantees	44,943	50,825	-5,882
TOTAL	**44,943**	**50,825**	**-5,882**
GUARANTEES RECEIVED:			
1. Guarantees	225,316	227,857	-2,541
2. Endorsements	-	-	
3. Other non-secured guarantees	308	449	-141
4. Secured guarantees	400	400	-
TOTAL	**226,024**	**228,706**	**-2,682**
GUARANTEES PROVIDED BY THIRD PARTIES ON BEHALF OF THE COMPANY	41,662	45,548	-3,886
COMMITMENTS	100,796	147,967	-47,171
THIRD PARTY ASSETS	-	-	-
PENSION FUND ASSETS MANAGED ON BEHALF OF THIRD PARTIES	-	-	
SECURITIES DEPOSITED WITH THIRD PARTIES	7,447,256	7,981,643	-534,387
OTHER MEMORANDUM ACCOUNTS	157,443	75,011	82,432

Attachment 17 shows the details of the guarantees given, guarantees received as well as commitments.

Guarantees given

The secured guarantees principally relate to bank deposits in which a pledge was registered in relation to disputes in course.

Guarantees received

The sureties account comprises:
- the guarantees received by the agents in compliance with their mandates amounted to Euro 222,651 thousand;
- the guarantees received by lessees amount to Euro 1,613 thousand;
- Various guarantees amounting to Euro 1,052 thousand.

Guarantees provided by third parties on behalf of the company

The account includes principally the surety of Euro 32,795 thousand given in favour of Consap guaranteeing the commitments deriving from the CARD convention, which governs the method of direct compensation in the Motor TPL division.

Commitments

These comprise:
- Euro 38,800 thousand of loans to be granted as *Profit Partecipating Bonds* to the associated company Garibaldi S.C.A. in relation to the real estate project Garibaldi Repubblica, already described in the Directors' Report;
- Euro 9,000 thousand of loans granted as *Profit Partecipating Bonds* to the associated company Isola S.C.A. in relation to the Milano Isola real estate project, also described in the Directors' Report;
- Euro 37,996 thousand still to be paid in relation to the real estate operations at Milan-Isola (Euro 29,687 thousand) and Rome, Via Fiorentini (Euro 8,309 thousand). These operations are described in detail in the directors' report, in the section in relation to related party transactions, to which reference should be made for further information;
- Euro 15 million relating to commitments for underwriting of bonds issued by Societè Generale.

Securities deposited with third parties

The account includes the securities of properties of the company held in custody by credit institutions or other parties; the breakdown by depository entity is as follows:

Group companies (including Banca Sai)	6,085,763
Credit institutions	1,224,143
Other depository entities	137,350
TOTAL	**7,447,256**

Other memorandum accounts include:
- Interest Rate Swap operations on a nominal amount of Euro 150 million;
- The differences on combined put-call options relating to Unicredit shares held in portfolio.

Income Statement

Section 18

Information on the technical account of non-life business (I)

Attachment 19 shows the information on claims relating to the technical account of the non-life division - Italian and Foreign portfolios.

In accordance with Isvap Regulation No. 22 of April 4, 2008, the *Quota of income transferred from the non-technical account* is zero as due to the significant impairments on the equities and investment portfolio a net charge was recorded on investments attributable to the non-life classes.

The account 1.3 *other technical income* principally includes:
- the reversal of the commissions relating to the premiums written in previous years, cancelled in the current year (Euro 11,679 thousand);
- technical accounts relating to outward reinsurance (Euro 3,853 thousand).

Within the direct business, the reserve for claims existing at the beginning of the year resulted in a reversal of Euro 498,485 thousand, as follows:

	2011	**2010**
Existing claims reserve at beginning of year	3,739,018	3,657,124
Indemnities paid during the y ear	-1,358,255	- 1,450,247
Claims reserve at the end of the year	-2,902,026	- 2,577,727
Recoveries and changes for sums to be recovered	22,778	24,478
Difference	**-498,485**	**- 346,372**

These changes are essentially due:
- to the revaluation of the Motor TPL claims reserve, 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;
- to the negative trend of the settlements relating to the claims in previous years in the General TPL Class, which required the utilisation of more prudent criteria in the accrual of the claims reserve.

In order to illustrate the reasons for the significant revaluation of the Motor TPL reserves in 2011, it is necessary to provide a methodological background.

Preamble

- The Claims Reserves are made up of the Prior Year Reserve (or rather relating to claims arising in the prior generation and previous) and the Current Year Reserve (or rather relating to claims reported in 2011). For the Prior Year Reserves the Isvap Regulation requires a specific evaluation of each claim not completely settled (inventory method), as well as compliance with the last cost method, which is obtained combining the inventory technique with the statistical-actuarial methodologies; on the other hand, for the current year claims, given the reduced level of information which is available to the Company, the ISVAP Regulation accepts the possibility to determine the relative reserve through the average cost criterion, although applied to similar groupings of claims;
- In relation to the statistical-actuarial method used in the valuation of the prior year claims, the high number of models should be noted which, while in theory all valid, provide different possibilities of application depending on the historical data and technical indicators of the portfolio subject to valuation. Therefore each actuarial analysis requires, from the initial phase, the selection of the models to be utilised compared to those not appropriate to specific situations; the analysis therefore requires, also in this case, based on the characteristics and particularly the stability of the underlying parameters, the choice of the weighting to be applied to the different actuarial models utilised. The change, from year to year, of the benchmark models or the importance of the parameters in the overall valuation is not intended as a change in the valuation logic, or in the accounting principle, but may be justified from the change in the characteristics of the portfolio or the overall context;
- Finally, we highlight that in general while continuing to utilise last cost criterion, the revaluation of the residual load of the prior year reserves must be considered a normal and recurring event (annual), in that also related to changes in jurisprudence and consequently of the amount of the expected average costs of claim settlement.

Motor TPL Reserve Previous Years

With reference to the Company, in 2011, the strengthening of the residual load of the Motor TPL Reserves for the prior year claims managed (total Euro 308 million) was particularly significant.

To understand the basis of these results, issues which at least partly affected the past year are outlined below:

- Review of the Claims Reserve construction process, focusing particularly on the role of the Settlement Network, required in the final part of the year to closely review the residual technical reserves for each claim recognised. The inventory-taking concluded in November 2011 highlighting an extensive request for strengthening by settlement officers of the prior year generation claims reserves (2010 and before) of Euro 94 million in relation to the impact of the Reserve. This requirement was due to:
  - organisational issues related to greater control and attention on the service quality of settlement agents and in particular, the development of a central Claims Management

centre with specific regard for claims in long-term dispute or concerning significant amounts as relating to death or a number of counterparties;
- regulatory and judicial developments, with gradual extension of the use of the non-property damage settlement tables also in light of the Cassation Court judgment of June 2011 which adopted as a basis the Milan Court tables.

- Adjustment of the actuarial models utilised. As required by the same settlement process, once the inventory-taking activity is completed by the settlement agents, the revaluation of the Claims Reserves is carried out by the application by the Planning and Control Department of the actuarial models to ensure the valuation of the reserve under the Last Cost Method (therefore taking account of the probability that the claim is not entirely settled in the year, but may be settled also over one or more subsequent years). The year 2011 saw:
- a more responsive and weighted actuarial model was utilised; in particular the Fisher Lange (weighted at 35%) and the Chain Ladder Paid (weighted at 65%) methods were used;
  - a specific focus was placed on the close and prudent selection of the parameters applied to the models, utilising historical series considered reliable and repeatable;
  - the updating and validation of the models, in line with the management of claims from 2007 broken down between CARD and No CARD;
  - the use of an approach based on historical series including late claims enabled - differing from that applied in the 2010 annual accounts - the estimate of a reserve amount including the IBNR provision.

- Claims task force coordinated by the Risk Management department. The initiative in this case was to undertake a number of activities (also highly operational) to strengthen the controls and assessments of the claims management and settlement procedures, therefore consolidating the claims database.

The above changes were implemented in view of ISVAP letter received on November 17, 2011 which, with reference to the situation at December 31, 2010, made comments on the calculation of the actuarial models utilised, indicating irregularities in the statistical projections.

At the conclusion of this phase of the process, the revaluation of the Motor TPL Reserves for previous years (therefore 2010 and prior) was Euro 308 million (with supplementation of Euro 214 million of the settlement agent reserves for the last cost criteria).

Current Motor TPL Reserve
For complete disclosure, the estimate of the 2011 current generation was made by the Company based on an average Cost Method, with the method updated on the previous year, thanks to a new calculation motor which permits the allocation of a current claim reserve already in the current year, as well as on the above-mentioned actuarial statistical valuation models. This resulted in an Average Cost of accepted current year claims (or rather average

cost of claims already settled in the year and the reserve for settlement in future years) of Euro 4,220 (compared to Euro 3,919 utilised in the 2010 financial statements).

Also in this case, the change in the method adopted reflects ISVAP observations, which noted, with reference to 2010, an average cost of accepted claims in line with the 2009 market data, but lower than that observed on the market in 2010 (data provided by the Institute in its Note and not available at the time of the valuation).

Overall situation

Overall, the process for the valuation of the 2011 Motor TPL Reserve, including reopening, late claims and IBNR, as well as the flat-rate reserve balance results in a total reserve of Euro 2,480 million.

The Actuary of the company considered this amount "to be overall sufficient to meet the commitments deriving from the insurance contracts in accordance with revisions of law and regulations and other provisions".

The Actuary also reported, on request, that the Company can be considered to be in line with the market.

The account *commissions and profit participation* received from reinsurance companies includes Euro 7,905 thousand of profit participation matured from reinsurance companies in application of specific contractual clauses.

The account 1.8 *other technical charges* includes, for Euro 86,684 thousand, the analytical calculations and the write-downs for non collectible receivables from policyholders for premiums, recorded in this account in accordance with ISVAP Regulation No. 22 of April 4, 2008.

The change in the equalisation reserves (account I.9) of Euro 1,507 thousand essentially relates to the reserve for natural calamities provisioned according to Ministerial Decree No. 705 of November 19, 1996, accruing 2% of the premiums related to the insurance contracts of the natural calamity risks or 0.30% where the insurance contract also guarantees other risks and the premium relating to these are not separately identified.

The equalisation reserves are provisioned in order to reduce the volatility in the movements in the claim rate in future years or cover specific risks, in accordance with Isvap Regulation No. 16/2008, paragraph III.

The following table shows the details by class at December 31, 2011:

Accident	620
Health	10
Land vehicles	4,431
Aviation	90
Maritime	63

Goods in transit	266
Fire and natural elements	7,863
Other damage to property	454
General pecuniary losses	112
TOTAL	**13,909**

Section 19

Information concerning the life technical account (II)

Account II.4 *other technical income* principally includes the management commissions relating to the internal funds related to unit-linked life products (Euro 435 thousand) as well as the reversal of the commissions related to the premiums of the previous years cancelled or written down during the year (Euro 309 thousand).

There were no differences recorded between the amount of the reserve for sums to be paid existing at the beginning of the year and the sums paid to beneficiaries of the contracts during the year for claims from previous years as well as the amount of the residual reserve at the year-end.

The account *commissions and profit participation* received from reinsurance companies includes Euro 1,790 thousand of profit participation matured from reinsurance companies in application of specific contractual clauses.

As for that stated in relation to the non-life technical account, the account II.11 *other technical charges* includes, for Euro 6,643 thousand, the cancellations and the write-downs for non collectible receivables from policyholders for premiums, recorded in this account in accordance with ISVAP Regulation No. 22 of April 4, 2008.

In accordance with that established by Isvap Regulation No. 22 of April 4, 2008, the *Quota of investment income transferred from the non-technical account* is zero as following the significant adjustments on the securities and investment portfolio the net income from investments attributable to life management is lower than the amount of profits contractually guaranteed to policyholders in the year.

The following information is attached:
- summary information and reinsurance balance (attachment 20);
- breakdown of investment income - account II.2 (attachment 21);
- the details of income and gains not realised relating to investments in which the risk is borne by the policyholders and from the management of pension funds – account II.3 (attachment 22);
- breakdown of asset and financial charges - account II.9 (attachment 23);
- the details of financial and asset charges and losses not realised relating to investments in which the risk is borne by the policyholders and from the management of pension funds – account II. 10 (attachment 24).

Section 20

Development of the technical accounts

Non-life insurance

Attachment 25 shows the summary of technical accounts by each class - Italian portfolio.

All the costs and revenues directly related to the purchase of premiums and settlement of claims are allocated, from their origin, to the class they belong to. The accounts common to several classes are divided as follows:
- based on the premiums issued the *other administration expenses*;
- based on the commissions issued the *other acquisition expenses*;
- based on the number of damage claims paid, calculated by class based on specific parameters, for the settlement expenses not directly allocated to the individual claims or classes.

Attachment 26 shows the summary of technical accounts for all of the non-life class - Italian portfolio.

Life insurance

Attachment 27 shows the summary of technical accounts by each class - Italian portfolio.
All the costs and revenues directly related to the purchase of premiums and the settlement of claims are allocated, from their origin, to the class they belong to. The common accounts to several classes are divided between the classes as follows:
- based on the number of contracts in portfolio the other administration expenses;
- based on the number of new contracts the other acquisition expenses.

Attachment 28 shows the summary of technical accounts for all of the life class - Italian portfolio.

Non-life and life insurance

Attachment 29 shows the claims of the technical accounts summarised for all the life and non-life classes - indirect business.

Section 21

Information concerning the non-technical account (III)

The following information is attached:
breakdown of investment income - account III.3 (attachment 21);
breakdown of asset and financial charges - account III. 5 (attachment 23).

We provide the following details on the most significant accounts:

Other income (account III. 7):

Interest income from bank deposits	2,762
Interest on receivables	1,422
Recovery of expenses and administrative cost	82,299
Utilisation of provision for risks and charges	19,667
Release of deferred taxes	24,092
Income from conversion of items expressed in foreign currency	2,378
Other income	3,318
TOTAL	**135,938**

The interest on receivables includes principally interest on receivables from Agents for compensation for the ending of mandate (Euro 1,249 thousand) and interest on tax receivables (Euro 61 thousand).
The recovery of expenses and administration charges, which are offset against other charges, principally relate to recharges to the consortium company Gruppo Fondiaria-Sai Servizi (for Euro 77,166 thousand) for the secondment of personnel belonging to the unified group level organisational structure. Therefore, for the services provided to the consortium company recharges were received for Euro 160,014 thousand, recorded in the income statement based on the nature of the expenses.

The utilisations from the provisions for risks and charges were made against the charges incurred in the year or more updated valuations on the risks.

Utilisations of the tax provision refer to the amount provisioned in prior years against future charges related to tax audits concerning the years 2005-2008. The reversal follows the settlement of the dispute with the tax authorities and the consequent recording of the settlement amount under *payables*.

The gains from the translation of foreign currencies relate to the exchange differences realised during the year, as well as adjustments, at year-end, to accounts in the balance sheet in foreign currencies. Net exchange gains of Euro 913 thousand were recognised to the income statement, taking account of that recorded to Other Charges.

Other charges (account III. 8)

Administrative costs/expenses incurred for third parties	82,299
Specific provisions	43,646
Goodwill amortisation	16,322
Conversion charges of foreign currencies	1,465
Losses on receivables	9,096
Interest on payables and loans	7,483
Other taxes	36,196
Other charges	14,893
TOTAL	**211,400**

The provisions for risks and charges relate to disputes at the balance sheet date and expected future charges. These include, in particular, approx. Euro 14.5 million concerning the tax benefit on losses in 2011 recorded by the subsidiary companies which participate in the group tax consolidation.

The current tax losses of the subsidiary companies included in the tax consolidation which may be utilised by Milano Assicurazioni to reduce its own assessable taxes in the coming 5 years form the basis of deferred tax income recorded in the *income taxes* account of the income statement. The tax benefit related to these losses was accrued to the risk provision, based on the application rules of the tax consolidation - this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them.
The utilisation of the risk provisions with the consequent recording of the benefit will take place once the above-stated condition has been fulfilled.
From the year 2011, due to the amendments introduced by Legislative Decree No. 98/2011, Article 84 of the CFA, fiscal losses carried forward and not yet lapsed may be carried forward for 80% of the assessable income without time limit.

Also in consideration of recent legislative changes, the agreement for the fiscal consolidation was updated, recognising to the consolidated companies the right, in consideration of the possibility of unlimited carry forward of fiscal losses, to opt for the immediate recognition of the fiscal losses transferred of an amount of 12%, without therefore awaiting the consequent assessable income in future years.

The account *amortisation of goodwill* is detailed in the following table:

	Amortisation	**Residual goodwill**
The goodwill recorded in 1992 following the acquisition of the Card S.p.A. insurance portfolio	4,132	-
The goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni S.p.A. in 1992	3,908	3,257
The goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previdente Vita (formerly Latina Vita) in 1993	1,846	1,693
The goodwill deriving from the aquisition of the portfolio of Maa Asicurazioni by Nuova Maa, incorporated in Milan in 2003	5,921	17,763
The goodwill recorded in 2003 following the merger by incorporation of Maa Vita	515	515
TOTAL	**16,322**	**23,228**

Goodwill is amortised on a straight line basis over 20 years with the exception of goodwill recorded in 2003 following the merger by incorporation of Maa Vita, which is amortised over 10 years.
These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.

The losses on receivables relate principally to receivables from agents for end of mandate indemnities paid and not recoverable and commissions on long-term contracts reversed following the advanced cancelation of these contracts.

Interest on loans received principally refer to the charges relating to the subordinated loans, already described in the present notes, in section 9 of the relative account in the balance sheet.

The account *Other taxes* principally includes charges (Euro 35.8 million) relating to tax inspections in the period 2005-2008, already illustrated in detail in the Directors’ Report. The charge recorded in 2011 amounted to approx. Euro 11.8 million, taking into account the accruals made in the previous year.

Other charges include costs related to personnel leaving incentives as well as the amortisation of the share capital increase expenses during the year, based on one fifth of the amount and equal to Euro 2,943 thousand.

Extraordinary income (account III. 10)

These comprise:

Profits to be realised on buildings	2,156
Profits from trading of shares and holdings	-
Trading profits on bond securities	8,161
Prior year income	1,803
Gains on sales of other assets	14
TOTAL	**12,134**

Profits *to be realised on buildings* essentially relate to:

- the sale of the building in Rozzano, Palazzo V - Strada 5, for Euro 1, 450 thousand;
- the sale of the building in Verona, Corso Cavour, for Euro 1, 280 thousand.

Prior year income is principally related to tax items (Euro 512 thousand), transactions with agents (Euro 552 thousand) and real estate sector transactions (Euro 288 thousand).

Extraordinary charges (account III. 11)

Losses from trading of shares and holdings	70,622
Losses on bond securities	5,073
Loss from valuation of treasury shares	6,536
Prior year charges	1,443
Extraordinary charges	3,268
TOTAL	**86,942**

The *losses from trading of shares and holdings* derives from the loss incurred from the sale of option rights concerning the parent company Fondiaria-Sai rights issue. Article 2359 *quinquies* of the civil code restricts a company from subscribing to shares or holdings in a parent company. Milano Assicurazioni therefore disposed on the market of the 9,982,557 option rights held. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 7.720, obtained applying to the book value of the shares the impairment factors relating to the share capital increase of Fondiaria-Sai.

Extraordinary charges principally comprise the penalties relating to the claims settlement processes.

Income tax for the year (account III.14)

The composition is as follows:

Current income taxes:	
Ires income taxes	-
Irap regional tax	-
Deferred tax liabilities arising in the year and deferred tax assets cancelled in the year:	
Ires income taxes	25,008
Irap regional tax	2,225
Reduction for deferred tax assets arising in the year and deferred tax liabilities cancelled in the year:	
Ires income taxes	-182,147
Irap regional tax	-1,467
ENDING BALANCE	**-156,381**

As illustrated in the table above, there are no current taxes as a tax loss of approx. Euro 199 million was recorded while the net result of deferred tax income and charges is income of Euro 156,381 thousand.

Deferred tax assets arising in the year include:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 54,658 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 14,725 thousand.

The above-stated tax benefits were recorded to the financial statements when:

- there exists a reasonable certainty to achieve, in a reasonable immediate time period, fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The verification of the possibility that the benefits related to the tax losses will be gained was carried out based on the 2012 Budget, recently examined by the Board of Directors of the company and on the outlook for the coming years, taking account of the performance indicators drawn up by management.
The benefit related to the losses recorded by subsidiaries participating in the tax consolidation was allocated to the Risks Provision, consequently creating a neutral impact on the income statement. Based on the agreement concerning the rules for application of the tax consolidation, this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them. The utilisation of the risk provisions with the consequent recording of the benefit will take place once the above-stated condition has been fulfilled.

Having fulfilled the necessary requirements, Milano Assicurazioni as the consolidated company, and Fondiaria-SAI as the consolidating company, jointly renewed the Group taxation option in accordance with Article 117 and subsequent of the income tax act for the three year period 2010-12 in order to optimise the overall tax charge, signing an agreement concerning the operational rules of the tax consolidation which is uniform for all companies involved.

The structure of the agreement establishes a balanced allocation of advantages deriving from the tax consolidation: each consolidated company is recognised potential advantages deriving from the consolidation which will establish a tax position in principle not inferior than that which would have been achieved without the tax consolidation. Therefore, qualifying as a sub-holding, Milano Assicurazioni is guaranteed, in comparison to its subsidiaries, a similar position to that which would have been obtained through exercising the option as a consolidating company in the tax consolidation.

In line with the above-mentioned general principles, taking into account the possibility of carrying forward the fiscal losses for an unlimited time period introduced by Legislative Decree 98/2011, in the current year, the above-mentioned agreement was updated offering the consolidated companies a possibility to opt for the immediate recognition of the fiscal losses transferred up to an amount of 12%, without awaiting the assessable income which would on the other hand recognise an amount equal to the IRES nominal tax rate (currently 27.5%). With reference to the losses transferred to the consolidation in the period 2006-2010 and not yet remunerated, this right must be exercised by December 31, 2012. Once fully operational however, this option must be exercised within 90 days from the presentation of the tax declaration.

Section 22

Other information on the income statement

The following information is attached:

- schedules of transactions with group companies and in other companies (attachment 30);
- summary of premiums written for direct business (attachment 30);
- summary of costs for personnel, directors, and statutory auditors (attachment 32).

Part C

Other Information

Solvency margin

The solvency margins requested as per article 44 of Legislative Decree 209/2005 (Private Insurance Code) determined in accordance with ISVAP regulation No. 19 of March 14, 2008 is covered with a total excess of Euro 365,732 thousand, as shown in the schedule below:

	Non-Life	Life	Total
Margins to be covered	564,350	152,200	716,550
Constituting elements of the margins	663,566	418,713	1,082,279
Excess	**99,216**	**266,513**	**365,729**
Coverage percentage year 2011	*117.6%*	*275.1%*	*151.0%*
Coverage percentage year 2010	*165.9%*	*268.6%*	*189.2%*

Adjusted solvency

The verification of the adjusted solvency at December 31, 2011, pursuant to article 217 of Legislative Decree 209/2005 and made based on the provisions of Isvap regulation No. 18 of March 12, 2008, reports the following situation:

	2011	2010
Amount of the solvency margin requested	785,721	766,293
Total elements to be covered	1,051,593	1,190,000
Excess	**265,872**	**423,707**
Coverage percentage	***133.8%***	***155.3%***

In relation to the calculation, the faculty established by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised. Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union states, allocated as non-current were valued based on the carrying amount in the separate financial statements, with a positive impact on the constituting items of Euro 200,927 thousand, corresponding to an improvement in the solvency ratio of approx. 25 percentage points.

The share capital increase concluded in the year resulted in an improvement of the solvency ratio of approx. 44 percentage points.

Covering of Technical Reserves

The tables relating to the coverage of technical reserves as per Isvap Regulation No. 36 of January 31, 2011 are attached to the present notes.

Cash flow statement

The cash flow statement for the year 2011 illustrating the cash flow generated from the operations as well as the uses of liquidity is shown as an attachment.

Milan, March 14-23, 2012

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

2011 Condensed Financial Statements

MILANO ASSICURAZIONI S.p.A.

Condensed 2011 financial statements

BALANCE SHEET				(Euro thousands)
		2011		2010
Intangible assets				
Acquisition commissions to be amortised	627		1,005	
Formation and start-up costs	11,771		0	
Goodwill	23,228		39,550	
Other deferred costs	919	**36,545**	1,060	**41,615**
Investments				
Land and buildings	650,312		711,985	
Shares and holdings in group companies	588,044		827,228	
Bonds issued by group companies	99,204		89,207	
Loans to group companies			0	
Equity investments and minority holdings	332,572		613,027	
Investment fund units	567,111		669,279	
Bonds and other fixed-income securities	5,819,242		5,697,343	
Loans to third parties	23,935		27,535	
Deposits at credit institutions			0	
Other financial investments	2,545		56	
Deposits with reinsuring companies	2,078	**8,085,043**	2,488	**8,638,148**
Investments where risk is borne by life policyholders and pension fund management pension				
Investments related to the performance of investment funds and market indices	171,692		226,043	
Investments derived from pension fund management	18,110	**189,802**	13,906	**239,949**
Receivables				
from policyholders for premiums	262,839		298,757	
from insurance brokers	301,346		311,744	
other receivables from direct insurance operations	60,023		57,755	
receivables from reinsurance operations	45,868		63,194	
other receivables	311,182	**981,258**	322,522	**1,053,972**
Other asset accounts				
fixed assets and inventories	1,911		1,608	
cash and cash equivalents	411,228		209,514	
other assets	475,733	**888,872**	420,066	**631,188**
Prepayments and accrued income		**74,829**		**69,575**
Total assets (a)		**10,256,349**		**10,674,447**
Sub-ordinated liabilities		**150,000**		**150,000**
Technical reserves, net of reinsurance				
unearned premium reserve	1,011,523		1,050,106	
claims reserve	3,910,814		3,531,874	
other technical reserves - non-life	16,751		15,588	
technical reserves - life	3,530,264	**8,469,352**	3,761,231	**8,358,799**
Provisions for risks and charges				
provisions for pension and similar	0		0	
tax provisions	12,643		41,170	
other provisions	164,910	**177,553**	140,930	**182,100**
Deposits received from reinsurers		**83,595**		**103,598**
Payables and other liabilities				
from direct insurance operations	17,573		28,724	
from reinsurance operations	25,871		32,519	
loans and other financial payables	1,589		1,506	
post-employment benefit provision	20,941		23,569	
policyholders' tax due	15,513		15,826	
other taxes due	45,302		17,864	
other payables	123,993		140,546	
other liabilities	143,037	**393,819**	204,527	**465,081**
Accruals and deferred income		**4,318**		**3,607**
Total liabilities (b)		**9,278,637**		**9,263,185**
Net equity (a-b)		**977,712**		**1,411,262**
represented by:				
Share capital		373,683		305,851
Capital reserves		1,387,338		1,618,090
Net loss		(783,309)		(512,679)

Condensed 2011 financial statements

INCOME STATEMENT (Euro thousands)

	Life Division	Non-Life Division	2,011	2,010
Technical accounts				
Premiums written	377,369	2,603,871	2,981,240	3,204,692
Change in premium reserves and technical reserves in the life division	236,013	35,643	271,656	(10,035)
Net investment income in life division, net of amount transferred to the non technical account				
Investment income	158,138		158,138	164,618
Adjust. to values	(160,842)		(160,842)	(133,355)
Unrealised gains on investment	33,545		33,545	21,613
Income related to invest. with risk borne by policyholders	(1,088)		(1,088)	15,916
Income transferred to the non technical account			0	0
Other income and technical charges	(6,132)	(77,802)	(83,934)	(90,869)
Charges relating to claims	(667,674)	(2,391,865)	(3,059,539)	(2,958,004)
Profit sharing and reversals & var. other technical reserves		235	235	(38)
Management expenses:				
Commissions and other acquisition expenses	(17,436)	(462,253)	(479,689)	(487,851)
Administration expenses	(9,458)	(79,598)	(89,056)	(95,322)
Technical Account	(57,565)	(371,769)	(429,334)	(368,635)
Change in equalisation reserves		(1,507)	(1,507)	(1,549)
Quota of profit on investment income in non-life transferred from non technical account			0	0
Result of the technical accounts	**(57,565)**	**(373,276)**	**(430,841)**	**(370,184)**
Non technical account				
Net investment income in non-life division, net of amount transferred to the technical account:				
Investment income			87,213	90,302
Adjust. to values			(453,701)	(300,356)
Unrealised gains on investment			7,908	37,519
Income transferred to the technical account			0	0
Quota of profit on invest. in life transferred from technical account			0	0
Other income and charges:				
Quota of goodwill amortised			(16,322)	(18,902)
Other income and charges			(59,140)	(98,478)
Extraordinary income and charges:				
Unrealised gains on non-current investment			(65,379)	60,271
Other extraordinary income and charges			(9,428)	(4,613)
Loss before taxes			**(939,690)**	**(604,441)**
Income taxes			156,381	91,762
Net loss			**(783,309)**	**(512,679)**

All the technical accounts are net of reinsurance

2011 Cash Flow Statement

Cash Flow Statement 2011

SOURCES OF FINANCING *(Euro thousands)*

		2011		2010
Net loss for the year		**-783,309**		**-512,676**
Adjustments for non cash items:				
- Net Increase/decrease of reserves				
premium reserves and other technical reserves - non-life	-37,419		1,016	
non-life claims reserve	378,940		124,695	
technical reserves – life	-230,964	**110,557**	19,743	**145,454**
- Amortisation/depreciation in the year		**20,285**		**20,538**
- Increase / decrease in provision for risks and charges				
provisions for pension and similar	-		-	
tax provisions	-28,527		19,629	
other provisions	23,982	**-4,545**	54,384	**74,013**
- Adjustments in value and exchange gains /losses of securities & investments		**630,600**		**428,624**
Changes in deposits received from reinsurers		**-20,004**		**-18,229**
Changes of receivables/payables and various assets/liabilities				
receivables from policyholders for premiums	35,917		19,906	
receivables from insurance brokers	7,093		15,301	
receivables from reinsurance companies	10,680		4,371	
other receivables	9,170		32,627	
other assets	-128,235	**-65,375**	-115,978	**-43,773**
Change in financial debt		**83**		**441**
Change in subordinated liabilities		**-**		**-**
Change in Shareholders' Equity		**349,758**		**-**
TOTAL		**238,050**		**94,392**

USE OF LIQUIDITY *(Euro thousands)*

		2011		2010
Investments				
Land and buildings	16,799		-49,145	
Shares and holdings in group companies	-84,751		52,866	
Bonds issued by group companies	10,518		30,011	
Loans to group companies	-		-	
Equity investments and minority holdings	-29,031		73,209	
Investment fund units	-80,474		-47,282	
Bonds and other fixed-income securities	230,755		41,722	
Loans to third parties	-3,601		-3,445	
Other financial investments	1,634		-44,353	
Deposits with reinsuring companies	-409	**61,440**	265	**53,848**
Investments where risk is borne by life policyholders and pension fund management		**-40,510**		**-48,341**
Tangible assets, inventories and long-term costs		**15,406**		**723**
Dividends distributed		**-**		**58,621**
Change in cash and cash equivalents		**201,714**		**29,541**
TOTAL		**238,050**		**94,392**

Bank accounts at close of year	411,228	209,514
Bank accounts at close of previous year	209,514	179,973
Change in cash and cash equivalents	201,714	29,541

Other Attachments

- **List of buildings**
- **List of investments in subsidiaries, associated companies and investments above 10% of the share capital**
- **Schedules of the solvency margins**
- **Schedules to cover the technical reserves**
- **Reconciliation of the theoretical tax charge and the actual tax charge**
- **Recording of deferred tax assets and liabilities and consequent effects**
- **Net Equity disclosures as per Article 2427, number 7 bis of the Civil Code**
- **Information from the latest financial statements of the company that exercises direction and control of the company**

LIST OF PROPERTY OWNED

DESCRIPTION OF PROPERTY	PURCHASE COST	REVALUATIONS				DEPREC. AT 31.12.2010	BALANCE AT 31.12.2010 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2010
		MONETARY	ECONOMIC	AS PER LAW 413/91	TOTAL			
ALESSANDRIA VIA TROTTI, 46	168,572						168,572	168,572
ARZACHENA - LISCIA DI VACCA	47,465						47,465	47,465
ALESSANDRIA - VIA FAA DI BRUNO 49	91,842						91,842	91,842
ANCONA - VIA MARSALA 21	28,927		8,362	6,366	14,728	(2,797)	40,858	43,655
AREZZO - VIA XXV APRILE 18-34/E	229,720						229,720	229,720
ASSAGO MILANO FIORI	34,369,426						34,369,426	34,369,426
BARI - VIA ABATE GIMMA 171	10,623	12,958		64,895	77,852	(192)	88,284	88,476
BASIGLIO - MILANO 3	15,494						15,494	15,494
BELLUNO - VIA FELTRE, 244	57,420						57,420	57,420
BRESCIA - VIA XX SETTEMBRE, 32	948,215						948,215	948,215
BERGAMO - VIA MAJ 14D	302,902					(22,718)	280,184	302,902
BIELLA - VIA NAZARIO SAURO 8	4,679	1,872	1,083	44,551	47,505	(419)	51,765	52,184
BOARIO TERME (BS) V.le DELLA REPUBBLICA 27	19,254	13,477	25,162	20,167	58,806	(4,342)	73,718	78,060
BOLOGNA VIA BASSI	49,883,474						49,883,474	49,883,474
BOLZANO - VIA PERATHONER 5	17,308	17,767		78,478	96,245	(294)	113,259	113,553
BRESCIA - VIA MARIO 40	10,117	7,082	26,035	27,472	60,589	(3,243)	67,463	70,706
BRESCIA - VIA FOPPA 6 (1'CORPO)	301,790	23,048		38,047	61,096	(271)	362,615	362,886
BRESCIA VIA SOLFERINO, 11 1^ P	382,556					(80,912)	301,644	382,556
BUSTO A. - P.ZZA GARIBALDI, 1	168,572						168,572	168,572
CAGLIARI - P.ZZA SALENTO 9/10	336,784					(13,492)	323,292	336,784
CAGLIARI - VLE BONARIA 90	100,065			9,386	9,386		109,451	109,451
CAGLIARI - VIA BACAREDDA, 184	192,277						192,277	192,277
CARRARA (MS) - VIA DON MINZONI 10	11,205	9,180		13,133	22,313	(136)	33,382	33,518
CASCINA (PI) - VIA TOSCO ROMAGNOLA 248/E	99,160						99,160	99,160
CATANZARO - VIA DE GASPERI 62	82,870						82,870	82,870
CESENA (FO) - VICOLO CESUOLA 14	117,150						117,150	117,150
CIVITANOVA MARCHE (MC)- Via S.di SANTAROSA 15	5,363	3,724	8,178	21,339	33,241	(1,334)	37,270	38,604
COLLEGNO (TO) - VLE GRAMSCI 24	48,717			7,494	7,494		56,211	56,211
COMO - VLE INNOCENZO XI 13	39,751	40,483		91,744	132,226		171,978	171,978
CONEGLIANO (TV) - VIA CALVI 106	43,090			13,227	13,227		56,318	56,318
COSENZA - VIA MACALLE' 2	144,920		2,769	24,636	27,406		172,326	172,326
CREMA - VIA MATTEOTTI 43	165,408						165,408	165,408
CREMONA - PIAZZA S. ANTONIO ZACCARIA 5	723,385	16,387	5,547	96,321	118,255	(2,065)	839,575	841,640
CREMONA - VIA INGEGNERI 5	29,894	24,142		29,877	54,018	(157)	83,755	83,912
CUNEO - P.ZA BOVES, 2	542,228						542,228	542,228
DESIO - VIA MONSIGNOR CATTANEO 8	7,494	2,295	1,310	39,807	43,413	(246)	50,660	50,907
EMPOLI - VIA VILLANI 4	102,107			6,877	6,877		108,985	108,985
ESTE (PD) - VIA PRINCIPE UMBERTO 68	109,147						109,147	109,147
FERMO (AP) - VIALE XX GIUGNO 20-22	22,158	15,510	12,445	62,117	90,071	(3,758)	108,471	112,229
FERRARA - VIA PREVIATI 11 ter	8,169	5,803	18,960	26,807	51,570	(8,217)	51,522	59,739
FERRARA - VIA CAVOUR 150	106,276	61,988			61,988		168,263	168,263
FIRENZE - PZA BECCARIA 3	382,451	66,715		262,484	329,198		711,649	711,649
FIRENZE - VIA BELFIORE 42	74,840			2,575	2,575		77,415	77,415
FIRENZE - VIA VOLTA 102/104	620,828					(119,294)	501,534	620,828
FIRENZE VIA CAVOUR, 112 1p	496,714					(1,855)	494,859	496,714
GENOVA - VIA B.BOSCO 15/31	2,038,875						2,038,875	2,038,875
GENOVA - VIA ROCCATAGLIATA CECCARDI 1/2	549,373	15,034		140,067	155,101	(67,870)	636,604	704,474
GENOVA VIA CECCARDI 1/10 3^ p	747,840					(229,961)	517,879	747,840
GENOVA VIA CECCARDI 1/19 6^ p imp.	842,990					(258,045)	584,945	842,990
GENOVA VIA XX SETTEMBRE 19	384,554					(2,884)	381,670	384,554
GROSSETO - VIA MATTEOTTI 2	132,290						132,290	132,290
INTRA (NO) - PZZA DON MINZONI 36	104,085	7,780		11,263	19,043	(114)	123,014	123,128
LA SPEZIA - VLE ITALIA 162	233,845						233,845	233,845
LATINA - VIA DUCA DEL MARE 67	13,902	8,047		4,454	12,501	(1,646)	24,757	26,403
LECCE - PIAZZA ORONZO 4	29,173	35,497	24,692	32,684	92,873	(7,070)	114,976	122,046
LECCE - PZA MAZZINI 64	328,406			17,713	17,713		346,119	346,119
LEGNANO - CSO ITALIA 54	57,148	33,542		47,669	81,212		138,360	138,360
LEGNANO - CSO SEMPIONE 119	37,594			17,985	17,985		55,579	55,579
LIVORNO - VIA MAYER 1	46,713	1,284	1,175	48,825	51,284	(2,297)	95,701	97,997
LUCCA - PZA DEL GIGLIO 4	69,711	4,790		9,411	14,200		83,911	83,911
MANTOVA - VIA MARANGONI 1	10,996	12,528		55,698	68,226	(186)	79,036	79,222
MANTOVA VIA G. MAZZINI 16	273,122					(3,347)	269,775	273,122
MERANO - VIA MAINARDO 52	103,804			7,341	7,341		111,145	111,145
MESTRE - VIA MESTRINA 6	1,635	20,754		47,645	68,399		70,034	70,034
MILANO - PIAZZA CANEVA 4	107,857	5,527	61,734	40,933	108,194	(857)	215,194	216,051
MILANO - VIA BOCCACCIO 32	20,989	19,563		87,777	107,340	(284)	128,045	128,329
MILANO - VIA CASATI 39	1,204,627	71,435		531,481	602,917	(1,110)	1,806,434	1,807,543
MILANO - VIA CONSERVATORIO 15	16,805,350						16,805,350	16,805,350
MILANO - VIA CONSERVATORIO 17	12,268,306						12,268,306	12,268,306
MILANO - V.LE LANCETTI VIA DELL'APRICA	76,065,121					(2,878,794)	73,186,327	76,065,121
MILANO - VIA PANTANO 26 VIA DI P.ROMANA 19	45,883,369						45,883,369	45,883,369
MILANO - VIA PONTACCIO 15	8,662,207						8,662,207	8,662,207
MILANO - V.LE UMBRIA,76	12,217,005						12,217,005	12,217,005
MILANO - VIA FRUA/P.ZA DE ANGELI imp.	2,276,802					(1,040,684)	1,236,118	2,276,802
MILANO - VIA RASORI 2 imp.	4,425					(2,024)	2,401	4,425
MILANO - TONALE 22 4p	217,411						217,411	217,411
MILANO - TONALE 22 3p	299,830					(636)	299,194	299,830
MILANO - VIA FRUA 26/TRIVULZIO 3	542,156					(4,030)	538,126	542,156
MILANO VIA LENTASIO, 1	526,786						526,786	526,786
MILANO VIA CASTELLANZA	460,572						460,572	460,572
MILANO - VIA CORRIDONI 1	345,931						345,931	345,931
MILANO VIA CALDERA	57,700,000						57,700,000	57,700,000
MILANO VIA CRESPI	57,492,398						57,492,398	57,492,398
MILANO S.M. BELTRADE 1	55,622,382						55,622,382	55,622,382
MODENA - VIALE MEDAGLIE D'ORO 1	18,099	12,669	19,602	45,803	78,074	(3,778)	92,396	96,173
MODENA - VIA GIARDINI 10/1	63,242	50,009		30,474	80,483	(622)	143,103	143,724
MODENA - VIA RAINUSSO 130	321,339					(16,575)	304,764	321,339
MONZA - VIA PASSERINI 6	39,625	24,424		94,629	119,053	(372)	158,306	158,678
MONZA - VIA CAMPERIO 8 imp.	342,411					(156,653)	185,758	342,411
MORTARA - CORSO GARIBALDI 28	9,436	3,678	775	25,665	30,118	(472)	39,083	39,554
NAPOLI - VIA MONTE OLIVETO 79	5,255	2,890		86,275	89,165	(51)	94,369	94,420
NOVARA - VIA ROSSELLI 28	253,682						253,682	253,682
NOVARA - VIA BALL. LAMARMORA, 19 imp.	120,871					(55,141)	65,731	120,871
NOVARA - VIA BALL. LAMARMORA, 19	184,664						184,664	184,664
NOVI LIGURE - VIA ABBA 2	106,262						106,262	106,262
OSTIGLIA - VIA XX SETTEMBRE 63-65	486,403						486,403	486,403
PADOVA - VIA MAR. DA PADOVA 2	143,443	111,599		66,324	177,922		321,365	321,365
PALERMO - PIAZZA CASTELNUOVO 26	16,548	11,584	20,637	24,128	56,348	(3,658)	69,239	72,896
PALERMO VIA RICASOLI, 59	273,929						273,929	273,929
PARMA - VIA GOLDONI 1	103,585	6,811	4,007	145,030	155,848	(2,205)	257,228	259,433
PAVIA - VIA MATTEOTTI 11	263,522						263,522	263,522
PERUGIA - VIA CORTONESE-VIA BRIGANTI 93	109,715	11,043		30,108	41,151		150,866	150,866
PESARO - VIA ARDIZZI 14	76,436						76,436	76,436
PIACENZA - P.ZZA CAVALLI 7	103,033						103,033	103,033
PIACENZA - VIA CAVOUR GALL. S.MARIA 6	208,749	18,743		23,875	42,617	(225)	251,142	251,367
PIOMBINO (LI) - CSO ITALIA 92	15,590	3,110		26,117	29,227	(57)	44,761	44,817
PISTOIA VIA S. ANDREA, 49 imp.	145,796					(70,191)	75,605	145,796
PISTOIA VIA S. ANDREA, 49	523,222						523,222	523,222
POGGIBONSI (SI) - VIA TRENTO 9	66,636			7,309	7,309		73,946	73,946
PONTASSIEVE - VIA MONTANELLI 43	45,533						45,533	45,533
PONTASSIEVE (FI) - VIA ROMA 10	65,562			8,203	8,203		73,764	73,764
PONTE S.PIETRO (BG) - VIA V.EMANUELE II, 2	83,425						83,425	83,425
PONTEDERA (PI) - VIA SAFFI 4	14,934	14,206		43,005	57,210	(210)	71,935	72,145
RAVENNA - VIA CESAREA 11	129,063						129,063	129,063
RAVENNA - VIA MAMELI, 5	206,583						206,583	206,583
ROMA - VIA GREGORIO VII 44	74,044			37,961	37,961	(2,221)	109,784	112,005
ROMA - VIA CASTELLINI ,13	1,462,360					(66,543)	1,395,817	1,462,360

YEAR 2011							OF WHICH REVALUATIONS				
PURCHASES	DISPOSALS	DEPRECIATION	WRITE-DOWNS	DEPRECIATION AT 31.12.2011	BALANCE AT 31.12.2011 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2011	MONETARY	ECONOMIC	AS PER LAW 413/91	WRITE-DOWNS	CURRENT VALUE
					168,572	168,572					172,000
					47,465	47,465					
					91,842	91,842					165,000
				(2,797)	40,858	43,655		8,362	6,366		147,000
					229,720	229,720				40,341	415,000
			269,426		34,100,000	34,100,000				269,426	34,100,000
				(192)	88,284	88,476	12,958		64,895		251,000
960	(16,454)				0	0					
					57,420	57,420					128,000
					948,215	948,215					988,000
				(22,718)	280,184	302,902					416,000
				(419)	51,765	52,184	1,872	1,083	44,551		150,000
				(4,342)	73,718	78,060	13,477	25,162	20,167		187,000
			5,883,474		44,000,000	44,000,000				5,883,474	44,000,000
				(294)	113,259	113,553	17,767		78,478	22,408	318,000
				(3,243)	67,463	70,706	7,082	26,035	27,472		280,000
				(271)	362,615	362,886	23,048		38,047		651,000
				(80,912)	301,644	382,556					495,000
					168,572	168,572					190,000
				(13,492)	323,292	336,784				106,119	450,000
					109,451	109,451			9,386		186,000
					192,277	192,277					266,000
				(136)	33,382	33,518	9,180		13,133		95,000
					99,160	99,160				24,818	143,000
					82,870	82,870					200,000
					117,150	117,150					230,000
				(1,334)	37,270	38,604	3,724	8,178	21,339		108,000
					56,211	56,211			7,494		112,000
					171,978	171,978	40,483		91,744		463,000
					56,318	56,318			13,227		116,000
51,800	(224,126)				0	0					
					165,408	165,408					197,000
				(2,065)	839,575	841,640	16,387	5,547	96,321		2,640,000
				(157)	83,755	83,912	24,142		29,877		264,000
			158,228		384,000	384,000				158,228	384,000
				(246)	50,660	50,907	2,295	1,310	39,807		169,000
					108,985	108,985			6,877		275,500
					109,147	109,147					160,000
				(3,758)	108,471	112,229	15,510	12,445	62,117		250,000
				(8,217)	51,522	59,739	5,803	18,960	26,807	6,083	181,000
					168,263	168,263	61,988				361,000
					711,649	711,649	66,715		262,484		2,220,000
					77,415	77,415			2,575		232,000
				(119,294)	501,534	620,828					920,000
				(1,855)	494,859	496,714					883,000
					2,038,875	2,038,875					2,748,000
				(67,870)	636,604	704,474	15,034		140,067		2,175,000
				(229,961)	517,879	747,840					913,169
		(25,290)		(283,335)	559,655	842,990					986,831
				(2,884)	381,670	384,554					457,000
					132,290	132,290					231,000
				(114)	123,014	123,128	7,780		11,263		390,000
					233,845	233,845					283,000
				(1,646)	24,757	26,403	8,047		4,454		138,000
				(7,070)	114,976	122,046	35,497	24,692	32,684		253,000
15,600	(361,719)				(0)	(0)					
					138,360	138,360	33,542		47,669		360,000
					55,579	55,579			17,985		166,000
				(2,297)	95,701	97,997	1,284	1,175	48,825		324,000
					83,911	83,911	4,790		9,411		284,000
				(186)	79,036	79,222	12,528		55,698		320,000
				(3,347)	269,775	273,122					370,000
					111,145	111,145			7,341		167,000
					70,034	70,034	20,754		47,645		189,000
				(857)	215,194	216,051	5,527	61,734	40,933		568,000
				(284)	128,045	128,329	19,563		87,777		780,000
				(1,110)	1,806,434	1,807,543	71,435		531,481		5,000,000
					16,805,350	16,805,350					27,000,000
					12,268,306	12,268,306					19,200,000
86,193			9,572,519	(2,878,794)	63,700,000	66,578,795				13,267,726	63,700,000
157,972					46,041,341	46,041,341					50,000,000
47,689					8,709,896	8,709,896				229,682	14,800,000
			417,005		11,800,001	11,800,001				417,005	11,800,000
		(68,304)		(1,108,988)	1,167,814	2,276,802					1,651,152
		(133)		(2,157)	2,268	4,425					11,000
12,400	(229,811)				0	0					
				(636)	299,194	299,830					453,000
				(4,030)	538,126	542,156					760,848
					526,786	526,786					725,000
			211,572		249,000	249,000				211,572	249,000
					345,931	345,931					496,000
			9,200,000		48,500,000	48,500,000				18,724,934	48,500,000
			6,492,398		51,000,000	51,000,000				6,492,398	51,000,000
					55,622,382	55,622,382					62,200,000
				(3,778)	92,396	96,173	12,669	19,602	45,803		310,000
				(622)	143,103	143,724	50,009		30,474		383,000
				(16,575)	304,764	321,339					378,000
				(372)	158,306	158,678	24,424		94,629		825,000
		(10,272)		(166,925)	175,486	342,411					378,000
				(472)	39,083	39,554	3,678	775	25,665		140,000
				(51)	94,369	94,420	2,890		86,275		516,000
					253,682	253,682					345,000
		(3,626)		(58,767)	62,104	120,871					70,720
					184,664	184,664					210,280
13,800	(120,062)				0	0					
					486,403	486,403					492,000
					321,365	321,365	111,599		66,324	52,746	560,000
				(3,658)	69,239	72,896	11,584	20,637	24,128		259,000
					273,929	273,929					444,000
				(2,205)	257,228	259,433	6,811	4,007	145,030		660,000
					263,522	263,522				10,808	320,000
					150,866	150,866	11,043		30,108		399,000
					76,436	76,436					222,000
					103,033	103,033				41,575	176,000
				(225)	251,142	251,367	18,743		23,875		503,000
				(57)	44,761	44,817	3,110		26,117		80,000
		(4,374)		(74,565)	71,231	145,796					146,428
					523,222	523,222					1,075,572
					73,946	73,946			7,309		185,000
					45,533	45,533					82,000
					73,764	73,764			8,203		130,000
					83,425	83,425					95,000
				(210)	71,935	72,145	14,206		43,005		179,000
					129,063	129,063				7,779	231,000
					206,583	206,583					210,000
				(2,221)	109,784	112,005			37,961		325,000
(492)				(66,543)	1,395,325	1,461,868				554,319	2,427,000

LIST OF PROPERTY OWNED

DESCRIPTION OF PROPERTY	PURCHASE COST	REVALUATIONS				DEPREC. AT 31.12.2010	BALANCE AT 31.12.2010 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2010
		MONETARY	ECONOMIC	AS PER LAW 413/91	TOTAL			
ROMA - VIA PIO FOA' 12	53,405						53,405	53,405
ROMA - VIA SILVANI 46	619		2,542	27	2,569		3,187	3,187
ROMA - VIA SISTINA, 91	185,266	36,539		261,679	298,218	(164)	483,320	483,484
ROMA- VIA TRE MADONNE,16/18	63,292,327						63,292,327	63,292,327
ROMA VIA CRISPI 10	1,221,090					(9,158)	1,211,932	1,221,090
ROMA VIA IN ARCIONE	18,387,898						18,387,898	18,387,898
ROVERETO VIA PAOLI, 25	162,250						162,250	162,250
ROZZANO - PALAZZO V STRADA 5 imp	1,068,800					(456,303)	612,496	1,068,800
S.G. PERSICETO (BO) - CORSO ITALIA 1	4,376	3,063	11,118	7,415	21,596	(1,392)	24,580	25,972
S.LAZZARO DI SAVENA (BO) - VIA JUSSI 8	88,008	10,270		3,906	14,176		102,184	102,184
SARONNO (VA) - PZA DE GASPERI 15	29,187	19,242		6,219	25,461		54,648	54,648
SEREGNO - P.LE MED. D'ORO MARIANI, 4	94,822						94,822	94,822
SCHIO (VI) - VIA ROMPATO 19	36,474	15,324		25,995	41,319		77,794	77,794
SIENA - VIA DELLE TERME 37	338,142						338,142	338,142
SIRACUSA - VIA S. SEBASTIANO 34	134,330						134,330	134,330
SONDRIO - CSO XXV APRILE 5	42,351	7,112		34,023	41,135	(108)	83,378	83,486
TERNI - CORSO TACITO 101	4,265	1,153	803	28,766	30,721	(306)	34,679	34,986
TORINO - VIA MAZZINI 12	20,638	21,558	54,418	103,387	179,363	(8,008)	191,993	200,001
TORINO - CORSO RE UMBERTO 131	1,983,914						1,983,914	1,983,914
TORINO - CORSO TRAPANI 7/D	2,744,121						2,744,121	2,744,121
TORINO - STRADA DEL DROSSO 29	9,307,163						9,307,163	9,307,163
TORINO VIA GUARINI, 4	674,286						674,286	674,286
TRECASTAGNI (CT) - C.SO ITALIA 2	76,384						76,384	76,384
TRENTO - PASS. ZIPPEL 6	192,277						192,277	192,277
TREVIGLIO (BG) - PZA INSURREZIONE 5	74,990						74,990	74,990
TREVISO - VICOLO BIANCHETTI 1	86,675	8,528			8,528		95,203	95,203
TRIESTE - VIA MARTIRI DELLA LIBERTA' 13 magazzino	131,744					(51,293)	80,451	131,744
TRIESTE - VIA MARTIRI DELLA LIBERTA' 13	193,851					(24,446)	169,405	193,851
TRIESTE - VIA MAZZINI 27	885,839						885,839	885,839
VALDAGNO (VI) - VIA C.COLOMBO 8	67,555			4,329	4,329		71,884	71,884
VARESE - VIA CARCANO 2	76,363	32,620	30,868	44,823	108,311	(11,134)	173,539	184,673
VARESE - VIA PIAVE 3	108,456						108,456	108,456
VENEZIA MESTRE - VIA CARDUCCI, 38	184,375						184,375	184,375
VERCELLI - C.SO GARIBALDI 44	8,274	5,792	13,417	24,410	43,618	(2,061)	49,831	51,892
VERCELLI - VIA DUCHESSA JOLANDA 6	3,205	1,272	540	31,638	33,450	(271)	36,384	36,655
VERCELLI - VIA XX SETTEMBRE 2	186,857						186,857	186,857
VERONA - VIA LOCATELLI 20	11,968	8,376	22,780	64,893	96,049	(3,234)	104,783	108,017
VERONA - CSO CAVOUR 9	571,000						571,000	571,000
VERONA - P.TA NUOVA. 60	486,750					(128,773)	357,977	486,750
VIGEVANO (PV) - CSO GARIBALDI 9	9,247	10,795		23,192	33,986	(108)	43,126	43,234
TOTAL PROPERTY	**555,712,923**	**1,010,621**	**378,957**	**3,448,352**	**4,837,930**	**(5,843,314)**	**554,707,538**	**560,550,853**
LAND								
CAROVIGNO	7,349						7,349	7,349
CORTINA D'AMPEZZO	2,324						2,324	2,324
ROMA - TOR DI QUINTO	115,240		305,518		305,518		420,758	420,758
VIETRI SUL MARE	516						516	516
VIZZINI TENUTA MAGULI	6,157		1,585		1,585		7,742	7,742
							0	0
TOTAL LAND	**131,587**	**0**	**307,103**	**0**	**307,103**	**0**	**438,689**	**438,689**
FIXED ASSETS IN PROGRESS AND ADVANCES								
ROMA-Via Fiorentini / Via del Forte Tiburtino	103,505,667						103,505,667	103,505,667
MILANO- Via Confalonieri / Via de Castillia	53,332,571						53,332,571	53,332,571
TOTAL FIXED ASSETS IN PROGRESS AND ADVANCES	**156,838,237**	**0**	**0**	**0**	**0**	**0**	**156,838,237**	**156,838,238**
TOTAL	**712,682,746**	**1,010,621**	**686,060**	**3,448,352**	**5,145,033**	**(5,843,314)**	**711,984,465**	**717,827,779**

YEAR 2011							OF WHICH REVALUATIONS				
PURCHASES	DISPOSALS	DEPRECIATION	WRITE-DOWNS	DEPRECIATION AT 31.12.2011	BALANCE AT 31.12.2011 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2011	MONETARY	ECONOMIC	AS PER LAW 413/91	WRITE-DOWNS	CURRENT VALUE
					53,405	53,405					172,000
760	(3,947)				0	0					
				(164)	483,320	483,484	36,539		261,679		2,349,400
1,625,786					64,918,112	64,918,112					71,900,000
			790,573	(9,158)	421,359	430,517				790,573	1,872,000
2,675					18,390,573	18,390,573					17,600,000
					162,250	162,250					280,000
17,400	(629,897)				0	0					
10,890	(35,470)				0	0					
					102,184	102,184	10,270		3,906		185,000
					54,648	54,648	19,242		6,219		300,000
					94,822	94,822					131,000
					77,794	77,794	15,324		25,995		147,000
					338,142	338,142				119,431	571,000
					134,330	134,330					198,000
				(108)	83,378	83,486	7,112		34,023		252,000
				(306)	34,679	34,986	1,153	803	28,766		138,000
				(8,008)	191,993	200,001	21,558	54,418	103,387		675,000
					1,983,914	1,983,914				1,407,345	3,700,000
			144,121		2,600,000	2,600,000				144,121	2,600,000
			2,727,163		6,580,000	6,580,000				2,727,163	6,580,000
	(463,545)		13,741		197,000	197,000				13,741	197,000
					76,384	76,384					102,000
15,972	(208,249)				(0)	(0)					
21,200	(96,190)				0	0					
					95,203	95,203	8,528				495,000
		(3,952)		(55,245)	76,499	131,744					213,410
				(24,446)	169,405	193,851					472,590
					885,839	885,839					1,561,000
					71,884	71,884			4,329		151,000
	(18,154)			(9,970)	155,385	165,355	29,208	27,639	40,135		274,000
					108,456	108,456					165,000
					184,375	184,375					293,000
				(2,061)	49,831	51,892	5,792	13,417	24,410		155,000
				(271)	36,384	36,655	1,272	540	31,638		142,000
					186,857	186,857					330,000
	(52,631)			(1,610)	52,152	53,761	4,169	11,338	32,299		165,000
	(459,566)				111,434	111,434					218,000
				(128,773)	357,977	486,750					730,000
				(108)	43,126	43,234	10,795		23,192		125,000
2,080,604	**(2,919,821)**	**(115,951)**	**35,880,219**	**(5,498,781)**	**517,872,152**	**523,370,933**	**999,938**	**347,857**	**3,361,277**	**51,723,814**	**592,403,900**
					7,349	7,349					41,000
					2,324	2,324					93,000
					420,758	420,758		305,518			1,141,000
					516	516					1,000
					7,742	7,742		1,585			16,000
0	**0**	**0**	**0**	**0**	**438,689**	**438,689**	**0**	**307,103**	**0**	**0**	**1,292,000**
			29,883,000		73,622,667	73,622,667				29,883,000	73,622,667
17,638,722			12,592,998		58,378,295	58,378,295				12,592,998	58,378,295
17,638,722	**0**	**0**	**42,475,998**	**0**	**132,000,961**	**132,000,961**	**0**	**0**	**0**	**42,475,998**	**132,000,961**
19,719,326	**(2,919,821)**	**(115,951)**	**78,356,217**	**(5,498,781)**	**650,311,802.35**	**655,810,584**	**999,938**	**654,960**	**3,361,277**	**94,199,812**	**725,696,861**

List of direct and indirect holdings in non-listed companyies of above 10% of the share capital at 31/12/2011
(In accordance with article 125-126 of CONSOB RESOLUTION 11971 of May 14,1999)

Name and registered office		Voting shares held	Quota held Direct %	Indirect %	Through subsidiary companies	Total %
ATAHOTELS S.p.A.	MILAN	7,350,000	49.00			49.00
A7 S.r.l (in liquidaz.)	MILAN	40,000		20.00	IMMOBILIARE MILANO ASS	20.00
BORSETTO S.r.l.	TURIN	1,335,149		44.93	IMMOBILIARE MILANO ASS	44.93
CAMPO CARLO MAGNO S.p.A.	TRENTO	18,622,400	100.00			100.00
COMP. TIRRENA DI ASS.NI (in liquidaz.)	MILAN	3,900,000	11.14			11.14
DIALOGO ASSICURAZIONI S.p.A.	MILAN	8,818,363	99.85			99.85
GARIBALDI S.C.A	Luxembourg	9,920	32.00			32.00
GLOBAL CARD SERVICE S.r.l	TURIN	43,472		44.00	LIGURIA ASSICURAZIONI	95.00
		50,388		51.00	LIGURIA VITA	
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	MILAN	3,421,000	34.21			34.61
		2,000		0.02	LIGURIA ASSICURAZIONI	
		18,000		0.18	SYSTEMA COMPAGNIA ASS	
		20,000		0.20	DIALOGO ASSICURAZIONI	
IGLI S.p.A	MILAN	4,020,000		16.67	IMMOBILIARE MILANO ASS	16.67
ISOLA S.C.A	Luxembourg	9,164	29.56			29.56
IMMOBILIARE LOMBARDA S.p.A.	MILAN	51,620,836	35.83			35.83
IMMOBILIARE MILANO ASSICURAZIONI S.r.l	MILAN	20,000	100.00			100.00
LIGURIA ASSICURAZIONI S.p.A.	SEGRATE	36,788,443	99.97			99.97
LIGURIA VITA S.p.A.	MILAN	1,200,000		100.00	LIGURIA ASSICURAZIONI	100.00
METROPOLIS S.p.A	FLORENCE	332,976		29.73	IMMOBILIARE MILANO ASS	29.73
PENTA DOMUS S.r.l	TURIN	24,000		20.00	IMMOBILIARE MILANO ASS	20.00
PRONTO ASSISTANCE SERVIZI	TURIN	144,480	28.00			54.55
		1,806		0.35	SYSTEMA COMPAGNIA	
		123,840		24.00	DIALOGO ASSICURAZIONI	
		11,352		2.20	LIGURIA ASSICURAZIONI	
SAI INVESTIMENTI S.G.R. S.p.A.	TURIN	1,134,940	29.00			29.00
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	FLORENCE	60,000	30.00			50.00
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	CINISELLO BALSAMO (	200		20.00	IMMOBILIARE MILANO ASS	20.00
SINTESI SECONDA S.r.l	MILAN	1		100.00	IMMOBILIARE MILANO ASS	100.00
SOGEINT S.r.l	MILAN	1	100.00			100.00
SVILUPPO CENTRO EST S.r.l	ROME	4,000		40.00	IMMOBILIARE MILANO ASS	40.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	MILAN	10,000	100.00			100.00
UFFICIO CENTRALE ITALIANO S.r.l	MILAN	109,752	10.98			11.29
		3,100		0.31	LIGURIA ASSICURAZIONI	
VALORE IMMOBILIARE S.r.l.	MILAN	5,000	50.00			50.00

Attachment III

Company **MILANO ASSICURAZIONI SPA**

Financial year 2011

**SCHEDULE OF THE SOLVENCY MARGIN
OF THE COMPANIES THAT JOINTLY UNDERTAKE
LIFE AND NON-LIFE INSURANCE**
(article 29 of the Regulation)

(in Euro thousands)

Reference accounts of the models of the solvency margins Life classes and non-life classes		Insurance life	Insurance non-life	Total
Amount of the solvency margin requested: life division (168); non-life division (104)	(a)	1 152,200	11 564,350	21 716,550
Constituting elements of the solvency margin available total elements A): life division (97); non-life division (76)	(b)	2 418,713	12 663,566	22 1,082,279
total elements B): life division (102); non-life division (79)	(c)	3	13	23
Total constituting elements of the solvency margin available	(b + c)	4 418,713	14 663,566	24 1,082,279
Excess/insufficiency of the constituting elements of the solvency margin available compared to the amount of the solvency margin to be created	d = [(b+c) - a]	5 266,513	15 99,216	25 365,729
Utilisation as per art. 348, para. 3, of the Insurance Code of the explicit elements of the solvency margin still available as per art. 44, para. 2, let. a), b), c) of the Insurance Code	(e)	6	16	26
	f = (d + e)	7 266,513	17 99,216	27 365,729

N.B. **(e) always $\leq$ (d)**
(e) always $\leq$ (b)

Company MILANO ASSICURAZIONI SPA

SCHEDULE SHOWING THE SOLVENCY MARGIN
(Article 28, paragraph 1 of the Regulation)

Year 2011

(in thousands of Euro)

Classes for which solvency margin has been calculated

I. -	Human life-span insurance	X
II. -	Marriage and birth insurance	
III. -	Insurance as per points I and II linked to investment funds...	X
IV. -	Permanent health insurance as per art. 1, no. 1, letter d), of EEC directive 79/267 of March 5, 1979	X
V. -	Securitisation operations as per art. 2, para. 1, point V of the Insurance Code………….	X
VI. -	Management of collective pension funds created for payments of benefits in the cases of death, survival, or total or partial work disability	X
Complementary insurance (personal injury)……………………………................................		X

I - BASIS OF CALCULATION OF THE SOLVENCY MARGIN REQUESTED FOR YEAR N TAKEN FROM THE FINANCIAL STATEMENTS

Balance sheet accounts - life business

(1)	Amounts due from shareholders for unpaid subscribed capital	(= item 1)		
(2)	Acquisition commissions to be amortised	(= item 3)		627
(3)	Other intangible assets	(refers to items 6, 7, 8 and 9)		3,752
(4)	Shares or quotas in holding companies	(= item 17)		632
(5)	Treasury shares and quotas	(= item 91)		
(6)	Subscribed share capital or equivalent fund	(= item 101)		38,086
(7)	Share premium reserve	(= item 102)		216,618
(8)	Revaluation reserve	(included in item 103)		
(9)	Legal reserve	(= item 104)		14,224
(10)	Statutory reserves	(= item 105)		
(11)	Reserve for treasury shares and holding companies	(= item 106)		632
(12)	Other reserves: (1)			175,936
(13)	Losses carried forward	(= item 108 (*))		
(14)	Loss for year	(= item 109 (*))		61,772
(15)	Retained earnings	(= item 108)		
(16)	Profit for year	(= item 109)		
(17)	Cumulative preference shares: (2)			
(18)	Sub-ordinated liabilities: (3)	(included in item 111)		40,000
(19)	Profit realised in FY N: (4)		In the case of use for the solvency margin as per article 23, letter a) of the Regulation	
(20)	Profit realised in FY N - 1: (4)			
(21)	Profit realised in FY N - 2: (4)			
(22)	Profit realised in FY N - 3: (4)			
(23)	Profit realised in FY N - 4: (4)			
(24)	Estimated annual profit: (5)			
(25)	Average residual duration of the contracts at the end of FY N			
(26)	Actuarial reserves for pure premiums		In case of use for the solvency margin as per article 23, letter b) of the Regulation	
(27)	Actuarial reserves for pure premiums relative to risks ceded			
(28)	Actuarial reserve for pure premiums increased by amortisation of the acquisition expenses contained in gross premiums			
(29)	Actuarial reserve as per point (28) relating to outward reinsurance			
(30)	Sum of differences between "Life" capital and actuarial reserves for all policies for which payment of premiums is continuing		In case of use for the solvency margin as per article 23, letter c) of the Regulation	
(31)	Unrealised gains resulting from valuations of all investments of the company, where they are not of an exceptional nature			
(32)	Losses resulting from valuations of all investments of the company			
(33)	Expected commitments to policyholders (6)			

GENERAL NOTICE: none of the items concerning outward reinsurance include amounts payable by CONSAP for legal cessions

(1) Insert the other reserves as per item 107 excluding, for the first three years, the fund created for the expenses detailing them below:

Extraordinary reserve	145,763
Other reserves	30,173

(2) Insert cumulative preference shares, as per art. 44, paragraph 3, letter a) and b) of the Insurance Code, indicating:

cumulative preference shares as per art. 44, paragraph 3, letter a)

cumulative preference shares as per art. 44, paragraph 3, letter b)

(3) Insert the subordinated liabilities indicating:

fixed-term loans	
indefinite-term loans	40,000
indefinite-term securities and other financial instruments	

(4) Indicate the profits realised in the past five years in the assets in the classes I, III and IV as per article 2, paragraph 1 and in the complementary insurance as per article 2, paragraph 2 of the Insur

(5) Indicate the value recorded in the report prepared by the actuary, taking into consideration the possibility to utilise this account up to the expiry of the transitory period

(6) Record the value indicated in the report prepared by the actuary

*** indicate the amount in absolute terms**

I/II - Human life-span, marriage and birth insurance.	
(34) Actuarial reserves for direct insurance	2,766,214
(35) Actuarial reserves for inward reinsurance	1,488
(36) Actuarial reserves for outward reinsurance	61,545
(37) Non-negative sums at risk taken on by the company	9,824,378
(38) Non-negative sums at risk for which the company remains accountable after cessions and retrocesssions	7,231,391
(39) Non-negative sums taken on by the company for term life policies covering against death and with a maximum duration of three years	2,148,972
(40) Non-negative sums taken on by the company for term life policies covering against death and for more than three years but less than or equal to five years	405,990
Complementary insurance - Personal injury	
(41) Gross premiums written	229
(42) Claims paid in year N: gross amount	5
(43) Claims paid in year N: reinsurers' share	
(44) Change in reserves for claims in year N: gross amount (refers to item 16 of attachment No. 1)	37
(45) Change in reserves for claims in year N: reinsurers' share	
(46) Claims paid in year N -1: gross amount	16
(47) Claims paid in year N - 1: reinsurers' share	
(48) Change in reserve for claims in year N - 1: gross amount (refers to item 17 of attachment No. 1)	-224
(49) Change in reserve for claims in year N - 1: reinsurers' share	
(50) Claims paid in year N - 2: gross amount	42
(51) Claims paid in year N - 2: reinsurers' share	
(52) Change in reserve for claims in year N - 2: gross amount (refers to item 18 of attachment No. 1)	-2
(53) Change in reserve for claims in year N - 2: reinsurers' share	
IV - Health insurance	
(54) Actuarial reserves for direct insurance	836
(55) Actuarial reserves for inward reinsurance	
(56) Actuarial reserves for outward reinsurance	
(57) Gross premiums written	98
(58) Claims paid in year N: gross amount	
(59) Claims paid in year N: reinsurers' share	
(60) Change in reserves for claims in year N: gross amount (refers to item 16 of attachment No. 2)	
(61) Change in reserves for claims in year N: reinsurers' share	
(62) Claims paid in year N -1: gross amount	
(63) Claims paid in year N -1: reinsurers' share	
(64) Change in reserve for claims in year N - 1: gross amount (refers to item 17 of attachment No. 2)	
(65) Change in reserve for claims in year N - 1: reinsurers' share	
(66) Claims paid in year N - 2: gross amount	
(67) Claims paid in year N - 2: reinsurers' share	
(68) Change in reserve for claims in year N - 2: gross amount (refers to item 18 of attachment No. 2)	
(69) Change in reserve for claims in year N - 2: reinsurers' share	
V - Securitisation operations.	
(70) Actuarial reserves for direct insurance	574,558
(71) Actuarial reserves for inward reinsurance	
(72) Actuarial reserves for outward reinsurance	8,471
III/VI - Insurance linked to investment funds and pension fund management.	
When investment risk is borne by the company:	
(73) Actuarial reserves for direct insurance	32,390
(74) Actuarial reserves for inward reinsurance	
(75) Actuarial reserves for outward reinsurance	
without assumption of the investment risk and the contract determines the amount of the management expenses for more than five years:	
(76) Actuarial reserves for direct insurance	140,071
(77) Assets pertaining to pension funds managed in the name and on behalf of third parties	
without assumption of the investment risk and the contract determines the amount of the management expenses for a period not greater than five years:	
(78) Net administration expenses in the past year (relating to insurance connected to investment funds).. (8)	17
(79) Net administration expenses in the past year (relating to management of pension funds)..(9)	
When mortality risk is borne by the company:	
(80) Non-negative sums at risk taken on by the company	4,302
(81) Non-negative sums at risk taken on by the company after cession and retrocessions	4,302

(8) Carry over of amount indicated in line c) of schedule 2 of attachment 3 showing the solvency margin relating to class III

(9) Carry over of amount indicated in line c) of schedule 2 of attachment 3 showing the solvency margin relating to class VI

II – CONSTITUTING ELEMENTS OF THE AVAILABLE SOLVENCY MARGIN

Elements A)			
(82) = (6) - (1)	Share capital or equivalent paid-in fund		38,086
	Reserves not covering specific commitments or adjusting asset items:		
(83) = (9)	legal reserve		14,224
(84)	free reserve		393,186
	Retained earnings:		
(85)	profits carried forward not distributed (*)		
(86)	profit in year not distributed (*)		
(87)	Total cumulative preference shares and sub-ordinated liabilities within limits of article 44, paragraph 3, of the Insurance Code		40,000
	of which:		
(88)	sub-ordinated loan at fixed maturity or cumulative preference shares for fixed period (for an amount not exceeding 25% of the lower between the amount at line 169 and that indicated at line 168		
(89)	indefinite-term loans	*40,000*	
(90)	indefinite-term securities and other financial instruments, including the cumulative preference shares other than those mentioned in article 44, para 3, letter a) of the Insurance Code		
(90*bis*)	Elements of the subsidiaries/other holdings		
(90 ter)	Other elements		
(91)	*Totale from (82) to (90bis) and (90 ter)*		485,496
(92)	Acquisitions commissions to be amortised, as per art. 12, paragraph. 2 of the Regulation		627
(93) = (3)	Other intangible assets		3,752
(94) = (4) + (5)	Treasury shares or quotas in holding companies		632
(95) = (13) + (14)	Loss in the year and losses carried forward		61,772
(95 bis)	Other deductions		
(96)	*Totale from (92) to (95 bis)*		66,783
(97)	**Total Elements A) = (91) - (96)**		418,713
Elements B)			
(98)	50% of future profits		
(99)	Difference between amount of actuarial reserve determined according to reported pure premiums, less the amount in the same reserve relating to ceded risks		
	and the amount of the corresponding actuarial reserves determined according to reported pure premiums increased by amortisation of acquisition expenses contained in gross premiums		
	(within the limits of art. 23, paragraph 1, letter b) of the Regulation		
(100)	Unrealised gains, net of losses and commitments expected towards policyholders, resulting from the valuation of all investments of the company		
(101)	Half of unpaid share capital or equivalent fund not paid in subscibed, on condition that at least 50 % of the entire share capital or subscribed fund paid- in		
(102)	**Total Elements B) = (98)+(99)+(100)+(101)**		
(103)	*Amount of the available solvency margin (of which elements B ....%)* **Total Elements A) and B) = (97) + (102)**		418,713

(*) The only amounts to be indicated are those that, by virtue of shareholders' resolutions, remain part of shareholders' equity

(84) = (7) + (8) + (10) + (11) + (12)
(87) = (88) + (89) + (90) on condition that (87) <= 0.5 * [lower between (168) and (169)]
(90*bis*) = total column *h - i - a - b* of attatchement 4

(92) = (2) - [(26) - (27) - (28) + (29)] provided that it is positive
(98)= 0.5 * [(24)* (25)] - [(31)-(32)-(33)] ; on condition that (98) < = 0.25 * [lower between (168) and (169)] and that (24) < = [(19)+(20)+(21)+(22)+(23)]/5; in addition (25) <= 6
(99) = [(26) - (27) - (28) + (29)] - (2) provided that it is positive and that [(26) - (27) - (28) + (29)] ≤ [3,5 / 100] x (30)
(100)= [(31)-(32)-(33)] on condition that [(31)-(32)-(33)] < = 0.10 * [lower between (168) and (169)]
(101) = 0.5 * (1) if (82) >= (6)/2 on condition that (101) <= 0,5 * [lower between (168) and (169)]; (101) =0 if (82) < (6)/2

III - AMOUNT OF THE SOLVENCY MARGIN REQUESTED

	A) Human life-span, marriage and birth insurance.			
(104)	4/100 of actuarial reserves for direct business and inward reinsurance		110,708	
(105)	retention rate for these reserves (minimum 0.85)	0.974		
(106)	(104) x (105)			108,272
	Policies with non-negative sums at risk (excluding term policies referred to in subsequent points)			
(107)	0.3/100 of capital sums at risk			21,808
	Policies with non-negative sums at risk (term policies with maximum of 3 years):			
(108)	0.1/100 of capital sums at risk			2,149
	Policies with non-negative sums at risk (term policies more than three years but less than or equal to five years):			
(109)	0.15/100 of capital sums at risk			609
(110)	*Total (107) + (108) + (109)*			24,566
(111)	retention rate for sums at risk (minimum 0.50)	0.736		
(112)	(110) x (111)			18,081
(113)	**Solvency margin requested A): (106) + (112)**			126,353
	B) Complementary insurance - personal injury (art. 2, par. 2 of the insurance Code)			
	b1) Calculation according to annual amount of premiums and contributions			
(114) = (41)	Gross premiums written		229	
	to be divided:			
(115)	less than or equal to 575,00,000 EURO = 229 x 0.18 =		41	
(116)	portion exceeding 57,500,000 EURO = x 0.16 =			
(117)	*Total (115) + (116)*		41	
(118)	Retention level in relation to claims in the year borne by the company following outward reinsurance (minimum 0.50)	1.000		
(119)	*Solvency margin requested b1, (117) x (118)*			41
	b2) Calculated based on average claims cost in the last 3 fiscal years			
(120)	Claims paid in period: gross amount		63	
(121)	Change in claims reserve in period:		-189	
(122)	Claims costs		-126	
(123)	Annual average: 1/3 of (122)		-42	
	to be divided:			
(124)	less than or equal to 40,300,000 EURO = -42 x 0,26 =		-11	
(125)	portion exceeding 40,300,000 EURO = x 0,23 =			
(126)	*Total (124) + (125)*		-11	
(127)	*Solvency margin requested b2, (126) x (118)*			-11
(128)	Solvency margin requested B): higher result between (119) and (127)		41	
(129)	Solvency margin requested B) Year N - 1		102	
(130)	**Solvency margin requested B)**			102
	C) Health insurance			
(131)	4/100 of actuarial reserves for direct business and inward reinsurance		33	
(132)	retention rate for these reserves (minimum 0.85)	1.000		
(133)	(131) x (132)			33
	c1) Calculation according to annual amount of premiums and contributions			
(134) = (57)	Gross premiums written		98	
	to be divided:			
(135)	less than or equal to 57,500,000 EURO = 98 x (0.18)/3 =		6	
(136)	portion exceeding 57,500,000 EURO = x (0,16)/3 =			
(137)	*Total (135) + (136)*		6	
(138)	Retention level in relation to claims in the year borne by the company following outward reinsurance (minimum 0.50)	0.500		
(139)	*Solvency margin requested c1, (137) x (138)*			3
	c2) Calculated based on average claims cost in the last 3 years			
(140)	Claims paid in period: gross amount			
(141)	Change in claims reserve in period:			
(142)	Claims costs			
(143)	Annual average: 1/3 of (142)			
	to be divided :			
(144)	less than or equal to 40,300,000 EURO = x (0.26)/3 =			
(145)	portion exceeding 403,300,000 EURO = x (0.23)/3 =			
(146)	*Total (144) + (145)*			
(147)	*Solvency margin requested c2, (146) x (138)*			
(148)	*Higher result between (139) and (147)*		3	
(149)	Solvency margin requested Year N-1		16	
(150)	Solvency margin requested Year N		16	
(151)	**Solvency margin requested C)** (133)+(150)			49

	D) Securitisation operations		
(152)	4/100 of actuarial reserves for direct business and inward reinsurance	22,982	
(153)	retention rate for these reserves (minimum 0.85) 0.985		
(154)	**Solvency margin requested D):** *(152) x (153)*		22,982
	E) Insurance linked to investment funds and pension-fund management.		
	When investment risk is borne by the company:		
(155)	4/100 of actuarial reserves for direct business and inward reinsurance	1,296	
(156)	retention rate for these reserves (minimum 0.85) 1.000		
(157)	(155) x (156)		1,296
	Without investment risk, providing that policies fix management fees for more than five years		
(158)	1/100 gross reserve of direct business		1,401
	Without investment risk, providing that policies do not fix management fees for not more than five years		
(159)	25/100 of the net administration expenses of the past year		4
	With mortality risk borne by the company		
(160)	0.3/100 of non-negative sums at risk	13	
(161)	retention rate for sums at risk (minimum 0.50) 1.000		
(162)	(160) x (161)		13
(163)	**Solvency margin requested E): (157) + (158) + (159) + (162)**		2,714

	Solvency margin status and quota of guarantee		
(164)	*Total solvency margin requested (113) + (130) + (151) + (154)+(163)*	152,200	
(164*bis*)	Capital requested by the subsidiaries/other holdings		
(164*ter*)	Amount of the solvency margin requested	152,200	
(164quater)	Amount of the solvency margin requested as per item 70 of attachment 5 of Regulation n.33		
(164quinquies)	Amount of total solvency margin requested (164ter) + (164quater)	152,200	
(165)	Quota of guarantee: 1/3 of (164ter)	50,733	
(166)	Minimum guarantee quota as per art. 44, para. 3, of the Insurance Code	3,500	
(167)	Guarantee quota (higher amount between (165) and (166)	50,733	
(168)	Amount of the solvency margin requested [the higher maount between (164quinquies) and (167)]		152,200
(169) = (103)	Amount of solvency margin available		418,713
(170) = (169) - (168)	**Surplus (deficit)**		266,513

(104) = [4 / 100] x [(34)+ (35)]
(105) = [(34) + (35) - (36)] / [(34) + (35)]
(107) = [0,3 / 100] x [(37) - (39) - (40)]
(108) = [0,1 / 100] x (39)
(109) = [0,15 / 100] x (40)
(111) = (38) / (37)
(118) = 1-[(43)+(47)+(51)+(45)+(49)+(53)]/[(42)+(46)+(50)+(44)+(48)+(52)]
(120) = (42) + (46) + (50)
(121) = [(44)+(48)+(52)]
(122) = (120) + (121)
(130) = if (128) < (129) then (130) = (129)*[Claim reserve N (account (2) -Attachment 1)] / [Claim reserve N - 1 (account (2) - Attachment 1)] this cannot be > 1; if 128>= 129 then 130 = 128
(131) = [4 / 100] x [(54)+ (55)]
(132) = [(54) + (55) - (56)] / [(54) + (55)]
(138) = [(58+62+66)-(59+63+67)+(60+64+68)-(61+65+69)]/[(58+62+66)+(60+64+68)]
(140) = (58)+(62)+(66)
(141) = [(60)+(64)+(68)]
(142) = (140) + (141)
(149) = (150)of the margin year N-1
(150) = if (148) >= (149) then (150) = (148)
if (148) < (149) then(150) = (149)*[Claims reserve N (account (2) - Attachment 2)] / [Claims reserve N - 1 (account (2) - Attachment 2)], this cannot be > 1. In any case (150) > = (148).
(152) = [4 / 100] x [(70) + (71)]
(153) = [(70) + (71) - (72)] / [(70) + (71)]
(155) = [4 / 100] x [(73) + (74)]
(156) = [(73) + (74) - (75)] / [(73) + (74)]
(158) = [1 / 100] x [(76) + (77)]
(159) = (25/100) * [(78) + (79)]
(160) = [0,3 / 100] x (80)
(161) = (81) / (80)
(164bis) = total column g of attachment 4
(164*ter*) = (164) + (164*bis*)

Attachment No. 1 of the table showing the solvency margin as per article 28, paragraph 1 of the Regulation

Company MILANO ASSICURAZIONI SPA

Year 2011

ment to chart showing solvency margin - complementary insurance (physical injury)

(in Euro thousands)

	Year N	Year N-1	Year N-2
(1) Change in claims reserve: gross amount (included in item 48 of income statement)	37	-224	-2
(2) Claims reserve, net of reinsurance	156	119	343
Portfolio movements for claims reserve for the year and for previous years*:			
- costs			
(3) - risks written as direct insurance	0	0	0
(4) - risks ceded on direct insurance business	0	0	0
(5) - risks accepted as inward insurance	0	0	0
(6) - risks ceded on inward reinsurance business	0	0	0
- revenues			
(7) - risks ceded on direct insurance business	0	0	0
(8) ´- risks ceded on direct insurance business	0	0	0
(9) - risks accepted as inward insurance..	0	0	0
(10) - risks ceded on inward insurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-11 -costs	0	0	0
-12 - revenues…………………………………………………………..	0	0	0
- risks accepted as inward insurance:			
-13 -costs	0	0	0
-14 - revenues…………………………………………………………	0	0	0
-15 total changes due to exchange differences (12 + 14 - 11 - 13)	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin requested:

	Amount	Corresponding to the accounts of the solvency margin table
(16) year N .... (1+7+9+15)	37	account 44 sec. I
(17) year N-1 ....(1-3-5+7+9+15)	-224	account 48 sec. I
(18) year N-2 ....(1-3-5)	-2	account 52 sec. I

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

Attachment No 2 to the table showing the solvency margin as per article 28, paragraph 1 of the regulation

Company Milano Assicurazioni S.p.A.

Year 2011

Attachment to chart showing solvency margin - health insurance as per article 1, number 1, letter d. of EC directive No. 79/267 of March 5, 1979 - reference base for the calculation of solvency margin as per paragraph c), point 2 art. 35 of legislative decree 174/95

(in Euro thousands)

	Esercizi		
	N	**N-1**	**N-2**
(1) Change in claims reserve: gross amount (Included in item 48 of income statement) ....…..	0	0	0
(2) Claims reserve net of reinsurance	0	0	0
Portfolio movements for claims reserve for the year and for previous years*:			
costs			
(3) ´- risks written as direct insurance ....…	0	0	0
(4) - risks ceded on direct insurance business	0	0	0
(5) - risks accepted as inward insurance	0	0	0
-6 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-7 - risks written as direct insurance	0	0	0
-8 - risks ceded on direct insurance business	0	0	0
-9 - risks accepted as inward insurance	0	0	0
-10 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-11 -costs	0	0	0
-12 - revenues…………………………………………………………	0	0	0
- risks accepted as inward insurance:			
-13 -costs	0	0	0
-14 - revenues………………………………………………………….	0	0	0
-15 total changes due to exchange differences (12 + 14 - 11 - 13)	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin requested:

	Amount	**Corresponding to the accounts of the solvency margin table**
(16) year N ....…..…............................. (1+7+9+15)	0	account 60 sec. I
(17) year N-1 ....…..........................(1-3-5+7+9+15)	0	account 64 sec. I
(18) year N-2 ....(1-3-5)	0	account 68 sec. I

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

Company MILANO ASSICURAZIONI SPA

TABLE SHOWING THE SOLVENCY MARGIN
(Art. 28, paragraph 2 of the Regulation)

Year 2011

(in Euro thousands)

Classes

Motor TPL, aviation, maritime, general, credit, bonds..	x
Injury, health, land vehicle, rail, aviation and maritime; goods transported, fire and natural elements, general pecuniary losses, assistance……………………………………	x
Other property damage, legal protection	x

I - BASIS OF CALC. OF SOL. MARGIN REQUESTED FOR YEAR N TAKEN FROM THE FIN. STATS

Balance sheet accounts – non-life business

(1)	Amounts due from shareholders for unpaid subscribed capital	(item 1)	
(2)	Acquisition commissions to be amortised and other acquisition expenses	(item 4 e 6)	
(3)	Other intangible assets	(item 7, 8 and 9)	32,167
(4)	Shares or quotas in holding companies	(item 17)	6,694
(5)	Treasury shares and quotas	(item 91)	1,546
(6)	Subscribed share capital or equivalent fund	(item 101)	335,596
(7)	Share premium reserve	(item 102)	744,290
(8)	Revaluation reserve	(item 103)	
(9)	Legal reserve	(item 104)	37,456
(10)	Statutory reserves	(item 105)	
(11)	Reserve for treasury shares or those of parent company	(item 106)	8,240
(12)	Other reserves (1)		189,928
(13)	Losses carried forward	(item 108 (*))	
(14)	Loss for year	(item 109 (*))	721,537
(15)	Retained earnings	(item 108)	
(16)	Profit for year	(item 109)	
(17)	Cumulative preference share: (2)		
(18)	Sub-ordinated liabilities (3)	(included in item 111) In case of utilisation for solvencu margin, as per art. 23, para 1, lett c) of the Regulation	110,000
(19)	Unrealised gains resulting from valuations of all investments of the company, where they are not of an exceptional nature		
(20)	Losses resulting from valuations of all investments of the company		

Income statement accounts of year N

(21)	Gross premiums written	(item 1)	2,697,734
(22)	Gross premiums written of classes 11, 12 and 13	(see attachment 2)	205,402
(23)	Claims paid: gross amount	(item 8)	2,161,597
(24)	Claims paid in classes 11, 12 and 13 gross amount	(see attchment 2)	172,065
(25)	Claims paid: reinsurers' share	(item 9)	50,439
(26)	Claims paid in classes 11, 12 and 13 reinsurers' share	(see attachment 2)	9,839
(27)	Change in recoveries: gross amount	(item 11)	38,617
(28)	Changes in recoveries classes 11, 12 and 13: gross amount	(see attachment 2)	12,690
(29)	Change in recoveries: reinsurers' share	(item 12)	
(30)	Changes in recoveries classes 11, 12 and 13: reinsurers' share	(see attachment 2)	
(31)	Change in claims reserve: gross amount	(see attachment 1)	302,268
(32)	Changes in claims reserve classes 11, 12 and 13: gross amount	(see attachment 2)	108,376
(33)	Change in claims reserve: reinsurers' share	(item 15)	-17,328
(34)	Changes in claims reserve classes 11, 12 and 13: reinsurers' share	(see attachment 2)	-4,234

(1) Insert the other reserves as per item 107 excluding, for the first three years, the fund created for the expenses detailing them below:

Extraordinary reserve	176,928
Reserve for purchase of treasury shares	10,000
Reserve for purchase of holding companys´ shares	3,000

(2) Insert cumulative preference shares, as per art. 44, paragraph 3, letter a) and b) of the Insurance Code, indicating:

cumulative preference shares as per art. 44, paragraph 3, letter a)

cumulative preference shares as per art. 44, paragraph 3, letter b)

(3) Insert the subordinated liabilities indicating:

- fixed-term loans	50,000
- indefinite-term loans	60,000
- indefinite-term securities and other financial instruments	

(*) Indicates the total loss

Income statement accounts for the years prior to N

(35)	Claims paid in year N -1: gross amount	(item 8)	2,377,449
(36)	Claims paid in classes 11, 12 and 13 in year N - 1: gross amount	(see Att.. 2)	164,632
(37)	Claims paid in year N -1: reinsurers' share	(item 9)	60,298
(38)	Change in the recoveries in year N - 1: gross amount	(item 11)	48,195
(39)	Changes in recoveries in classes 11, 12 and 13 in year N - 1: gross amount	(see Att.. 2)	8,116
(40)	Change in the recoveries in year N - 1: reinsurers' share	(item 12)	
(41)	Change in reserve for claims in year N - 1: gross amount	(see Att. 1)	91,360
(42)	Change of the claims reserve of the classes 11, 12 and 13 in the year N - 1: gross amount	(see Att.. 2)	40,504
(43)	Change in reserve for claims in year N - 1: reinsurers' share	(item 15)	-23,031
(44)	Claims paid in year N -2: gross amount	(item 8)	2,271,951
(45)	Claims paid in classes 11, 12 and 13 in year N - 2: gross amount	(see Att. 2)	156,482
(46)	Claims paid in year N -2: reinsurers' share	(item 9)	68,196
(47)	Change in the recoveries in year N - 2: gross amount	(item 11)	52,098
(48)	Changes in recoveries in classes 11, 12 and 13 in year N - 2: gross amount	(see Att. 2)	9,853
(49)	Change in the recoveries in year N - 2: reinsurers' share	(item 12)	
(50)	Change in reserve for claims in year N - 2: gross amount	(see Att. 1)	126,263
(51)	Change of the claims reserve of the classes 11, 12 and 13 in the year N - 2: gross amount	(see Att.. 2)	11,100
(52)	Change in reserve for claims in year N - 2: reinsurers' share	(item 15)	12,477
	Accounts to be compiled only by the companies that exercise exclusively or prevalently "particular risks" (**):		
(53)	Claims paid in year N -3: gross amount	(item 8)	
(54)	Change in reserve for claims in year N - 3: gross amount	(see Att. 1)	
(55)	Claims paid in year N -4: gross amount	(item 8)	
(56)	Change in reserve for claims in year N - 4: gross amount	(see Att. 1)	
(57)	Claims paid in year N -5: gross amount	(item 8)	
(58)	Change in reserve for claims in year N - 5: gross amount	(see Att. 1)	
(59)	Claims paid in year N -6: gross amount	(item 8)	
(60)	Change in reserve for claims in year N - 6: gross amount	(see Att. 1)	

(**) "Particular risks" refer to credit, storm, hailstorm and frost risk

II – CONSTITUTING ELEMENTS OF THE AVAILABLE SOLVENCY MARGIN

Elements A)

(61) = (6) - (1)	Share capital or equivalent fund paid-in		335,596
	Reserves not covering specific commitments or adjusting asset items:		
(62) = (9)	legal reserve		37,456
(63)	free reserve		942,458
	Retained earnings:		
(64)	retained earnings not distributed (***)		
(65)	profit for the year not distributed (***)		
(66)	Total cumulative preference shares and sub-ordinated liabilities within limits of article 44, paragraph 3, of the Insurance Code		110,000
	of which:		
(67)	sub-ordinated loan at fixed maturity or cumulative preference shares for fixed period (for an amount not exceeding 25% of the lower between the amount at line (105) and that indicated at line (104))	50,000	
(68)	indefinite-term loans	60,000	
(69)	indefinite-term securities and other financial instruments, including the cumulative preference shares other than those mentioned article 44, para. 3, letter a) of the Insurance Code		
(69*bis*)	Elements of the subsidiaries/other holdings		
(69 ter)	Other elements		
(70)	*Total from (61) to (69bis)and (69 ter)*		1,425,510
(71)	Acquisition commissions to be amortised and other acquisition costs		
(72) = (3)	Other intangible assets		32,167
(73) = (4) + (5)	Shares or quotas in holding companies		8,240
(74) = (13) + (14)	Loss in the year and losses carried forward		721,537
(74 bis)	Other deductions		
(75)	*Totale from (71) to (74bis)*		761,944
(76)	**Total elements A) = (70) - (75)**		663,566

Elements B)

(77)	Unrealised gains, net of losses resulting from valuations of all investments of the company	
(78)	Half of unpaid share capital or equivalent fund not paid in subscribed, on condition that at least 50% of the entire share capital or subscribed fund paid-in	
(79)	**Total Elements B) = (77)+(78)**	
(80)	*Amount of the available solvency margin (of which elements B ……%)* **Total Elements A) and B) = (76) + (79)**	663,566

(63)= (7) + (8) + (10) + (11) + (12)

(66) = (67) + (68) + (69) on condition that (66) <= 0,5 * [lower between (105) and (104)]

(69bis) = total column *h - i - a - b* of attatchement 3

(71) = 0,4 * (2)

(77)= [(19) - (20)[*on condition that [(19) - (20)] <= 0.20 * [lower between (105) and (104)]

(78)= 0.5 * (1) if (61) >= (6) / 2 on condition that (78) < = 0.5 *[lower between (105) and (104)]; (78) = 0 if (61) < (6) / 2

(***) The only amounts to be indicated are those that, by virtue of shareholders' resolutions, remain part of shareholders' equity

III - AMOUNT OF THE SOLVENCY MARGIN REQUESTED

(A) Calculation according to annual amount of premiums or contributions					
(81)	Gross premiums written in last year			2,800,435	
	to be divided:				
(82)	less than or equal to	57,500,000 EURO =	57,500 x 0.18 =	10,350	
(83)	portion exceeding	57,500,000 EURO =	2,742,935 x 0.16 =	438,870	
(84)	*Total a), (82) + (83)*............			449,220	
(85)	Retention level (g) in relation to claims in the year borne by the company following outward reinsurance				
	(minimum 0.500)		0.979		
(86)	*Solvency margin requested a) x g), (84) x (85)*			439,786	
B) Calculated based on average claims cost in the last 3 years or in the last 7 years by the companies that exercise exclusively or prevalently "particular risks"					
(87)	Claims paid in period: gross amount............			7,057,587	
(88)	Change in claims reserve in period: gross amount............			599,881	
(89)	Change of the recoveries during the period: gross amount............			154,240	
(90)	Claims costs............			7,503,229	
(91)	Annual average: 1/3 or 1/7 of (90) * to be divided:			2,401,105	
(92)	less than or equal to	40,300,000 EURO =	40,300 x 0.26 =	10,478	
(93)	portion exceeding	40,300,000 EURO =	2,460,776 x 0.23 =	565,978	
(94)	*Total b), (92) + (93)*			576,456	
(95)	*Solvency margin requested b) x g), (94) x (85)*			564,350	

Solvency margin status and quota of guarantee			
(96) = (86)	Amount of the solvency margin requested as a percentage of the annual amount of premiums or contributions..............	439,786	
(97) = (95)	Amount of the solvency margin requested as a percentage of the average claim charges..............	564,350	
(98)	*Higher amount between (96) and (97)*............	564,350	
(98*bis*)	Capital requested by the subsidiaries/other holdings............		
(98*ter*)	Amount of the solvency margin requested............	564,350	
(99)	Quota of guarantee: 1/3 of (98ter)	188,117	
(100)	Minimum guarantee as per art. 46, para. 3, of the Insurance Code............	3,500	
(101)	*Guarantee quota (higher amount between (99) and (100)*............	188,117	
(102)	*Amount of the solvency margin requested for year N: (higher amount between (98ter) and (101)*............	564,350	
(103)	*Amount of the solvency margin requested for year N-1:*	539,626	
(104)	*Amount of the solvency margin requested*............		564,350
(105) = (80)	*Amount of the solvency margin available*		663,566
(106) = (105) - (104)	*Surplus (deficit)*		99,216

(81) = (21) + [(0,5) * (22)]
(85) = 1 - { [(25) + (37) + (46)] - [(29) + (40) + (49)] + [(33) + (43) + (52)] } / { [(23) + (35) + (44)] - [(27) + (38) + (47)] + [(31) + ((**)
(87) = (23) + (35) + (44) +(0,5) * [(24) + (36) + (45)] ; for the companies that undertake "particular risks" add also : (53) + (55) + (57) + (59)
(88) = (31) + (41) + (50) + (0,5) * [(32) + (42) + (51)]; for the companies that undertake "particular risks" add also: (54) + (56) + (58) + (60)
(89) = (27) + (38) + (47) + (0,5) * [(28) + (39) + (48)]
(90) = (87) + (88) - (89)
(98*bis*) = total column *g* for attatchement 3
(98*ter*) = (98) + (98*bis*)
(104) = if (102) > = (103) then (104) =(102);
if (102) < (103) then (104)=(103) * [(113) - (59) of attatchement 1 of the notes] / [(293) - (239) of attatchement 1 of the notes], is above 1. In any case (104) >= (102).

Società MILANO ASSICURAZIONI SPA

Year 2011

Attachment to the table showing the solvency margin - non-life sector

(in Euro thousands)

	Years						
	N	**N-1**	**N-2**	**N-3**	**N-4**	**N-5**	**N-6**
(1) Change in claims reserve: gross amount (item 14 of the Income Statement)	301,996	90,858	126,854	0	0	0	0
Portfolio movements for claims reserve for the year and for previous years *:							
- costs							
(2) - risks written as direct insurance	0	0	0	0	0	0	0
(3) - risks ceded on direct insurance business	13,359	12,013	11,784	0	0	0	0
(4) - risks accepted as inward insurance	48	96	591	0	0	0	0
(5) - risks ceded on inward reinsurance business	0	0	0	0	0	0	0
- revenues							
(6) - risks written as direct insurance	0	0	0	0	0	0	0
(7) - risks ceded on direct insurance business	72,976	22,687	16,498	0	0	0	0
(8) - risks accepted as inward insurance	0	0	0	0	0	0	0
(9) - risks ceded on inward reinsurance business	0	0	0	0	0	0	0
Changes due to exchange rate differences on reserves at beginning of year							
- direct insurance risks							
(10) -costs	0	0	100	0	0	0	0
(11) - revenues	0	0	0	0	0	0	0
- risks accepted as inward insurance:							
(12) -costs	0	0	247	0	0	0	0
(13) - revenues........	272	598	90	0	0	0	0
(14) total changes due to exchange-rate differences (11 + 13 - 10 - 12)	272	598	-257	0	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin:

	Amount	**Corresponding to the accounts of the solvency margin table**
(15) year N .... (1+6+8+14)	302,268	item 31 sec. I
(16) year N-1 .... (1-2-4+6+8+14)**	91,360	item 41 sec. I
(17) year N-2 .... (1-2-4)***	126,263	item 50 sec. I

* The costs and revenues of the movements in the portfolio relating to the year and the previous year must be shown without any off-set.

** In the case of "particular risks" the calculation must be made also for the years N-2, N-3, N-4, N-5 (items 50, 54, 56, 58 section I)

*** In the case of "particular risks" the calculation must be made also for the year N-6 (item 60 section I)

Attachment 2 to the table showing the solvency margin as per art. 28, para. 2, of the Regulation

Company MILANO ASSICURAZIONI S.P.A.

Year 2011

Attachment to the table showing the solvency margin - classes 11,12 and 13

(in euro thousands)

		N	N-1	N-2
1	**Gross premiums written (1)**	205,402	226,090	224,268
2	- class 11	848	3,635	5,619
3	- class 12	3,766	3,684	3,614
4	- class 13	200,788	218,771	215,035
5	**Claims paid: gross amount (2)**	172,605	164,632	156,482
6	- class 11	147	971	86
7	- class 12	2,744	3,869	4,437
8	- class 13	169,714	159,792	151,959
9	**Claims paid: reinsurers' share (3)**	9,839	4,303	6,186
10	- class 11	50	617	88
11	- class 12	0	0	0
12	- class 13	9,789	3,686	6,098
13	**Change in recoveries: gross amount (4)**	12,690	8,116	9,853
14	- class 11	60	1	-2
15	- class 12	43	39	12
16	- class 13	12,587	8,076	9,843
17	**Change in recoveries: reinsurers’ share (5)**	0	0	0
18	- class 11	0	0	0
19	- class 12	0	0	0
20	- class 13	0	0	0
21	**Change in claims reserve: gross amount (6)**	108,376	40,504	11,031
22	- class 11	3	71	343
23	- class 12	803	3,527	-3,369
24	- class 13	107,570	36,906	14,057
25	**Change in claims reserve: reinsurers’ share (7)**	-4,234	6,050	3,651
26	- class 11	-93	178	-136
27	- class 12	0	9	4
28	- class 13	-4,141	5,863	3,783

(1) Included in item 1 of the income statement

(2) Included in item 8 of the income statement

(3) Included in item 9 of the income statement

(4) Included in item 11 of the income statement

(5) Included in item 12 of the income statement

(6) Indicate the amount shown in attachment 2 bis

(7) Included in item 1 of the income statement

(Attachment 2 bis – class 11 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2011

Attachment to the table showing the solvency margin - class 11

(in euro thousands)

	Year N	Year N-1	Year N-2
(1) Change in claims reserve: gross amount (item 14 of the Income Statement)	3	71	395
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
(2) - risks written as direct insurance	0	0	0
(3) - risks ceded on direct insurance business	0	0	0
(4) - risks accepted as inward insurance	0	0	0
(5) - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	0	0	0
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	52	0
-11 - revenues	0	0	52
- risks accepted as inward insurance:			
-12 -costs	0	0	0
-13 - revenues	0	0	0
-14 total changes due to exchange-rate differences (11 + 13 - 10 - 12)	0	0	-52

Change in claims reserve: gross amount from utilisation of the calculation of item 22 of attachment 2

	Amount
(15) year N .... (1+6+8+14)	3
(16) year N-1 .... (1-2-4+6+8+14)	71
(17) year N-2 .... (1-2-4)	395

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

(Attachment 2 bis – class 12 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2011

Attachment to the table showing the solvency margin - class 12

(in Euro thousands)

	Years		
	N	**N-1**	**N-2**
-1 Change in claims reserve: gross amount (item 14 of the Income Statement)	803	3,526	-3,369
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
-2 - risks written as direct insurance	0	0	0
-3 - risks ceded on direct insurance business	0	0	0
-4 - risks accepted as inward insurance	0	0	0
-5 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	0	0	0
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	0	0
-11 - revenues	0	0	0
- risks accepted as inward insurance:			
-12 -costs	0	0	0
-13 - revenues	0	1	0
-14 total changes due to exchange-rate differences (11 + 13 - 10 - 12)	0	1	0

Change in claims reserve: gross amount from utilisation of the calculation of item 23 of attachment 2

		Amount
(15) year N	(1+6+8+14)	803
(16) year N-1	(1-2-4+6+8+14)	3,527
(17) year N-2	(1-2-4)	-3,369

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

(Attachment 2 bis – class 13 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2011

Attachment to the table showing the solvency margin - class 13

(in Euro thousands)

	Years		
	N	**N-1**	**N-2**
-1 Change in claims reserve: gross amount (item 14 of the Income Statement)	107,547	36,859	14,074
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
-2 - risks written as direct insurance	0	0	0
-3 - risks ceded on direct insurance business	381	390	394
-4 - risks accepted as inward insurance	0	0	0
-5 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	1,925	5,117	391
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	0	1
-11 - revenues	0	0	0
- risks accepted as inward insurance:			
-12 -costs	0	0	19
-13 - revenues	23	47	3
-14 total changes due to exchange rate differences (11 + 13 - 10 - 12)	23	47	-17

Change in claims reserve: gross amount from utilisation of the calculation of item 24 of attachment 2

	Amount
(15) year N ………………………………………. (1+6+8+14)	107,570
(16) year N-1 ....… (1-2-4+6+8+14)	36,906
(17) year N-2 ..….......................................… (1-2-4)	14,074

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

MODEL 1

Company Milano Assicurazioni

ANNUAL SCHEDULE OF THE ASSETS DESIGNATED
TO COVER TECHNICAL RESERVES AS PER ART. 37 OF LGS. DECREE 209/05

Year 2011

(in Euro)

TECHNICAL RESERVES	End of the year 2011	End of the previous year
Technical reserves to be covered	5 3,403,413,848	6 3,604,714,181

ASSETS DESCRIPTION		Maximum limits	Balance at the end of the year 2011		Balance at the end of the previous year	
			Values	%	Values	%
A	**INVESTMENTS**					
A.1	***Debt securities and equivalent***					
A.1.1a	Securities - traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		9 2,273,250,625	10 66.79	11 2,322,813,991	10 64.44
A.1.1b	Securities - not traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		13 6,826,364	14 0.20	15 6,500,502	14 0.18
A.1.2a	Bonds or equivalent securities traded in regulated markets;		17 755,155,688	18 22.19	19 962,938,036	18 26.71
A.1.2b	Bonds or equivalent securities – not traded in regulated markets – issued by companies or banking organisations with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		21 20,933,837	22 0.62	23 6,356,236	22 0.18
A.1.3	Other bonds or equivalent securities, other than those indicated in the previous points, provided that their maturity date is within one year ;		25 0	26 0.00	27 0	26 0.00
A.1.4	Harmonised fund units;		29 40,840,011	30 1.20	31 13,870,000	30 0.38
A.1.5	Repos, with obligation to repurchase and deposit securities;	**20%**	33 0	34 0.00	35 0	34 0.00
A.1.8	Accrued interest on securities admissible for coverage on technical reserves ;		49 23,081,013	50 0.68	51 0	50 0.00
	Total A.1		53 **3,120,087,538**	54 **91.68**	55 **3,312,478,765**	54 **91.89**
	of which structured securities (a)		501 422,850,260	502 12.42	503 473,193,125	502 13.13
	of which securitisation(b)		505 0	506 0.00	507 0	506 0.00
	Total (a) + (b)		509 422,850,260	510 12.42	511 473,193,125	510 13.13
A.2	Mortgages and interest bearing loans secured by mortgages or by banking and insurance guarantees or by other suitable guarantees issued by suitable guarantees issued by local bodies ;	**20%**	57 **0**	58 **0.00**	59 **0**	58 **0.00**
A.3	***Equity securities and equivalent***					
A.3.1a	Shares traded in a regulated market ;		61 573,653,864	62 11.85	63 573,653,864	62 11.85
A.3.1b	Shares and units in the Bank of Italy and co-operative companies – not traded in regulated markets – issued by companies with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		65 145,069,567	66 4.26	67 223,566,268	66 6.20
A.3.3	Harmonised fund units;		73 36,356,739	74 1.07	75 7,838,618	74 0.22
A.3.4	Units in closed mutual investment funds traded in regulated markets;	**5%**	77 0	78 0.00	79 0	78 0.00
	Total A.3		81 **181,426,306**	82 **5.33**	83 **231,404,886**	82 **6.42**
A.4	***Real estate sector***					
A.4.1	Land, buildings and building rights, for the portions not mortgaged;		85 0	86 0.00	87 0	86 0.00
A.4.2	Buildings leased;	**10%**	89 0	90 0.00	91 0	90 0.00
A.4.3	Shareholdings in property companies where the company owns at least 10%, provided that the parent company of the insurance group holds directly or indirectly more than 50% of the share capital with exclusive purpose the construction or management of non-luxury residential building or industrial or commercial buildings or buildings for agricultural use. The amount corresponds to book value up to the buildings market value and in proportion to the shareholding owned, net of total liabilities shown in the accounts of the property companies concerned ;		93 0	94 0.00	95 0	0 0.00

	to carry forward			3,301,513,844		97.01		3,543,883,651	98.3	81.14
	carried forward			3,301,513,844		97.01		3,543,883,651	98.3	81.14
A.4.4	Units in closed property mutual investment funds located in EU countries.	**10%**	97	104,431,144	98	3.07	99	38,145,818	98	1.06
	Total A.4	**40%**	101	104,431,144	98	3.07	99	38,145,818	98	1.06
A.5	***Alternative investments***									
A.5.1a	Units in investment funds not as per EU Directive 611/85 that principally invests in bonds;		301	0	302	0.00	303	0	302	0.00
A.5.1b	Units in investment funds not as per EU Directive 611/85 that principally invests in equities;		305	0	306	0.00	307	0	306	0.00
A.5.2a	Investments in closed investment funds not traded on a regulated market and in reserved funds;		309	0	310	0.00	311	0	310	0.00
A.5.2b	Investments in security funds and speculative real estate funds;		313	9,302,028	314	0.27	315	32,906,640	314	0.91
	Sub-total A.5.2a+A.5.2.b	**5%**	317	**9,302,028**	314	**0.27**	315	**32,906,640**	314	**0.91**
	Total A.5	**10%**	321	**9,302,028**	314	**0.27**	315	**32,906,640**	314	**0.91**
	Sub-total A.3+A.5.1b+A.5.2a+A.5.2.b	**35%**	329	**190,728,334**	330	**5.60**	331	**264,311,526**	330	**7.33**
	TOTAL A		105	**3,415,247,016**	106	**100.35**	107	**3,614,936,109**	106	**100.28**
B	**RECEIVABLES**									
B.1	Amounts receivable from reinsurers net of payables, including reinsurers shares of technical reserves, duly documented, up to 90% of their amount;		109	0	110	0.00	111	0	110	0.00
B.2	Deposits and receivables net of payables c/o cedent companies duly documented, up to 90% of their amount;		113	0	114	0.00	115	0	114	0.00
B.3 .1	Amounts receivable from policyholders, net of payables, generated by direct insurance providing that they become collectable less than 3 months;		117	0	118	0.00	119	0	118	0.00
B.3 .2	Amounts receivable from brokers and agents, net of payables, generated by direct insurance and reinsurers business, providing that are collectable less than 3 months;		121	0	122	0.00	123	0	122	0.00
B.4	Advances on policies;		125	0	126	0.00	127	0	126	0.00
B.5	Tax credits, definitively assessed or for which the official assessment term has elapsed;	**5%**	129	0	130	0.00	131	0	130	0.00
B.6	Amounts receivable from guarantee funds, net of payables;	**5%**	133	0	134	0.00	135	0	134	0.00
B.7	Receivables from group central treasury management	**5%**	401	0	402	0.00	403	0	402	0.00
	TOTAL B		137	**0**	138	**0.00**	139	**0**	138	**0.00**
C	**OTHER ASSETS**									
C.1	Tangible fixed assets – for the companies operational use – other than land and buildings, up to 30% of their book value;		141	0	142	0.00	143	0	142	0.00
C.2	Tangible fixed assets – not for the companies operational use – other than land and buildings, duly documented for up to 10% of their book value;		145	0	146	0.00	147	0	146	0.00
	Sub-total C.1+C.2	**5%**	149	0	150	0.00	151	0	150	0.00
C.3	Acquisition commissions to be amortised for up to 90% of their amount;		153	0	154	0.00	155	0	154	0.00
C.4	Accrued income from rents for up to 30% of their amounts;		157	0	158	0.00	159	0	158	0.00
	TOTAL C		161	**0**	162	**0.00**	163	**0**	162	**0.00**
	TOTAL B + C- B.1	**25%**	165	**0**	166	**0.00**	167	**0**	166	**0.00**
D	Bank deposits and deposits with other credit institutions or any other institution authorised by the component authorities, net of debt;	**15%**	169	0	170	0.00	171	0	170	0.00
E	Other asset categories authorised by ISVAP pursuant to art. 38, para. 4 of legs. decree 209/95		173	0	174	0.00	175	0	174	0.00
	TOTAL ASSETS COVERED		177	**3,415,247,016**	178	**100.55**	179	**3,614,936,109**	178	**100.28**
	Sub-total A.1.1b + A.1.2b + A.1.3 + A.3.1b + A.5.2a + A.5.2b	**10%**	181	37,062,229	182	1.09	183	45,763,378	182	1.27

Attachment A

By currency, commitments and assets covered

(in Euro)

CURRENCY	EXCHANGE RATE (1)	TECHNICAL RESERVES	ASSETS TO BE COVERED
European area			
EURO	1.000	3,372,622,306	3,369,004,164
Danish Crown			
Swedish Crown			
Pound Sterling	0.835		6,663,972
Cyprus Pound			
Czech Crown			
Estonian Crown			
Hungarian Florin			
Lithuanian Litas			
Latvian Lats			
Maltese Lira			
Polish Zloty			
Slovak Crown			
Norwegian Crown			
Swiss Franc	1.216	16,334,115	21,694
Icelandic Crown			
US Dollar	1.294	14,457,427	17,884,300
Canadian Dollar			
Other countries			
Australian Dollar			
New Zealand Dollar			
Japanese Yen			
Riyal			
Turkish Lira			
Turkish Lira			
South African Rand			
Tunisian Dinar			
Pacific Colony Franc			
Ryal Oman			
Hong Kong Dollar			
Singapore Dollar			
Arab Emirates Dirham			
Kuwait Dinar			
Qatar Ryal			
Moroccan Dirham			
Croatian Kuna			
TOTAL (2)		3,403,413,848	3,415,247,016

(1). The amounts of the technical reserves and assets covered are translated at the exchange rate at the balance sheet date compared to the currency with which the communication was made, including the assets acquired after that date.

(2). The total technical reserves corresponds to the amount at account 9 of the annual prospectus of the assets designated to cover the technical reserves. The total of the assets correspond to the account 189.

Attachment B to Model 1

Assets assigned to cover the technical reserves of contracts in accordance with art. 33, paragraph 4, of Legislative Decree March 17, 1995, No. 209

SECTION I – Single premium contracts (1)

(in Euro)

No.	Guaranteed interest rate (2)	Residual duration	Technical reserves (3)	Covering assets at close of year 2011 (4)	Covering assets at close of the previous year
5	5.2	29	36,691,968	43,338,031	40,380,404
6	5.2	28	38,873,341	44,715,218	41,906,283
7	5.2	29	1,331,374	1,444,491	1,367,395
8	5.2	20	5,446,392	5,989,623	5,710,640
9	5.2	28	7,494,466	8,462,090	7,885,031
10	3.75	27	18,705,034	21,521,259	19,791,660
TOTAL			1 108,542,575	2 125,470,712	3 117,041,413

SECTION II – Immediate life annuity contracts (1)

(in Euro)

No.	Guaranteed interest rate (2)	Technical reserves (3)	Covering assets at close of year 2011 (4)	Covering assets at close of the previous year
TOTAL		5 0	6 0	7 0
GENERAL TOTAL (5)		8 107,109,636	9 117,041,413	10 111,030,368

(1). The contracts as per article 33, para. 4 of legs. decree 209/95 are considered for which the company places specific assets to cover the technical reserves limited to the period an interest rate is guaranteed above that contained, for the financial guarantee contracts, by the Regulation as per para. 1, article 33 of Leg. Decree 209/1998

(2). The contractual interest rate guaranteed by the company in accordance with para. 1, article 33 of Leg. Decree 209/05, limited to the financial guarantees related to specific assets to cover the technical reserves.

(3). The entire amount of the technical reserves related to the period during which the interest rate is guaranteed under the previous note (2) is indicated. These reserves include the amount of the account No. 9 of the Annual Schedule of assets held to cover the technical reserves.

(4). The amount of the assets, which must not be less than the technical reserves exposed which guarantee the interest rate under the previous note (2) is indicated. These assets include the amount of account No. 189 of the Annual Schedule of the assets designated to cover the technical reserves.

(5). The general total is the sum of the values indicated in the two sections.

MODEL 2

Company Milano Assicurazioni

ANNUAL SCHEDULE OF THE ASSETS DESIGNATED TO COVER THE TECHNICAL RESERVES RELATING TO CONTRACTS AS PER ART. 41, par. 1 and 2, of Leg. Decree 209/05

Year 2011

SECTION 1 – Contracts related to the value of UCITS units

(in Euro)

Order No.	NAME	At close of year 2011			At close of previous year		
		Technical reserves	Financial instruments		Technical reserves	Financial instruments	
			Quota held	value		Quota held	value
1	Lyxor Summit Guaranteed Fund	11,379,864	1,065,530	11,379,864	11,819,350	1,110,010	11,819,349
2	Lyxor Summit Guaranteed Fund (ex Dialogo Vita)	0	0	0	517	49	517
	TOTAL	11,379,864 (1)	1,065,530 (2)	11,379,864 (3)	11,819,867 (4)	1,110,059 (5)	11,819,866 (6)
	TOTAL SECTION I	11,379,864 (7)	1,065,530 (8)	11,379,864 (9)	11,819,867 (10)	1,110,059 (11)	11,819,866 (12)

SECTION II – Contracts related to the value of internal funds

(in Euro)

Order No.	Internal Fund	At close of year 2011		At close of previous year	
		Technical reserves	Financial instruments (1)	Technical reserves	Financial instruments (1)
1	Previlink equity	19,819,942	19,819,943	22,342,124	22,342,126
2	Previlink balanced	7,217,755	7,217,756	7,811,756	7,811,758
3	Previlink bond	1,014,805	1,014,805	911,295	911,295
4	Previlink monetary	800,242	800,240	809,851	809,850
5	Milass Azionario Globale	3,368,804	3,368,806	0	0
	TOTAL	13 32,221,548	14 32,221,550	15 31,875,026	16 31,875,029
	TOTAL SECTION II:	17 32,221,548	18 32,221,550	19 31,875,026	20 31,875,029

SECTION III – Contracts related to equity indices or other benchmarks

(in Euro)

Order No.	Internal Fund	At close of year 2011		At close of previous year	
		Technical reserves	Financial instruments (1)	Technical reserves	Financial instruments (1)
47	Mi-III/47 -China	0	0	12,443,261	12,443,261
48	Mi-III/48-All Star	0	0	5,572,755	5,572,755
50	Mi-III/50-Paesi Emergenti	6,805,723	6,805,722	7,598,242	7,598,242
51	Mi-III/51-Match Race	13,630,828	13,630,828	14,032,052	14,032,053
52	Mi-III/52-Global Race	11,270,129	11,270,129	11,547,483	11,547,481
53	Mi-III/53-Gran Prix	11,245,226	11,245,226	11,143,939	11,143,937
54	Mi-III/54-World Cup	12,355,275	12,355,275	13,714,151	13,714,152
55	Mi-III/55-World Cup 2	9,733,753	9,733,753	12,535,111	12,535,111
61	Mi-III/61-Exchange	0	0	5,670,241	5,670,241
62	Mi-III/62-Quota 8	0	0	6,465,912	6,465,912
63	Mi-III/63-Basket 15	0	0	4,170,067	4,170,067
64	Mi-III/64-Metal & Oil	0	0	10,950	10,950
65	Mi-III/65-Dodici Più	6,058,306	6,058,306	6,221,003	6,221,002
66	Mi-III/66-Multiasset	5,218,583	5,218,583	5,134,713	5,134,713
67	Mi-III/67-Top Equity	6,659,794	6,659,794	6,878,509	6,878,509
68	Mi-III/68-Challenge	6,852,313	6,852,313	7,259,478	7,259,478
69	Mi-III/69-Eurotop	0	0	9,306,894	9,306,895
70	Mi-III/70-Eurotopplus	11,458,315	11,458,315	11,869,849	11,869,850
71	Mi-III/71-Best Coupon	8,215,713	8,215,713	8,724,507	8,724,507
72	Mi-III/72-Memory	10,211,076	10,211,076	13,227,774	13,227,774
73	Mi-III/73-Valore Sicuro	2,781,421	2,781,421	3,170,343	3,170,342
74	Mi-III/74-Paracadute	5,594,342	5,594,342	5,651,148	5,651,148
	TOTAL	21 128,090,797	22 128,090,796	21 182,348,382	22 182,348,380
	TOTAL SECTION III	25 128,090,797	26 128,090,796	25 182,348,382	26 182,348,380
	GENERAL TOTAL (2)	29 171,692,209	30 171,692,210	31 226,043,275	32 226,043,275

(1) Indicate total amount of the assets under management
(2) The general total is the sum of the values indicated in the three sections.

MODEL 3

Company Milano Assicurazioni

DEMONSTRATIVE SCHEDULE OF THE INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS RELATING TO CLASS “D.II” OF THE BALANCE SHEET

Year 2011

SECTION I - Open Pension Funds

(in Euro)

Order No. of fund	Name of fund	Investment Line (1)	(2).	At close of year 2011		At close of previous year	
				Reserves	Investments (3)	Reserves	Investments (3)
1	Fondo Pensione Aperto Milano A	MILANO BOND TECNICO	1	5,647,777	5,647,777	4,067,316	4,067,323
1	Fondo Pensione Aperto Milano A	MILANO EUROPA TECNICO	2	1,790,226	1,790,227	1,465,733	1,465,733
1	Fondo Pensione Aperto Milano A	MILANO GLOBAL TECNICO	4	1,900,502	1,900,501	1,594,093	1,594,096
1	Fondo Pensione Aperto Milano A	MILANO MIX TECNICO	5	2,168,822	2,168,830	1,820,561	1,820,560
1	Fondo Pensione Aperto Milano A	MILANO GEST TECNICO	3	4,653,581	4,653,579	3,569,212	3,569,215
1	Fondo Pensione Aperto Milano A	MILANO PREMIUM-TFR	6	1,948,725	1,948,729	1,389,500	1,389,500
		TOTAL		18,109,633 [1]	18,109,643 [2]	13,906,415 [3]	13,906,427 [4]
		TOTAL SETION I		18,109,633 [5]	18,109,643 [6]	13,906,415 [7]	13,906,427 [8]

SECTION II - Closed pension funds

(in Euro)

Order No. of fund	Name of fund	Investment Line (1)	(2).	At close of year 2011		At close of previous year	
				Reserves	Investments (3)	Reserves	Investments (3)
		TOTAL		(9) 0	(10) 0	(11) 0	(12) 0
		TOTAL SECTION II		(13) 0	(14) 0	(15) 0	(16) 0
		GENERAL TOTAL (4)		(17) 18,109,633	(18) 18,109,643	(19) 13,906,415	(20) 13,906,427

(1) The amount of the reserves and the corresponding assets relating to each investment line must be specified within each fund.

(2) Show the number of the order attributed to each investment line within each fund (to be maintained in subsequent communications).

(3) The investments must be shown net of the liabilities relating to the fund

(4) The general total is the sum of the values indicated in the two sections.

(in Euro)

TECHNICAL RESERVES		End of the year 2011		End of the previous year
Technical reserves to be covered	9	5,090,970,384	10	4,841,905,414

	ASSETS DESCRIPTION	Maximum limits	Balance at the end of the year 2011				Balance at the end of the previous year			
				Values		%		Values		%
A	**INVESTMENTS**									
A.1	***Debt securities and equivalent***									
A.1.1a	Securities - traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		13	2,584,742,864	14	50.77	15	2,096,900,246	16	43.31
A.1.1b	Securities - not traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		17	0	18	0.00	19	0	20	0.00
A.1.2a	Bonds or equivalent securities traded in regulated markets;		21	153,052,331	22	3.01	23	236,293,000	24	4.88
A.1.2b	Bonds or equivalent securities – not traded in regulated markets – issued by companies or banking organisations with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		25	40,061,105	26	0.79	27	52,872,363	28	1.09
A.1.3	Other bonds or equivalent securities, other than those indicated in the previous points, provided that their maturity date is within one year ;		29	0	30	0.00	31	0	32	0.00
A.1.4	Harmonised fund units;		33	18,144,479	34	0.36	35	81,968,127	36	1.69
A.1.5	Repos, with obligation to repurchase and deposit securities;	**20%**	37	0	38	0.00	39	0	40	0.00
A.1.8	Accrued interest on securities admissible for coverage on technical reserves ;		53	21,773,188	54	0.43	55	11,881,699	56	0.25
	Total A.1		57	**2,817,773,967**	58	**55.35**	59	**2,479,915,435**	60	**51.22**
	of which structured securities (a)		501	71,101,007	502	1.40	503	114,576,595	504	2.37
	of which securitisation(b)		505	0	506	0.00	507	0	508	0.00
	Total (a) + (b)		509	71,101,007	502	1.40	503	114,576,595	504	2.37
A.2	**Mortgages and interest bearing loans secured by mortgages or by banking and insurance guarantees or by other suitable guarantees issued by local bodies ;**	**20%**	61	**0**	62	**0.00**	63	**0**	64	**0.00**
A.3	***Equity securities and equivalent***									
A.3.1a	**Shares traded in a regulated market ;**		65	189,408,372	66	3.72	67	573,653,864	68	11.85
A.3.1b	Shares and units in the Bank of Italy and co-operative companies – not traded in regulated markets – issued by companies with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		69	32,136,977	70	0.63	71	11,999,977	72	0.25
A.3.3	Harmonised fund units;		77	103,746,756	78	2.04	79	156,264,270	80	3.23
A.3.4	Units in closed mutual investment funds traded in regulated markets;	**5%**	81	732,089	82	0.01	83	939,095	84	0.02
	Total A.3		85	**326,024,194**	86	**6.40**	87	**742,857,206**	88	**15.34**
A.4	***Real estate sector***									
A.4.1	Land, buildings and building rights, for the portions not mortgaged;		89	649,633,800	90	12.76	91	554,468,226	92	11.45
A.4.2	Buildings leased;	**10%**	93	0	94	0.00	95	0	96	0.00
A.4.3	Shareholdings in property companies where the company owns at least 10%, provided that the parent company of the insurance group holds directly or indirectly more than 50% of the share capital with exclusive purpose the construction or management of non-luxury residential building or industrial or commercial buildings or buildings for agricultural use. The amount corresponds to book value up to the buildings market value and in proportion to the shareholding owned, net of total liabilities shown in the accounts of the property companies concerned ;		97	183,214,917	98	3.60	99	151,495,940	100	3.13
	to carry forward			3,976,646,878		78.11		3,928,736,807		81.14

	carried forward			3,976,646,878		78.11		3,928,736,807		81.14
A.4.4	Units in closed property mutual investment funds located in EU countries.	**10%**	101	223,330,990	102	4.39	103	157,247,880	104	3.25
	Total A.4	**40%**	109	**1,056,179,617**	110	**20.75**	111	**863,212,046**	112	**17.83**
A.5	***Alternative investments***									
A.5.1a	Units in investment funds not as per EU Directive 611/85 that principally invests in bonds;		301	0	302	0.00	303	0	304	0.00
A.5.1b	Units in investment funds not as per EU Directive 611/85 that principally invests in equities;		305	0	306	0.00	307	0	308	0.00
A.5.2a	Investments in closed investment funds not traded on a regulated market and in reserved funds;		309	11,887,380	310	0.23	311	6,127,896	312	0.13
A.5.2b	Investments in security funds and speculative real estate funds;		313	15,677,492	314	0.31	315	54,892,200	316	1.13
	Sub-total A.5.2a+A.5.2.b	**5%**	317	**27,564,872**	318	**0.54**	319	**61,020,096**	320	**1.26**
	Total A.5	**10%**	321	**27,564,872**	318	**0.54**	319	**61,020,096**	320	**1.26**
	Sub-total A.3+A.5.1b+A.5.2a+A.5.2.b	**25%**	325	**353,589,066**	326	**6.95**	327	**803,877,302**	####	**16.60**
	TOTAL A		113	**4,227,542,650**	114	**83.04**	115	**4,147,004,783**	116	**85.65**
B	**RECEIVABLES**									
B.1	Amounts receivable from reinsurers net of payables, including reinsurers shares of technical reserves, duly documented, up to 90% of their amount;		117	165,000,000	118	3.24	119	265,000,000	120	5.47
B.2	Deposits and receivables net of payables c/o cedent companies duly documented, up to 90% of their amount;		121	0	122	0.00	123	0	124	0.00
B.3 .1	Amounts receivable from policyholders, net of payables, generated by direct insurance providing that they become collectable less than 3 months;		125	184,000,000	126	3.61	127	170,000,000	128	3.51
B.3 .2	Amounts receivable from brokers and agents, net of payables, generated by direct insurance and reinsurers business, providing that are collectable less than 3 months;		129	150,000,000	130	2.95	131	80,000,000	132	1.65
B.4	Advance payments on policies;	**3%**	133	0	134	0.00	135	0	136	0.00
B.5	Tax credits, definitively assessed or for which the official assessment term has elapsed ;	**5%**	137	0	138	0.00	139	25,000,000	140	0.52
B.6	Amounts receivable from guarantee funds, net of payables;	**5%**	141	0	142	0.00	143	0	144	0.00
B.7	Receivables from group central treasury management	**5%**	401	0	402	0.00	403	0	404	0.00
	TOTAL B		145	**499,000,000**	146	**9.80**	147	**540,000,000**	148	**11.15**
C	**OTHER ASSETS**									
C.1	Tangible fixed assets – for the companies operational use – other than land and buildings, up to 30% of their book value;		149	0	150	0.00	151	0	152	0.00
C.2	Tangible fixed assets – not for the companies operational use – other than land and buildings, duly documented for up to 10% of their book value;		153	0	154	0.00	155	0	156	0.00
	Sub-total C.1+C.2	**5%**	157	0	158	0.00	159	0	160	0.00
C.3	Acquisition commissions to be amortised for up to 90% of their amount;		161	0	162	0.00	163	0	164	0.05
C.4	Accrued income from rents for up to 30% of their amounts;		165	0	166	0.00	167	0	168	0.00
C.5	Reversible interest	**5%**	169	0	170	0.00	171	0	172	0.00
	TOTAL C		173	**0**	174	**0.00**	175	**0**	176	**0.00**
	TOTAL B + C- C.3	**25%**	177	**334,000,000**	178	**6.56**	179	**275,000,000**	####	**5.68**
D	Bank deposits and deposits with other credit institutions or any other institution authorised by the component authorities, net of debt;	**15%**	181	365,000,000	182	7.17	183	160,000,000	184	0.00
E	Other asset categories authorised by ISVAP pursuant to art. 38, para. 4 of legs. decree 209/95		185	0	186	0.00	187	0	188	0.00
	TOTAL ASSETS COVERED		189	**5,091,542,650**	190	**100.01**	191	**4,847,004,783**	192	**100.01**
	Sub-total A.1.1b + A.1.2b + A.1.3 + A.3.1b + A.5.2a + A.5.2b	**10%**	193	99,762,954	194	1.96	195	125,892,436	196	2.60

By currency, commitments and assets covered

(in Euro)

CURRENCY	EXCHANGE RATE (1)	TECHNICAL RESERVES	ASSETS TO BE COVERED
European area			
EURO	1.000	5,080,540,266	5,080,234,841
Danish Crown	7434	320	
Swedish Crown	8912		283,113
Pound Sterling	0.835		6,612,355
Cyprus Pound			
Czech Crown	25787	700,000	
Estonian Crown			
Hungarian Florin	314580	99,849	
Lithuanian Litas			
Latvian Lats			
Maltese Lira			
Polish Zloty	4458	257,348	
Slovak Crown			
Norwegian Crown	7754		340,469
Swiss Franc	1216	3,714,964	
Icelandic Crown			
US Dollar	1294	5,555,759	4,071,872
Canadian Dollar			
Other countries			
Australian Dollar			
New Zealand Dollar			
Japanese Yen			
Riyal			
Turkish Lira			
Turkish Lira			
South African Rand			
Tunisian Dinar	1936	45,360	
Pacific Colony Franc			
Ryal Oman			
Hong Kong Dollar			
Singapore Dollar			
Arab Emirates Dirham			
Kuwait Dinar			
Qatar Ryal			
Moroccan Dirham	11113	6,036	
Croatian Kuna			
TOTAL (2)		5,090,970,384	5,091,542,650

(1). The amounts of the technical reserves and assets covered are translated at the exchange rate at the balance sheet date compared to the currency with which the communication was made, including the assets acquired after that date.

(2). The total technical reserves corresponds to the amount at account 5 of the annual prospectus of the assets designated to cover the technical reserves. The total of the assets correspond to the account 177.

Reconciliation of the theoretical tax charge and the actual tax charge

IRES		
Loss before taxes	-939,690	
Theoretical tax charge (27.50%)		**-258,415**
Temporary differences deductible in future years	400,501	
Temporary differences assessable in future years	0	
Reversal of temporary differences from previous years	-80,871	
Non-reversing differences in future years	421,303	
Assessable income	-198,757	
Current IRES (*)		**-54,658**
Regional taxes		
Result of the technical accounts non-life and life	-430,841	
Theoretical tax charge (6.82%)		**-29,383**
Temporary differences deductible in future years	0	
Temporary differences assessable in future years	0	
Reversal of temporary differences from previous years	-27,035	
Non-reversing differences in future years	80,409	
Assessable IRAP	-377,467	
Current IRAP		**0**

(*) amount of deferred tax asset recorded

Recording of deferred tax income and charges and consequent effects:

(In Euro thousands)

	31/12/2011		31/12/2010	
	Amount of temporary differences	Deferred tax asset/ liabilities	Amount of temporary differences	Deferred tax asset/ liabilities
Deferred tax asset:				
Provisions for risks and charges	97,476	26,806	78,961	21,714
Doubtful debt provision	38,548	10,601	36,460	10,027
Write down of equity investments	111,832	30,831	77,012	21,287
Write down of receivables	301,013	84,192	367,087	102,805
Change in claims reserve	327,783	91,675	171,092	48,676
Commission on long-term contracts	854	235		
Write-down of buildings	94,235	25,915	24,421	6,716
Goodwill amortisation	2,685	921	5,168	1,670
Tax loss Milano Assicurazioni 2010	132,764	36,510	125,993	34,648
Tax loss of companies adhering to the tax consolid. 2010	80,258	22,071	80,771	22,212
Tax loss Milano Assicurazioni 2011	198,756	54,658		
Tax loss of companies adhering to the tax consolid. 2011	53,545	14,725		
Other	(4,326)	(1,182)	(3,669)	(1,003)
Total	**1,435,423**	**397,958**	**963,296**	**268,752**
Deferred tax liability:				
Gains on non-current securities	(1,411)	(388)	(2,449)	(673)
Gains on buildings used in activities	(10,092)	(3,360)	(10,094)	(3,189)
Write back of equity investments	(10,812)	(2,973)	(10,812)	(2,973)
Depreciation buildings	(18,572)	(5,870)	(27,086)	(8,257)
Other	(158)	(54)	(158)	(52)
Total	**(41,045)**	**(12,645)**	**(50,599)**	**(15,144)**

Temporary differences deductible excluded from determination of deferred tax asset	**31/12/11**	**31/12/10**
Provisions for uncertain deductibility	96,435	94,158
Total	**96,435**	**94,158**

Temporary differences taxable excluded from determination of deferred tax liability	**31/12/11**	**31/12/10**
Reserve for suspension of taxes		4,788
Total		**4,788**

Net equity in accordance with article 2427, No. 7 bis of the Civil Code

Nature/description	Amount	Possibility of utilisation	Quota available
	(In Euro thousands)		
Share Capital	373,683		
Reserves			
Share premium reserve	960,907	A,B,C	937,850
Reserve for transfer of assets from class C to class D	14	-	-
Merger reserve	25,913	A,B,C	25,913
Legal reserve	51,680	B	-
Other reserves	4,260	B	-
Extraordinary reserve	322,691	A,B,C	322,691
Treasury shares reserves	1,546	-	-
Treasury shares or quotas in holding companies	7,326	-	-
Reserve for purchase of treasury shares	10,000	A,B,C	10,000
Reserve for purchase of holding company's shares	3,000	A,B,C	3,000
Total	1,761,020		1,299,454
Non-distributable quota			12,691
Quota distributable			1,286,763

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

Declaration of the financial statements

in accordance with article 81 ter of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Milano Assicurazioni) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the conformity in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the compilation of the financial statements for the period January 1, 2011 – December 31, 2011.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the financial statements at December 31, 2011 is based on a Model defined by Milano Assicurazioni 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 Financial statements as at 31/12/2011:
   a) correspond to the underlying accounting documents and records;
   b) were prepared in conformity with law, making reference to the principles issued by the Italian Accounting Board for interpretative purposes and provide a true and correct representation of the economic, balance sheet and financial situation of the issuer.

3.2. The Directors’ Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 23, 2012

Emanuele Erbetta
(Chief Executive Officer)

Massimo Dalfelli
(Executive responsible for the preparation of the corporate accounting documents)

Board of Statutory Auditors' Report

MILANO ASSICURAZIONI S.p.A.

Registered Offices in Milan - Via Senigallia 18/2

Share Capital Euro 373,682,600.42 fully paid-in

Milan Company's Registration Office

and Tax Number 00957670151

Fondiaria-SAI Group

Management and Direction of Fondiaria-SAI S.p.A.

***

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE ACTIVITIES UNDERTAKEN IN 2011

(pursuant to article 153 of Legislative Decree No. 58 of February 24, 1998

and article 2429, paragraph 2 of the Civil Code)

Dear Shareholders,

in 2011 we verified, in accordance with Articles 149 and 150 of Legislative Decree No. 58 of February 24, 1998, ISVAP Regulation No. 20 of March 26, 2008, in addition to the indications contained in Consob communication DEM/1025564 of April 6, 2001, compliance with Law and the By-Laws, the principles of correct administration, the adequacy of the organisational structure of the company as within our remit, the internal control system and the administrative-accounting system, and its ability to correctly represent the operational events and the implementation of the corporate governance regulations established by conduct codes drawn up by regulated market management companies and on the adequacy of the provisions imposed on subsidiaries in accordance with Article 114, paragraph 2 of the CFA.

In addition, in accordance with Article 19 of Legislative Decree No. 39 of January 27, 2010, which introduced significant amendments to the functions of the Board, establishing the creation, in public interest bodies – including insurance companies in accordance with Article 16 of the above-stated decree – of *the Internal Control and Audit Committee* which, according to that provisioned by paragraph 2 of the same article "… *correlates to the Board of Statutory*

Auditors"; the Board of Statutory Auditors therefore, in accordance with the above-stated Article 19, first paragraph, supervised:

a) the financial disclosure process;
b) the efficacy of the internal control, internal audit and risk management systems;
c) the audit of the statutory annual accounts and of the consolidated annual accounts;
d) the independence of the auditors or the audit firm, in particular in relation to the provision of non audit services to the entity subject to audit.

The Board received from the audit firm the report as per Article 19, paragraph 3 of Legislative Decree 39/2010 and the annual verification of independence as per Article 17, paragraph 9, letter a); the Board also verified the publication by the firm on its internet site of the annual transparency report, in accordance with Article 18 of the above stated decree.

In relation to the activities we hereby fulfil in accordance with article 153 of Legislative Decree No. 58 of February 24, 1998 the obligation of the Board of Statutory Auditors to report to the shareholders' meeting, called for the approval of the financial statements, on the supervisory activities carried out, on the omissions or significant censurable facts, as well as the establishing of the faculty to make proposals in relation to the financial statements, their approval and related matters.

During the year 2011, the Board of Statutory Auditors attended the meetings of the Board of Directors and the Shareholders' Meetings and observed compliance with law and the company by-laws, including the correct exercise of the powers conferred to the Directors.

The Board of Directors met 14 times to discuss the activities undertaken and to approve resolutions; the Executive Committee did not meet.

In particular, during the meetings, the Board of Directors were informed by the Executive Bodies periodically and in a timely manner on the management activities and on the principal ordinary and extraordinary matters, also in relation to the subsidiary companies, which permitted us to verify that the management was undertaken in accordance with the corporate objects; in particular the formulation of the decision making process adopted by the Board of Directors appears to us to ensure the provision of adequate information.

The Board of Statutory Auditors met 17 times in the undertaking of its periodic verifications and other duties, in which on an ongoing basis it exchanged information with senior management and with the external auditors (pursuant to article 150, third paragraph, of Legislative Decree 58/98). No significant matters arose on the operations or on matters relating to conflicts of interest.

A Control Coordination Committee was set up which commenced in 2012; we have maintained constant and sufficient communication with the Internal Audit department and obtained information from the Risk Management and Compliance departments.

We consider that the Internal Audit, Risk Management and Compliance departments fulfil the capacity, autonomy and independence requirements and, together with the other boards and departments which are attributed duties of control, collaborate in the exchange of information useful for the carrying out of their respective duties. The above-stated Control Coordination Committee will facilitate these duties.

We also exchanged information with the Board of Statutory Auditors of the principal subsidiary companies, pursuant to article 151 of the Consolidated Finance Act, the Civil Code and ISVAP Regulation No. 20 of March 26, 2008; the Board sent to the Board of Statutory Auditors of the parent company Fondiaria-SAI S.p.A. the information requested by them.

The activities undertaken verified the adequacy and reliability of the organisational structure of the Company, as well as of the administrative-accounting system and the compliance with current administrative principles.

The financial statements for the year ended December 31, 2011 were audited by Deloitte & Touche S.p.A., which issued its auditors' report in accordance with Article 14 of Leg. Decree 39/2010 on March 30, 2012 without any exceptions or significant issues to report.

In relation to the accounting principles utilised for the preparation of the financial statements, reference should be made to the auditors' report prepared pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010 and Article 102 of Legislative Decree No. 209 of November 7, 2005.

We also report that:

Atypical or unusual transactions

- the transactions undertaken by the Company are, in our opinion, in compliance with law and the company by-laws and were not imprudent, risk related, in potential conflict of interest, contrary to the resolutions made by the Shareholders' Meeting or such as to compromise the integrity of the company assets;

- based on the controls undertaken, we are not aware, by the Company, of atypical or unusual operations with companies of the Group, related parties or third parties.

Transactions with related parties

- the Company complied with, in the identification of related parties, the indications contained in Accounting Standard IAS 24, in addition to the "Transactions with related parties regulation" adopted by Consob resolution No. 17221 of March 12, 2010 and subsequent modifications and supplementations, also through the updating by the Board of Directors at the meeting of December 20, 2011, of the document previously approved on November 30, 2010 "Conduct principles for significant transactions and procedures for related party transactions", in addition at the Board meeting of February 22, 2012 of the updates to the "Guidelines for transactions with related parties" document in accordance with Isvap Regulation No. 25 of May 27, 2008;
- in relation to the Board of Directors' meetings in which inter-group and related party transactions are dealt with, the resolutions were taken in accordance with that established by the procedure, also in relation to the completeness and availability of information;
- the transactions undertaken with companies of the Fondiaria-SAI group and with other related parties are operations of a commercial, financial, real estate and insurance nature, carried out in line with the procedures adopted by the Board of Directors and in relation to which we verified the appropriateness and the effective interest of the company;
- the Directors have provided detailed information of these operations in the Directors' Report;
- in particular, the account "land and buildings" includes, among others:
    - Euro 72.6 million of payments on account in previous years to the company Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome; the operation was approved by the Board of Directors on December 17, 2003.

The amount includes an impairment of Euro 29.9 million based on an updated expert's valuation on the building under construction; the Directors reported that the changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand saw the valuers adopt a more conservative valuation approach compared to previous years.

We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex still under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009.

In 2011 no further payments was made as the work was suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000.

The contractual penalties were not applied on the late delivery of the asset.

- Euro 57.1 million of payments on account to "IM.CO. S.p.A." in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola); the operation was approved by the Board on November 9, 2005.

  The amount is net of a write-down of Euro 12.6 million, made based on an updated valuation report on the building under construction, which takes into account, in the opinion of the Directors, the deterioration of the outlook for the real estate sector, as indicated above.

  In relation to this operation, in the first months of 2011, the parties reached an agreement concerning the review of the initial project, amending the architectural characteristics of the building, resulting in a price increase of Euro 5.4 million, with the total cost of the building therefore reaching Euro 99.1 million, as described in detail in the annual accounts documentation; this issue was discussed by the Board on February 23, 2011.

  In 2011, Euro 13.6 million was capitalised for the advancement of work in addition to Euro 4 million paid on the signing of the Private Modifying Agreement.

Management and coordination activities

- the Company is subject to the direction and control of Fondiaria-SAI S.p.A. in accordance with Article 2497 and subsequent of the Civil Code; it is therefore subject to the rules of conduct implemented by the parent company Fondiaria-SAI S.p.A. 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 rules of conduct provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI S.p.A. on some operations relating to your Company, considered significant based on the nature of the operation or the amount.

  Pursuant to article 2497, paragraph 4, the Notes to the financial statements include a summary of the results from the last financial statements of the parent company Fondiaria-SAI S.p.A.
- as indicated, the Board of Directors adopted the relevant Guidelines for inter-group operations.

Operational performance

- In 2011, a loss of Euro 783.3 million was recorded, with a loss of Euro 512.7 million in 2010; the directors in the report illustrate the reasons for the loss and the increased loss on the previous year.

  The key factors in 2011 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; the technical margins of the portfolio acquired are adequate.

    The Actuary report concludes with an overall opinion of sufficiency of the reserves.
  - 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 result was impacted by the adjustment for approx. Euro 310 million of the prior year claims reserve, carried out after the completion of the refinement of the actuarial-statistical models based on the principal parameters of the claims portfolio historical data, also taking into account regulatory and legislative amendments during the year. The Actuary report analyses the calculation procedures and the method adopted, concluding with an overall sufficiency of the reserves.

- o the **asset and financial management** was impacted by significant impairments on securities and investments.

Other significant operations

- the Board of Directors, in the Directors' Report, provided detailed information on the most significant operations in the year 2011, which we summarise below:
  - Share capital increase: the share capital increase approved by the Board of Directors of May 14 and of June 22, 2011 was carried out, in execution of the power conferred by the Extraordinary Shareholders' Meeting of April 27, 2011. The share capital increase provided for the issue of ordinary and saving shares assigned as rights options to Shareholders as follows:
    - 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each;
    - 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

    The share capital increase concluded with the full subscription to the 1,284,898,797 ordinary shares and the 71,726,389 savings shares offered, for a total value of Euro 349,711,752.88.

    The new share capital of Milano Assicurazioni therefore amounted 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 in a timely manner at the Milan Company Registration Office.

    The operation resulted in fresh liquidity of Euro 349.7 million, benefitting the solvency margin by approx. 48 percentage points.
  - Citylife: on August 3, 2011 following the granting of the required authorisations by ISVAP and the Anti-trust authority, the holding in Citylife was sold to Generali Properties by Immobiliare Milano S.r.l.. a company wholly-owned by Milano

Assicurazioni. The sales price of the holding was Euro 109.3 million against a book value of Euro 96.4 million.

<u>Subsequent events after the year-end</u>

- on ***January 29, 2012*** the Company was informed of the agreement reached on the same day between Premafin Finanziaria S.p.A. (Premafin) and Unipol Gruppo Finanziario S.p.A. (UGF), which establishes, among other issues, the integration of Premafin, Fondiaria SAI, Milano Assicurazioni and Unipol Assicurazioni.

  In this context, the Board of Directors of the Company resolved, within its remit and without any evaluation on the integration operation, which is subject to conditions contained in the above-mentioned contract, to undertake an analysis - still in course – on the integration process with the assistance of its own financial and legal advisers; given the composition of the Board of Directors of the Company (which provides for a majority of Independent Directors) it was not necessary to nominate an adviser on behalf of the Independent Directors.

  The above-mentioned review process of the industrial profiles and potential synergies stemming from the operation – in addition to the share swap ratio of the integration – is currently ongoing and the Board of Directors have not undertaken any resolutions in this regard.

- on ***February 24, 2012***, the exchange of Greek public debt was agreed with that of new securities with varying amounts and features.

- on ***March 19, 2012*** the Board of Statutory Auditors were informed that, in the shareholders' meeting of the Parent Company Fondiaria-SAI, the Board of Statutory Auditors reported on a complaint received pursuant to Article 2408, second paragraph, of the civil code, in relation to potential citable acts, presented on October 17, 2011 by Amber Capital Investment; clarifications were requested in relation to these operations which also included Milano Assicurazioni and in particular relating to the purchase of the investment in Atahotels S.p.A., some real estate operations with related parties, property service consultancy by Mr. Salvatore Ligresti, fees paid for services to companies of the Ligresti family and, finally, with reference to the Parent Company, fees approved in favour of directors in the period 2008-2010.

The responses of the Board of Statutory Auditors of the Parent Company Fondiaria-SAI, made to the shareholders' meeting of March 19, 2012, are reported on the internet site of the company.

The Directors' Report of Milano Assicurazioni reports a summary of the contents of the complaint, for the part relating to the Group.

The Board of Directors' meeting of Milano Assicurazioni, held on March 23, 2012 considered it appropriate to undertake investigations on the part relating to the Group outlined in the complaint.

The Board of Statutory Auditors, in the meeting held on March 23, 2012, communicated the initiation, within its remit, of investigations relating to the matters outlined by the Board of Statutory Auditors of the Parent Company, in order to report independently to the Shareholders, supervising the undertaking by the Board of Directors of the actions necessary to safeguard the company assets and the identification of any responsibilities and potential claims for damages.

Instructions to the subsidiaries

- the instruction of the Company to the subsidiaries, in accordance with article 114, second paragraph of the CFA were considered adequate.

IT-Accounting system

- the accounting and administrative system was adequate, reliable and appropriate to represent the economic, equity and financial situation necessary for a correct management, also in view of the information obtained from the Executive Responsible and from various senior management.

Internal Control System

- the internal control system, constantly being updated, however which may require further refinements, is structured and coordinated at Group level, and also subject to ongoing analysis by the Company, the Internal Control Committee and the Board of Statutory Auditors, in order to improve and increase the efficacy of controls;
- our valuation regarding the adequacy of the internal control system is positive, which verified that the internal procedures were respected, both operating and administrative, and a correct and efficient management was adopted in order to safeguard the assets of the

company, as well as the identification, the prevention and the management of risks of a financial and operating nature and any possible fraud.

- the Internal Control Committee met 13 times for the undertaking of its duties attributed by the Board; the Board of Statutory Auditors actively participated at all meetings.

The Audit Department.

- in accordance with the commitments undertaken with ISVAP with the letter of November 10, 2011, the Board of Directors on December 20, 2011 appointed a new manager for the department, while outsourcing the services to the parent company;
- The Internal Audit Department monitors and evaluates the efficacy and efficiency of the internal control system and the amendments required; activities are based on an annual plan approved by the Board of Directors and which the Board of Statutory Auditors also approved, through the review of the corporate processes and controlling the correct application of procedures; the Internal Audit Department also carried out controls relating to compliance with the regulatory provisions issued by Isvap concerning the Department itself.

Compliance Department

- in accordance with the commitments undertaken with ISVAP with the letter of November 10, 2011, the Board of Directors on January 23, 2012 appointed a new manager for the department, while outsourcing the services to the parent company;
- the Compliance Department, created in accordance with ISVAP Regulation No. 20 of March 26, 2008, operated in the areas identified by the work programme and reported to the Board of Directors and on an ongoing basis to the Board of Statutory Auditors;
- during 2011, actions were implemented in the areas of communication and training, analysis and intervention within the planning sectors which include, among others, the management of the TPL claim settlement, outsourcing, document archiving, workplace security, privacy and anti-money laundering;
- the activity plan for 2012, presented by the Board of Directors and the Board, includes the continuation of the actions in course, the verification of the results of the actions undertaken and a particular attention to be focused on the regulatory developments.

Inter-group activity unit

- On August 2, 2011, the Board of Directors created an “Inter-group Activity Unit”, with the responsibility to review and monitor the transactions with related parties, 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.

Management model Law 262/05

- On October 20, 2011 the Board of Statutory Auditors expressed its approval of the appointment of Mr. Massimo Dalfelli to the role of Executive Responsible in accordance with Article 154 bis of the CFA;
- the declarations on the separate and consolidated financial statements were issued by the Executive Responsible and by the appointed corporate board in accordance with Article 154 *bis* of the CFA, in accordance with Article 81 *ter* of CONSOB Regulation No. 11971 of May 14, 1999 and subsequent amendments;
- for the issue of the declarations, an analysis method based on generally accepted international standards was drawn up; administrative and accounting processes and procedures which overall relate to almost the entirety of the assets and liabilities of the Milano Assicurazioni Group were analysed.

Legislative Decree No. 231 of June 8, 2001

- the Company has implemented an organisational model so as to prevent the committal of offences in contravention of Leg. Decree No. 231 of June 8, 2001 and has also adopted an Ethical Code; these documents establish that in the undertaking of its activities, the company believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.
- the organisational, management and control model was reviewed to include the new offences established by relevant regulations;
- the Board of Statutory Auditors met with the Supervisory Board, incorporated in accordance with the above stated law, which did not note any violations, nor did the Board report any issues.

Anti money laundering regulation

- the Company fulfilled the obligations established by Legislative Decree 231 of 21/09/2007 ("Enactment of 2005/60/EC directive relating to the prevention of the use of the financial system for the laundering of proceeds from criminal activity and the financing of terrorism in addition to Directive 2006/70/EC which enacts the subsequent modifications and supplementations") and by the related anti-money laundering provisions; in this regard we ascertained, collaborating also with the Internal Audit and Compliance Departments, also through periodic meetings with the relative company departments, the substantial adequacy of training activities in relation to anti-money laundering and terrorism financing, compliance procedures required by Legislative Decree 231/2007 and the identification of suspect transactions.
- the Company undertook the necessary actions for the recovery of data for the Adjusted Anti Money Laundering verification of clients during the period December 29, 2007 – January 17, 2010, with a high recovery percentage;

Risk management

- in accordance with the commitments undertaken with ISVAP with the letter of November 10, 2011, the Board of Directors on December 20, 2011 appointed a new manager for the department, while outsourcing the services to the parent company;
- the department undertook the analysis of the overall risk profile, monitoring of the Solvency II ratio and undertaking the stress test required by Isvap to evaluate the vulnerability of the insurance sector to adverse market changes; the analysis carried out by the Risk Management department verified the solidity of the Company also in conditions of market turbulence; also simulating particular negative events, the solvency margin would remain at prudent levels;
- the department also verified compliance with the investment and risk levels of the portfolio, pursuant to Isvap Regulation No. 36/2011, reporting to the Board of Directors; in particular at the balance sheet date, the 2% limit relating to investments in corporate bonds with ratings lower than "BBB-" was not complied with.

Self-Governance and Corporate Governance Code

- the Company also complied with the Self-Governance Code of the Committee for the Corporate Governance of listed companies;

- the Board of Directors' meeting of December 20, 2011 nominated the Remuneration Committee, composed of three non executive independent directors and determined their duties; a nominations Committee was not set up;
- an adequate number of independent directors - considering the composition of the Board and the corresponding regulations- are present.

Other information

- the disclosures as per article 149 of the Consob Issuers' Regulation are shown under "Other information" of the Directors' Report which illustrates the information on the assignments conferred to the Audit Firm and its network; for 2011 no further offices were conferred other than those indicated in the relevant point.

Opinions issued by the Board of Statutory Auditors

- during the year, the Board of Statutory Auditors provided the following favourable opinions:
  - the approval of the 2012 Work Plan of the Internal Audit Department;
  - the remuneration of the Directors with specific offices, pursuant to Article 2389, third paragraph, of the civil code.
  - the setting up of the Executive Committee and the consequent allocation of duties;
  - the allocation of powers to the various corporate boards;
  - the appointment of the Executive Responsible, pursuant to Article 154 of the CFA;
- on the calling of the Shareholders' Meeting of April 23, 2012 for the following resolutions, the Board of Statutory Auditors provided the following favourable opinions:
  - the purchase of ordinary treasury shares for a maximum number equal to the amount sold in the meantime, however within a maximum amount of Euro 2.5 million, within the limits of Article 2357-ter of the civil code, as described in greater detail in the opinion made available for Shareholders;
  - the purchase of ordinary shares of the direct parent company Fondiaria-SAI S.p.A. for a maximum number equal to the amount sold in the meantime, however within a maximum amount of Euro 500,000, within the limits of Article 2359-ter of the civil code, as described in greater detail in the opinion made available for Shareholders;

- the purchase of ordinary shares of the indirect parent company Premafin Finanziaria S.p.A. for a maximum number equal to the amount sold in the meantime, however within a maximum amount of Euro 300,000, within the limits of Article 2359-ter of the civil code, as described in greater detail in the opinion made available for Shareholders.

Other communications of the Board of Statutory Auditors

The Board, also, except that already reported upon:

- announces no claims or petitions were received as per article 2408 of the Civil Code;
- did not note any censorable, omissions or irregularities to report to the Shareholders' Meeting;
- reviewed the quarterly reports on claims, the periodic reports on activities and the audit plan for 2012 of the Internal Audit department, formulating from time to time proposals and suggestions; in this regard it is not considered necessary to formulate specific observations in the present report.
- verified the independence in accordance with article 147 ter, fourth paragraph of the CFA and the correct application of the assessment criteria adopted by the Board of Directors to evaluate the independence of its members, in accordance with point 3.C.5 of the Self-Governance Code;
- verified the independence of each standing member of the Board, in line with that established by the Civil Code, by the Consolidated Finance Act and the Self-Governance Code;
- reports that the Company updated the Security Programming Document in compliance with the provisions of article 34 of Legislative Decree 196 of June 30, 2003;
- noted, in relation to ISVAP measure with Regulation No. 36 of January 31, 2011, concerning investments and assets covering the technical reserves, the assignment of the securities to the non-current investment segment at December 31, 2011 and that the operations on these securities were made in accordance with the guidelines

established by the Board of Directors of the Company, except for that reported in another point of the present report;

- verified, in addition, compliance with the provisions contained in ISVAP Regulation No. 36 of January 31, 2011 in relation to investments and assets to cover the technical reserves, their full availability and the absence of restrictions on these assets;
- verified that the operations on derivative financial instruments undertaken by the company during 2011 were in accordance with the deliberations made by the Board of Directors of the company and they were regularly communicated to ISVAP;
- verified that the actuarial reserves and the other non-life technical reserves are calculated based on appropriate actuarial assumptions, as established by the actuarial reports specifically commissioned in accordance with article 32 of Legislative Decree 209/05;
- constantly ensured the existence of an available solvency margin exceeding the minimum required and on the availability of sufficient assets to cover the technical reserves.

Financial Statements at December 31, 2011

Information

- with reference to ensuring the proper implementation of accounting procedures and the correct recording of the events in the accounting documents, as well as the verification of the correspondence between the information in the annual accounts and the underlying accounting records and documents and conformity of the individual financial statements with law, we state that these duties have been conferred to the Independent Audit Company; for our part, we have supervised the general format of the annual accounts under examination;
- the Directors’ Report provides exhaustive information on the operational activities and development of the Company, of the strategies and of the inter-group transactions; their examination established the correspondence of the content with the annual accounts data, as established also by the Independent Auditor's Report of Deloitte & Touche S.p.A. on March 30, 2012.

This contains an indication of the principal risks to which the Company is exposed and indication of the elements which may affect the performance of the company.

- the notes to the financial statements, in addition, illustrate the accounting principles adopted, which are adequate in relation to the activities and the operations undertaken and the other information required by law, including those relating to derivative financial instruments.

  We believe therefore that this information and the present document presented to you fulfils the requirement to supply correct and exhaustive information on the financial instruments and on the specific valuation aspects, as outlined in the Bank of Italy/Consob/Isvap Document No.4 of March 3, 2010.

Accounting principles

- the Board has adequately illustrated the individual accounts in the financial statements, the changes compared to the previous year and the reasons behind such, as well as the valuation criteria and the accounting principles adopted, which are in line with the legal provisions and take account of the documents issued by the Italian Accounting Profession;
- the book value of investments recorded under non-current assets corresponds to the valuations carried out by independent experts.

Accounting data

- the Board, without replacing the activities of the independent audit company, reviewed the general preparation of the parent company financial statements, excluding each and every analytical control on its content, and verified the observance with regulatory procedures regarding the formation of the financial statements; the Board evaluated the adequacy of the information provided in the Directors' Report, as well as with reference to the operations with subsidiary companies, with other Group companies and with related parties; the board believes that this information, together with that provided in the Notes, provides a fair representation on the qualitative and quantitative characteristics of the operations carried out in the year;
- the financial statements as at December 31, 2011 report a **loss of Euro 783,309,309.50** and were prepared in accordance with the provisions of law regarding the insurance sector and the company by-laws.

Based on the controls carried out directly and on the information exchanged with the independent audit company and taking account of the report issued by the company, which expressed an opinion without reservation on the financial statements, we have no objections in approving the financial statements at December 31, 2011.

We also express a favourable opinion on the proposal to cover the loss as follows:

	Life	Non-Life	Total
Loss for the year	**(61,771,956.59)**	**(721,537,352.91)**	**(783,309,309.50)**
Utilisation of the Life Division extraordinary reserve to cover the loss in the Life Division	61,771,956.59		61,771,956.59
Utilisation of the Non-Life Division extraordinary reserve to partially cover the loss in the Non-Life Division		176,928,191.94	176,928,191.94
Utilisation of the share premium reserve to cover the residual loss of the Non-Life division		544,609,160.97	544,609,160.97
	0.00	0.00	0.00

Consolidated financial statements

The consolidated financial statements of the Milano Assicurazioni Group, which record a group net loss of Euro 487,479 thousand, were prepared based on IFRS international accounting standards adopted by the European Union, as well as the Regulation issued enacting article 90 of Legislative Decree No. 209/2005; in particular, the financial statements and the notes thereto were prepared according to the provisions of Legislative Decree 38/2005 and adopting the statements required by ISVAP with Regulation No.7 of July 13, 2007 and subsequent amendments.

The year was impacted by extraordinary non-recurring items and not related to current management. The result was significantly impacted by the revaluation of the Motor TPL prior year reserves (approx. Euro 330 million) and impairments on financial instruments and property investments of Euro 279.2 million.

The Directors note, as confirmed in the Actuary Report, that the revaluation of the Motor TPL prior year claims reserve 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 permanent losses in value relate to available-for-sale and Loans and Receivables financial instruments for Euro 187.1 million (Euro 180 million on AFS assets and Euro 7.1 million on L&R assets) and impairments on investment property for Euro 92.1 million, made on updated evaluations of the individual assets; the report outlines analytically the application of the impairment methodologies on Available-for-sale financial instruments, which has not changed from the previous year.

On February 22, 2012, the Board of Directors, in line with the conditions of the joint Bank of Italy/Consob/Isvap document No. 4 of March 3, 2010, confirms the compliance of the procedure utilised by the Insurance Company for the establishment of any impairment to the provisions of IAS 36.

The independent audit firm prepared its report dated March 30, 2012, which states that the consolidated financial statements of the Milano Assicurazioni Group for 2011 were prepared with clarity and represent in a true and correct manner the balance sheet and financial situation, the results and the cash flows of the Milano Assicurazioni Group.

The Consolidated Directors' Report provides exhaustive information on the operational activities and the development of strategies and of inter-group transactions; their examination established compatibility with the consolidated financial statements, as has the report of the Audit Firm Deloitte & Touche S.p.A. of March 30, 2012.

Turin - Milan, March 30, 2012

The Board of Statutory Auditors

Mr. Giovanni Ossola – Chairman – ***Digital signature***

Ms. Maria Luisa Mosconi – Statutory Auditor

Mr. Alessandro Rayneri – Statutory Auditor

The present proposal was approved unanimously by the Board of Statutory Auditors and therefore, in accordance with the Conduct regulations of the Board of Statutory Auditors No. 7.1 issued by the Italian Accountants' Association and only signed digitally by the Chairman.

Independent Auditors' Report on the Parent Company financial statements for the year ended December 31, 2011

Deloitte.

Deloitte & Touche S.p.A.
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RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27.1.2010, N. 39 E DELL'ART. 102 DEL D.LGS. 7.9.2005, N. 209

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio di Milano Assicurazioni S.p.A. chiuso al 31 dicembre 2011. La responsabilità della redazione del bilancio in conformità alle norme che ne disciplinano i criteri di redazione compete agli Amministratori di Milano Assicurazioni S.p.A. (nel seguito anche la "Compagnia"). È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

3. Secondo quanto previsto dall'art. 102 del D.Lgs. n. 209/2005 e dall'art. 24 del Regolamento ISVAP n. 22/2008, nell'espletamento del nostro incarico ci siamo avvalsi dell'attuario revisore che si è espresso sulla sufficienza delle riserve tecniche iscritte nel passivo dello Stato Patrimoniale di Milano Assicurazioni S.p.A. tramite le relazioni qui allegate.

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 5 aprile 2011.

4. A nostro giudizio, il bilancio d'esercizio di Milano Assicurazioni S.p.A. al 31 dicembre 2011 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria ed il risultato economico della società.

5. Ai sensi dell'articolo 2497-bis, comma primo, del Codice Civile, la Compagnia ha indicato di essere soggetta a direzione e coordinamento da parte di Fondiaria – SAI S.p.A. e, pertanto, ha inserito nella nota integrativa i dati essenziali dell'ultimo bilancio di tale società. Il nostro giudizio sul bilancio di Milano Assicurazioni S.p.A. non si estende a tali dati.

6. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Milano Assicurazioni S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio d'esercizio di Milano Assicurazioni S.p.A. al 31 dicembre 2011.

DELOITTE & TOUCHE S.p.A.

Andrea Paiola
Socio

Milano, 30 marzo 2012

RELAZIONE DELL'ATTUARIO
AI SENSI DEGLI ART. 102 E 103 DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005, N. 209

Spettabile
DELOITTE & TOUCHE S.P.A.
Via Tortona 25
20144 Milano (MI)

OGGETTO: MILANO ASSICURAZIONI S.p.A.
BILANCIO DELL'ESERCIZIO 2011

In esecuzione all'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami danni, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della MILANO ASSICURAZIONI S.p.A. chiuso al 31 dicembre 2011.

A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 28 marzo 2012

L'Attuario

(Prof. Paolo De Angelis)

PAOLO DE ANGELIS ORDINE NAZIONALE ATTUARI N° 548 ATTUARIO

ACRA

PRESIDENTE
Prof. Paolo De Angelis

SOCI
Dott. Paolo Nicoli
Dott. Fabio Baione
Dott. Andrea Fortunati

PARTNERS
Dott. Eraldo Antonini
Dott. Francesco Maria Matricardi
Dott.ssa Susanna Levantesi
Prof. Massimiliano Menzietti

RELAZIONE DELL'ATTUARIO
AI SENSI DEGLI ART. 102 E 103 DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005, N. 209

Spettabile
DELOITTE & TOUCHE S.P.A.
Via Tortona, 25
20144 Milano (MI)

OGGETTO: MILANO ASSICURAZIONI S.p.A.
BILANCIO DELL'ESERCIZIO 2011

In esecuzione all'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami vita, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della MILANO ASSICURAZIONI S.p.A. chiuso al 31 dicembre 2011.

A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 28 marzo 2012

L'Attuario

(Prof. Paolo De Angelis)

PROF. PAOLO DE ANGELIS
ORDINE NAZIONALE ATTUARI
N° 548
ATTUARIO

ASSOCIAZIONE
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2011 Consolidated Financial Statements

5 YEAR OVERVIEW – CONSOLIDATED

(In Euro thousands)

	2007		2008		2009		2010		2011	
TOTAL PREMIUMS		%		%		%		%		%
MOTOR TPL	1,619,520	45.02	1,729,077	42.20	1,857,941	51.16	1,852,144	51.00	1,827,309	54.13
NON-LIFE DIVISION	1,040,567	28.92	1,198,918	29.26	1,278,188	35.20	1,251,845	34.47	1,151,617	34.11
LIFE DIVISION	937,597	26.06	1,169,672	28.54	495,528	13.64	527,782	14.53	396,951	11.76
TOTAL	**3,597,684**	**100.00**	**4,097,667**	**100.00**	**3,631,657**	**100.00**	**3,631,771**	**100.00**	**3,375,877**	**100.00**
CLAIMS PAID *and related charges*	**2,798,919**		**3,733,703**		**3,120,808**		**3,233,813**		**3,126,242**	
GROSS TECHNICAL RESERVES										
PREMIUM RESERVE	930,999		1,166,756		1,174,114		1,192,062		1,146,826	
CLAIMS RESERVE	3,362,626		3,780,404		3,936,933		4,096,194		4,380,552	
OTHER NON-LIFE RESERVES	3,700		4,523		3,562		3,287		2,897	
LIFE TECHNICAL RESERVES	5,548,872		5,821,790		3,899,328		3,852,793		3,541,924	
TOTAL	**9,846,197**		**10,773,473**		**9,013,937**		**9,144,336**		**9,072,199**	
TECHNICAL RESERVES/PREMIUMS	**273.68%**		**262.92%**		**248.20%**		**251.79%**		**268.74%**	
GROUP NET EQUITY										
SHARE CAPITAL AND RESERVES	1,765,750		1,814,603		2,021,908		1,971,959		1,415,691	
NET PROFIT/(LOSS)	252,104		167,916		-139,987		-668,711		-487,479	
TOTAL	**2,017,854**		**1,982,519**		**1,881,921**		**1,303,248**		**928,212**	
INVESTMENTS	**12,800,654**		**12,562,830**		**9,443,895**		**9,101,143**		**8,355,884**	
NUMBER OF EMPLOYEES	**1,644**		**2,087**		**2,026**		**1,963**		**1,855**	

Directors' Report

Financial highlights

The Group net loss for 2011 was Euro 487.5 million compared to a loss of Euro 668.7 million recorded in the previous year. The year was significantly impacted by non-recurring extraordinary items and not related to the current management performance - which confirms a turnaround. The result was significantly impacted by the revaluation of the Motor TPL prior year reserves (Euro 333 million) and impairments on financial instruments and property investments of Euro 279.2 million.

The key figures in the 2011 income statement compared to the previous year are shown below:

	2011	2010	Change
Net premiums	3,279,514	3,464,853	-185,339
Commission income	851	874	-23
Net Income from financial inst. fair value through P&L	-15,127	-637	-14,490
Income from subsid., ass. and jt. ventures	388	1,727	-1,339
Income from other financial instruments/property investments	372,321	447,351	-75,030
- Interesst income	238,143	213,206	24,937
- Other income	51,803	70,063	-18,260
- Profits realised	82,375	163,821	-81,446
- Valuation gains	-	261	-261
Miscellaneous	180,098	166,549	13,549
Total revenues	**3,818,045**	**4,080,717**	**-262,672**
Net charges relating to claims	-3,062,765	-3,278,381	215,616
Commission expenses	-233	-82	-151
Charges from subsid., ass. & jt. ven.	-17,549	-41,355	23,806
Charges from other financial instruments and property .	-392,761	-511,752	118,991
- Interest expense	-12,518	-13,726	1,208
- Other expenses	-21,290	-23,047	1,757
- Losses realised	-52,355	-56,731	4,376
- Valuation losses	-306,598	-418,248	111,650
Management expenses	-632,686	-668,834	36,148
- Commissions and other acquisition expenses	-508,066	-541,282	33,216
- Investment management charges	-5,521	-4,107	-1,414
- Other administration expenses	-119,099	-123,445	4,346
Other costs	-336,679	-335,182	-1,497
Total costs	**-4,442,673**	**-4,835,586**	**392,913**
Loss before taxes in the year	**-624,628**	**-754,869**	**130,241**
Income taxes	106,170	82,697	23,473
Net loss in the year	**-518,458**	**-672,172**	**153,714**
Net result from discontinued activities	30,851	3,281	27,570
Consolidated loss	**-487,607**	**-668,891**	**181,284**
Result pertaining to minority interest	-128	-180	52
Group loss for the year	**-487,479**	**-668,711**	**181,232**

The key factors in 2009 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 revaluation of the prior year claims reserves in the Motor TPL and General TPL classes and the significant impairments on investments due to the turbulence on financial markets (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, the **Motor TPL** class was impacted by prior year claims reserves following the revaluation of the claims reserves managed for approx. Euro 330 million, after the completion of the refinement of the actuarial-statistical models based on the principal parameters of the claims portfolio historical data, also taking into account regulatory and legislative amendments during the year.
  The current operational result was however positive, which reports a drop in reported claims (-17.9%) a decrease in the frequency and, consequently, an improvement in the claims/premiums ratio.
  The **General TPL** class reported a 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 **Life Division** reports a pre-tax profit of Euro 18.9 million (loss of Euro 0.9 million in 2010) after impairments on AFS financial instruments 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, in line with that declared in the preparation of the objectives for 2011, 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 which have for some time now affected the financial markets and deteriorated during the year with the explosion of the sovereign debt crisis in some Eurozone countries have passed.
  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.

- 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** was impacted by the strong turbulence on the financial markets and recorded total net charges of Euro 52.7 million, a reduction on the net charges of Euro 104.7 million in the previous year. In particular, in relation to the most significant accounts:
  - interest income amounted to Euro 238.1 million, compared to Euro 213.2 million in 2010 (+11.7%);
  - net profits to be realised amounted to Euro 30 million (Euro 107.1 million at in 2010), of which Euro 1.2 million relates to equity securities, Euro 14.8 million to investment fund units, Euro 10.9 million to bond securities and Euro 3.1 million to property investments;
  - net valuation losses amounted to Euro 306.6 million (Euro 418 million in 2010) and concern impairments on AFS financial instruments of Euro 187.1 million, depreciation on property for Euro 27.4 million and property impairments of Euro 92.1 million, made based on updated valuations.

    The changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years, in particular on non-income generating property and development areas.
  - the financial instruments at fair value recorded through profit and loss report charges of Euro 15.1 million compared to charges of Euro 0.6 million in 2010. The result for the year 2011 was impacted by the loss of Euro 17.9 million deriving from the sale of option rights concerning the parent company Fondiaria-Sai, undertaken in accordance with the provisions of the civil code which do not allow a company to subscribe to the shares of the parent company;
  - the charges from subsidiaries, associates and joint ventures principally include the losses recorded in the period by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader.

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. The data includes **administrative expenses** totalling Euro 119.1 million, and reports a decrease of 3.5% compared to 2010 following the cost containment policy implemented during the year.
The result for the period was not impacted by significant non-recurring or unusual operations compared to the normal operations of the company.

The table below shows the results by sector. The Real Estate Sector includes the real estate subsidiary companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno) and the Athens Real Estate Fund, while the Other Activities include the subsidiary Sogeint, which provides commercial assistance to the Agencies.

(in Euro thousands)	**Non-Life**	**Life**	**Property**	**Other assets**	**Inter-segment**	**Total**
Net premiums	2,895,471	384,043	-	-	-	3,279,514
Commission income	-	851	-	-	-	851
Net Income from financial instruments recorded at fair value through P&L	-16,282	542	613	-	-	-15,127
Income from subsidiary and associated companies and joint ventures	362	-	26	-	-	388
Income from other financial instruments and property investments	154,380	205,860	12,081	-	-	372,321
- Interest income	85,260	152,193	690	-	-	238,143
- Other income	28,277	12,145	11,381	-	-	51,803
- Profits realised	40,843	41,522	10	-	-	82,375
- Valuation gains	-	-	-	-	-	-
Other income	158,702	6,758	10,340	11,071	-6,773	180,098
Total revenues	**3,192,633**	**598,054**	**23,060**	**11,071**	**-6,773**	**3,818,045**
Net charges relating to claims	-2,616,409	-446,356	-	-	-	-3,062,765
Commission expenses	-	-233	-	-	-	-233
Charges from subsidiaries, associated companies and joint ventures	-13,688	-331	-3,530	-	-	-17,549
Charges from other financial instruments and property investments	-245,444	-90,645	-56,672	-	-	-392,761
- Interest expense	-5,684	-5,464	-1,370	-	-	-12,518
- Other expenses	-11,219	-699	-9,372	-	-	-21,290
- Losses realised	-30,260	-22,092	-3	-	-	-52,355
- Valuation losses	-198,281	-62,390	-45,927	-	-	-306,598
Management expenses	-606,949	-25,737	-	-	-	-632,686
- Commissions and other acquisition expenses	-494,133	-13,933	-	-	-	-508,066
- Investment management charges	-4,386	-1,135	-	-	-	-5,521
- Other administration expenses	-108,430	-10,669	-	-	-	-119,099
Other costs	-296,986	-15,851	-19,883	-10,732	6,773	-336,679
Total costs	**-3,779,476**	**-579,153**	**-80,085**	**-10,732**	**6,773**	**-4,442,673**
Profit /(loss) before taxes at 31/12/11	**-586,843**	**18,901**	**-57,025**	**339**	**-**	**-624,628**
Profit/(loss) before taxes at 31/12/10	**-730,663**	**-887**	**-23,735**	**416**	**-**	**-754,869**

Non-Life Insurance Sector

Premiums written

The portfolio restructuring action, continued in the current year, impacted upon direct premiums written, which totalled Euro 2,973.2 million (-4% on 2010), of which Euro 2,090.5 million relates to the motor classes (-2.6%) and Euro 882.7 million relates to the other classes (-7.2%).

Premiums written in the **Motor TPL** class (-1.3%) 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, however partially offset by the increase in the average policy premium due to recent price rises. The weak economic situation also had an impact and remains difficult, particularly in relation to the continued weakness in new vehicle registrations.

Also the contraction in premiums written in the **Land Vehicle** (-10.3%) **class** is due to 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.

The **Other Non-Life Classes** report a decrease of 7.2% on 2010. The sector also continues to be affected by the economic crisis, which on the one hand curtails the need for corporate insurance coverage and on the other limits the resources available for underwriting retail coverage.
Premiums have benefitted from the initiatives taken to recover profitability which has resulted in the closure of agencies with poor performances, the discontinuation of individual multi-risk contracts and a reduction in the exposure to corporate risks, particularly in relation to public companies and bodies, historically reporting an unsatisfactory technical performance. In particular, with reference to the civil responsibility in the public health sector, after the decision in recent years to abstain from underwriting new coverage and limiting underwriting to recovery of profitability on contracts still in the portfolio, the complete exit from the segment was inevitable.
The near total reduction of aeronautical premiums of the Sasa division follows the non-renewal of the civil protection contract and the discontinuation of new business acquisition.
The actions taken on the current underwriting policy has established the need to stringently apply correct technical parameters and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.

Indirect premiums amount to Euro 5.7 million compared to Euro 7.6 million in the same period of the previous year and continued to be minimal due to the decision to cease underwriting on the inward reinsurance market with companies not belonging to the Fondiaria-Sai Group.

The breakdown of the gross premiums written of the direct business is as follows:

(Euro thousands)	2011	2010	Change. %
Accident & health	229,240	246,852	-7.1
Marine, aviation and transport	12,465	27,747	-55.1
Fire and other property damage	332,410	348,589	-4.6
General TPL	213,012	230,663	-7.7
Credit & Bonds	47,277	47,011	+0.6
General pecuniary losses	7,600	9,706	-21.7
Legal protection	8,269	9,220	-10.3
Assistance	32,484	30,956	+4.9
Total Division – Non Motor	**882,757**	**950,744**	**-7.2**
Land Motor TPL	1,827,309	1,852,144	-1.3
Land vehicles	263,175	293,525	-10.3
Total Division – Motor	**2,090,484**	**2,145,669**	**-2.6**
TOTAL	**2,973,241**	**3,096,413**	**-4.0**

Claims reported and paid

Claims reported totalled 738,767 compared to 866,075 in the previous year. Total claims reported in the Motor TPL class in 2011 amounted to 343,375, compared to 418,482 in the previous year (-17.9%) and consolidates the actions undertaken to recover profitability, although within an improved overall performance for the entire domestic market.

The amounts paid in 2011 gross of outward reinsurance, totalled Euro 2,376.5 million, a decrease of 8.5% on Euro 2,596.4 million in 2010.

The table below shows the breakdown of the number of claims reported and the amount, including the expenses, of the claims paid on direct Italian business:

	2011	2010	Change %	2011	2010	Change %
Accident & health	76,159	89,832	-15.2	129,246	138,584	-6.7
Marine, aviation and transport	684	679	+0.7	8,678	8,186	+6.0
Fire and other property damage	88,747	101,054	-12.2	201,027	218,321	-7.9
General TPL	46,305	51,176	-9.5	176,867	165,054	+7.2
Credit & Bonds	780	883	-11.7	28,722	23,214	+23.7
General pecuniary losses	1,404	1,750	-19.8	4,902	8,292	-40.9
Legal protection	756	872	-13.3	1,067	1,067	0.0
Assistance	60,464	64,111	-5.7	10,700	10,948	-2.3
Total Division – Non Motor	**275,299**	**310,357**	**-11.3**	**561,209**	**573,666**	**-2.2**
Land Motor TPL	343,375	418,482	-17.9	1,646,116	1,830,251	-10.1
Land vehicles	120,093	137,236	-12.5	169,149	192,527	-12.1
Total Division – Motor	**463,468**	**555,718**	**-16.6**	**1,815,265**	**2,022,778**	**-10.3**
TOTAL	**738,767**	**866,075**	**-14.7**	**2,376,474**	**2,596,444**	**-8.5**

Technical performance

The principal technical indicators, relating to the non-life sector, are summarised in the table below:

	2011	2010
Loss ratio (*)	90.4%	91.3%
Combined ratio (**)	114.1%	114.8%
Reserve ratio (***)	185.6%	170.5%

(*) claims of period / premiums, net of reinsurance
(**) loss ratio + expense ratio + technical charges margin; the expense ratio was calculated net of the charges deriving from the amortisation of long-term commissions capitalised in previous years.
(***) gross technical reserves

In the **Motor TPL** class, actions were implemented during the year for the recovery of profitability, already outlined in the formulation of the budget: the restructuring of the multiclass portfolio continued, the level of discounts reduced, with particular reference to fleet policies, and tariff prices were reviewed, taking into account recent regulatory changes affecting the sector and the need to reduce the tariff mutuality based on the effective risk of the clients.
Significant efforts have been taken to combat fraud through the antifraud department within the Fondiaria-Sai group, now operating throughout the entire country. This structure, also 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 actions implemented reduced the overall risk exposure, resulting in a significant reduction in claims reported and an improvement in the frequency, also within a more favourable market environment. The overall technical result was however impacted by prior year claims reserves following the revaluation of the claims reserves managed for approx. Euro 330 million, after the completion of the refinement of the actuarial-statistical models based on the principal parameters of the claims portfolio historical data, also 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.

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.

The **General TPL** class continues to report a negative technical performance due to the high level of current year claims, 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.

The restructuring initiatives of the portfolio have been in place for some time through cancelation of contracts with negative performances. In particular, with reference to the public health sector, after the decision in recent years to refrain from underwriting new coverage and limiting underwriting to recovery of profitability on contracts still in the portfolio, the complete exit from the segment was inevitable.

The **Other Non-Life Classes** report an overall positive technical result, with particularly satisfying results in the accident, fire, bond, legal and assistance classes.

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Liguria Assicurazioni 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 93.3 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.

In relation to the telephone and internet channel, premiums written by **Dialogo Assicurazioni** amounted to Euro 39.6 million, an increase of 17.9% on 2010. The contribution of the company to the consolidated result was a loss of Euro 10.5 million (loss of Euro 14.1 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.

In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums of Euro 37.7 million, an increase of 73.6% on 2010.
The technical result reported a loss of Euro 2.5 million compared to a profit of Euro 0.4 million in the previous year. The deterioration is principally due to some significant claims in the Motor TPL class, which resulted in a significant worsening of the claims/premiums ratio for the current year, with the creation of a reserve for risks in course.

Reinsurance

Premiums ceded amounted to Euro 126.9 million (Euro 139.5 million in 2010). The total on direct premiums written remains substantially stable (from 4.5% to 4.3%).

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.

The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

At the end of 2011, an agreement was signed with the group company The Lawrence Re for the excess cession on some claims of the Motor TPL class. The transaction totalled claims reserves of approx. Euro 60 million at market conditions based on 95% of the value of these reserves, resulting therefore in a charge expensed in the income statement of Euro 3 million, against cash receipts totalling Euro 57 million.

Life Insurance Sector

Premiums wriiten and new business

The following table shows the breakdown by division of the direct business premiums and the percentage change on the previous year:

(Euro thousands)	31/12/11	31/12/10	Change %
Insurance on human life expectancy	348,761	437,886	-20.4
Insurance relating to investment funds and market indices	109	146	-25.3
Health insurance	98	52	+88.5
Securitisation operations	47,858	89,697	-46.6
TOTAL	**396,826**	**527,781**	**-24.8**

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 (-47.6%).

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, in line with the objectives to increase the profitability from the agency networks.

In accordance with IFRS 4 (Insurance Contracts) the amounts recorded to the premiums account relate to the contracts with significant insurance risk and investment contracts with discretional participation. The other financial contracts and in particular the unit-linked policies and units of the Milano Assicurazioni Open Pension Funds are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties. Contracts issued in 2011 amounted to Euro 10.6 million (Euro 8.6 million in 2010).

The table below summarises the results relating to new premiums written, calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the deposit accounting method, ad under the local GAAP criteria taking into consideration all new premiums in the sector:

(Euro thousands)	**2011 Ias/Ifrs**	**2010 Ias/Ifrs**	**Change % Ias/Ifrs**	**2011 Local Gaap**	**2010 Local Gaap**	**Change % Local Gaap**
Class I	172,527	257,373	-33.0	172,527	257,373	-33.0
Class III	-	-	n.s.	3,477	114	n.s.
Class IV	1	-	n.s.	1	-	n.s.
Class V	8,611	48,627	-82.3	8,611	48,627	-82.3
Class VI	-	-	n.s.	856	655	+30.7
TOTAL	**181,139**	**306,000**	**-40.8**	**185,472**	**306,769**	**-39.5**

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), obtained taking into account the sum of the new business annual premiums and 10% of the single premiums, is shown in the table below:

(Euro thousands)	**2011 Ias/Ifrs**	**2010 Ias/Ifrs**	**Change % Ias/Ifrs**	**2011 Local Gaap**	**2010 Local Gaap**	**Change % Local Gaap**
Class I	38,361	49,971	-23.2	38,361	49,971	-23.2
Class III	-	-	n.s.	553	13	n.s.
Class IV	1	-	n.s.	1	-	n.s.
Class V	862	4,863	-82.3	862	4,863	-82.3
Class VI	-	-	n.s.	456	464	-1.7
TOTAL	**39,224**	**54,834**	**-28.5**	**40,233**	**55,311**	**-27.3**

The table below summarises the last certified returns from the principal Internal Separated Managements:

	2011	**2010**
Viva	3.54%	3.73%
Valuta Viva	4.84%	4.82%
Milass Gest 1 (ex Gepre e Domani Maa)	3.53%	3.72%
Geprecoll	4.23%	4.24%
3A	3.55%	3.51%
Sasariv	3.42%	3.78%

Overall, the technical reserves amounted to Euro 3,541.9 million (Euro 3,852.8 million in 2010).

Sums Paid

The gross sums paid amount to Euro 701.6 million (Euro 589.5 million in 2010), an increase of 19%. The breakdown by class and type is reported in the following table:

(Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	21,505	191,926	292,357	505,788
Class III	910	10,594	50,630	62,134
Class V	235	63,767	69,720	133,722
Total	**22,650**	**266,287**	**412,707**	**701,644**
Total 31/12/2010	**15,542**	**201,858**	**372,077**	**589,477**

Technical Performance

The **life sector** reports a pre-tax profit of Euro 18.9 million (loss of Euro 0.9 million in 2010) after impairments on AFS financial instruments 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, in line with that declared in the preparation of the objectives for 2011, 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 which have for some time now affected the financial markets and deteriorated during the year with the explosion of the sovereign debt crisis in some Eurozone countries have passed.

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.

Individual Insurance

In 2011, Separated Management products comprised almost the entirety of total premiums, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment and were again well received by the client base, although at the beginning of the year for the single premium and for some of the recurring premium products the minimum yield was reduced to 1.5%, in line with the contracting overall domestic market. The market denotes a weakness in demand and volumes, especially in the last part of the year. More specifically:

- for the single premium products, although with the continued attention on the important capital maturity segment, new business contracted on the previous year, despite the substantial stability of the OPEN UNICO product, with targetted commercial actions on the distribution networks;
- for the recurring premium products, there was a significant decrease on the previous year;
- for the annual premium products, the premiums relating to new contracts report a contraction, although the OPEN PIU' product reports premiums in line with 2010.

The agency network responded positively to the launch from April of the single premium form and from May of the recurring premium form of the new OPEN DINAMICO product (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 equity content managed by a highly professional company) and a Revaluable Product linked to the MILASS RE separated management. The product targets clients both through the Relax category (unit-linked portion between 40% and 60% of the investment) and Sprint (portion 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 request of the contracting party;
- subscription to the Balanced Management service.

The DEDICATED policy (Term Life) reports a decrease in new business, with a negative performance which worsened in the final part of the year.

The complementary pension segment, implemented through the Individual Pension Plans, also reported a decrease on the previous year.

The impact of the difficult economic climate is evident on the sales results.

Collective insurance and Pension Funds

In 2011, the corporate segment reported an overall significant 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.

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

Specifically, the pre-existing pension funds reported volumes in line with the previous year, while the Milano Assicurazioni open pension funds report 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 difficult 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 sector reports a small increase in premiums. The results obtained however are not fully in line with the potential of the sector.

Reinsurance

The premiums ceded amounted to Euro 12.9 million compared to Euro 13.2 million in the previous year. The reinsurance structure is unchanged, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.p.A.) and the Athens Real Estate Fund, entirely held by Milano Assicurazioni.

The pre-tax result for the year was a loss of Euro 57 million (loss of Euro 23.7 million in 2010) after impairments on property investments of 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. Considering the process which led to the sale of the investment, detailed below, in the previous interim reports the holding was in fact classified in the account "*Non-current assets or a group of assets held for sale*" and valued as the lower between the cost and the fair value, in the expectation that the sale would take place.

The changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years, in particular on non-income generating property and development areas.

Citylife

On August 3, following the conclusion of the application procedure with the granting of the required authorisations by ISVAP and the Anti-trust authority, the holding in Citylife was sold to Generali Properties by Immobiliare Milano S.r.l.. The Board of Directors meeting of the parent company Fondiaria-SAI S.p.A. of August 2 approved the operation.

The investment comprised 27.2% of the share capital of Citylife, the company which was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.

The sales price, fully received on August 3, amounted to Euro 109.3 million, resulting in a gain of Euro 30.9 million.

In accordance with the agreements, the price was established based on the higher between the following two values, resulting from the final document prepared by Leonardo & Co. S.p.A., designated arbitrator by the parties in accordance with the agreements:

- Euro 109.3 million 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 106.3 million, equal to the Net Book Value of the holding at June 30, 2011.

Before the Closing, existing commitments on the portion of Citylife to be sold were settled with secured creditors from July 7, 2006 and at the same time Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione.

The principal issues of the process which resulted in the closing of August 3 were as follows:

- On June 11, 2010 Immobiliare Milano Assicurazioni S.r.l. and Generali Properties S.p.A. signed an agreement through which, in addition to that established by the shareholder pact concerning the investment in Citylife S.r.l. - signed also by Allianz - Generali Properties granted to Immobiliare Milano Assicurazioni a single irrevocable sales option of the entire holding in Citylife (27.20% of the share capital), at a price as set out below.
  The sales option could be exercised by Immobiliare Milano Assicurazioni S.r.l. until September 30, 2011 and exclusively concerning the entire holding and therefore not comprising a smaller part.
  The transfer of the share subject to exercise of the option was based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.
  As established by the above-stated agreement, Generali Properties undertook an irrevocable commitment, together with the acquisition of the investment, to take on all of the commitments relating to the investment sub-entering in place of Immobiliare Milano Assicurazioni S.r.l. with the Financing Banks, with the Milan Municipality, in addition to those with the Fiera Fondazione;

- On March 22, 2011, the Boards of Directors of Immobiliare Milano Assicurazioni S.r.l. and Milano Assicurazioni S.p.A. agreed to commence the process relating to the exercise of the option, based on the approval of the Board of Directors of Fondiaria-Sai;

- Taking account on the one hand of the financial situation of the Company and of the Group following the 2010 loss and on the other of the commitments relating to the project, within also the continually weak economic environment, the Board of Directors of Fondiaria-SAI S.p.A of March 23, 2011 approved the commencement of this process;

- On April 4, Immobiliare Milano Assicurazioni S.r.l. therefore communicated to Generali Properties S.p.A. the exercise of the sales option of the entire holding in CityLife S.r.l. (27.20% of the share capital) under the terms and conditions established by 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.

IGLI

It is recalled that Immobiliare Fondiaria-Sai S.r.l. and Immobiliare Milano Assicurazioni s.r.l. each holds 16.67% of IGLI and that the group Fondiaria-Sai has a total holding in IGLI of 33.33% of the share capital, equal to the other two shareholders of IGLI, Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A.

On December 27, 2011 Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed the acquisition with 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..
The acquisition price of each IGLI share subject to the agreement was established at Euro 10.89572, based on the forecast balance sheet of IGLI at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65.
Argo Finanziaria may designate its subsidiary Autostrada Torino- Milano to acquire the IGLI shares.

Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni 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, 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 is subject to any required authorisation of the antitrust authorities and compliance with the pre-emption procedure established in the by-laws of IGLI and is expected to be completed by the end of March 2012.

* * *

Financial highlights of the individual entities in the sector are presented below.

IMMOBILIARE MILANO ASSICURAZIONI S.r.l. - Milan

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.

The contribution to the 2011 consolidated income statement was a loss of Euro 7 million (loss of Euro 18.1 million in the previous year). The key events which contributed to this result are summarised below:
- revenues from property management amount to Euro 6.9 million, an increase on Euro 6.4 million in the previous year;
- property management operating costs amounted to Euro 7.4 million (Euro 6.6 million in 2010);
- depreciation amounted to Euro 7.9 million, in line with 2010;
- property impairments were made of Euro 17.5 million, based on specifically appointed independent experts' valuations;
- receivables were written down for Euro 11.9 million;
- the holiding of 27.5% in Citylife was sold, which was awarded the international tender by the Fiera Milano Foundation for the redevelopment of the historic area of ex-Fiera, for a gain of Euro 30.9 million;

At December 31, 2011 the assets of the company principally comprise property, for a book value of Euro 284.9 million and holdings in subsidiary and associated companies for Euro 47.8 million, including:

- a share of 16.67% of IGLI S.p.A., book value of Euro 42.6 million, currently being sold as already illustrated;
- a holding of 44.93% in Borsetto s.r.l., with a book value of Euro 2.9 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

Financial payables to banking institutions amount to Euro 12.8 million.

FONDO IMMOBILIARE ATHENS R.E. FUND

This property fund was created in 2009 and is managed by the group company SAI Investimenti SGR S.p.A. (51% Fondiaria-Sai, 29% Milano Assicurazioni and 20% Premafin), owner of the two property complexes, both rented to Atahotels S.p.A.:

- the hotel real estate complex Petriolo Spa & Resort, located in the Civitella Paganico (GR) and Monticiano (SI) municipalities, previously owned by Immobiliare Lombarda, with a book value of Euro 29.8 million;
- the hotel real estate complex located in Taormina (ME) - Grand Hotel Capo Taormina – previously owned by Immobiliare Lombarda, with a book value of Euro 29.7 million.

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.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio

The company owns a hotel real estate complex at Madonna di Campiglio and a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the business, in line with market values for similar operations.
The contribution to the consolidated result for the period was a loss of Euro 0.1 million.

Other Activities Sector

The other activities sector includes the company SOGEINT which provides commercial assistance to the agencies. At December 31, 2011, the company had 37 employees and 48 agencies. The company recorded a breakeven result in 2011.

Asset and financial management

2011 saw a slowdown in global economic growth (from 5% in 2010 to approx. 4%) principally due to the worsening of the sovereign debt crisis in the Eurozone and the effects of the devastating earthquake in Japan. This slowdown in global GDP was in fact offset by the sustained development in the emerging economies and in the USA which, although for the moment unable to significantly reduce unemployment levels, has staved off a new recession.

Specifically, 2011 can be divided into two parts: until late autumn all economic indicators indicated a sustained recovery, to the point where in the Eurozone, the ECB, concerned with possible inflation issues, declared itself ready to end the emergency phase of the monetary policy, deciding to increase the Refi Rate from the minimum level of 1% to 1.5%. The other central banks - targeting not only monetary stability but also economic growth - on the other hand maintained extremely low interest rates, consequently resulting in a rise in the Euro against the other principal currencies.

When it was understood that the first Greece aid plan was not sufficient to resolve the sovereign debt problem in the Eurozone, 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 acute phase of the crisis began in the beginning of July with a sudden review of the expectations of the markets which quickly lowered economic growth expectations in the industrialised economies. The lowering of growth expectations provoked further fears on the sustainability of the public debts of the most fragile countries, exacerbating the difficulties introduced by the crisis.

The worsening of the situation in the Eurozone gave a fresh drive - although initially with little coordination and not as quickly as the markets would have liked - to the initiatives of the European Council to halt the contagion, through the strengthening of the instruments for assistance to countries in difficulty (EFSF, Greek debt restructuring, advanced adoption of the ESM, new fiscal control rules at European level with partial reduction of national sovereignty and possibility to take EU decisions by majority without unanimity, in order to speed up the decision process in the more critical phases of the crisis).

The ECB also, and in particular once Draghi took the helm as Governor, has been actively engaged through monetary policy actions such as purchasing large volumes on the secondary market of government bonds under greatest stress in order to offset the cost of financing of the public debt, to assist the restrictive monetary policies put in place by the Governments of such countries. 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.

The central banks also, observing the overall worsening of the economic climate, put on hold attempts in the first part of the year to normalise the monetary policy, putting in place quantitative stimulus programmes. The ECB in particular reduced the official rate from 1.5% to 1% and the Fed 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. The Fed pronounced itself ready, in the event of the US macroeconomic situation worsening, to implement a third Quantitative Easing, while an operation is currently been implemented to further flatten the yield curve (so-called Twist) through the sale of short-term American government bonds and simultaneous purchase of US government securities with residual life above six years. The total amount of the operation is USD 400 billion and will be completed by the first half of 2012.

Bond sector operations

Bond segment management was centred on the containment of potential risks related to the escalation of the Sovereign Debt Crisis.

In the Non-Life sector investment was again focused on Italian government securities, which provide a strong return in terms of profitability, but the percentage of the Non-Life sector was significantly reduced in favour of German Government Securities, considering also 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.
The Variable Government Rate component was however 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 significant volatility of the spread between the core and peripheral countries and the purchases of the ECB, made on a selective basis on certain government maturities, provoked a significant change in the interest rate curve. This enabled, although with the difficulty related to extremely illiquid markets, the opportunity to put in place interesting arbitrages.
The corporate component reduced slightly, with the realisation of profits and the repositioning on more conservative and anti-cyclical sectors, with lower duration and substantially unchanged profitability.
The activity undertaken permitted a significant increase in profitability, with durations substantially unchanged.

Also in the Life sector, activities were focused on the containment of Portfolio risks and on the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook. Therefore, the average duration of the portfolios was reduced, gradually increasing the exposure to money market instruments with much reduced residual life.
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.

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 (Portugal, Ireland, Greece and Spain, the so-called P.I.G.S.) was reduced, benefitting from the improved situation of the stock markets, while the percentage invested in Italian securities remained constant.
In relation to the corporate securities, given the good performance of some Segments and some Issuers, part of the unrealised gains were realised, reinvesting the liquidity in less volatile asset classes.

The management activities consistently considered the Assets Liability Management (ALM) profiles, linking the investment objectives to the policyholders portfolios and integrating existing features into new products.

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 evaporated at the end of the first quarter, following increased fears both of a macroeconomic nature (worsening of the sovereign debt crisis) and of a geopolitical nature (earthquake in Japan and possible consequences from the breakdowns at the nuclear plant of Fukushima). In addition to these significant issues of uncertainty, increasing tensions surrounded the stress tests on the European banking sector.

The second quarter saw a worsening of the tensions both concerning European sovereign debt and the banking sector. While the market was not directly conditioned by the reporting season which in fact was positive (both in relation to growth and profits), it was increasingly concerned by the variables which were at first were only external but are now considered the only issues capable of impacting the trend (peripheral countries/German bund spread, government bond auctions, European political meetings).
To the worsening of these variables, and specifically to the worsening of the European crisis, to the restructuring of the Greek debt, to the increasing evident contradictions between a dominant Germany and the other politically and economically weaker EU countries, the equity market reacted with increasing decisiveness, with the exit of money from stock markets to safe havens or presumed safe havens (gold, Swiss Franc, the bund, US treasury).

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 from 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.

A defensive strategy was therefore adopted in the equity sector with market exposure reduced where possible. Increased stock market volatility permitted short-term trading centred on active trading strategies. At sector level, taking account of the defensive approach, which was previously taken in relation to the asset allocation and considering the uncertainties which were only partially resolved, the more cyclical component of the portfolio was reduced, in favour of potential growth positions and satisfying dividend yields.
Considering the continuation of the period of uncertainty and the fears concerning the Eurozone, in 2012 a defensive strategic approach for the managed portfolios will be maintained.

* * *

The investments at 31/12/2011 compared to the previous year are shown below. The table also shows the assets and the liquidity, which is important for the correct structure of the balance sheet of an insurance group.

(Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
INVESTMENTS			
Investment property	910,693	1,000,349	-89,656
Investments in subsidiaries, associates and joint ventures	100,416	202,391	-101,975
Investments held to maturity	128,927	121,798	7,129
Loans and receivables	905,538	660,504	245,034
AFS financial assets	6,084,206	6,827,511	-743,305
Financial assets at fair value through the profit or loss account	226,104	288,590	-62,486
Total investments	**8,355,884**	**9,101,143**	**-745,259**
Tangible fixed assets: buildings and other fixed assets	52,350	64,111	-11,761
Total non-current assets	**8,408,234**	**9,165,254**	**-757,020**
Cash and cash equivalents	470,804	284,665	186,139
Total non-current assets and cash and cash equivalents	**8,879,038**	**9,449,919**	**-570,881**

Investment property

Investment property are recorded at purchase cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

The change compared to December 31, 2010 is summarised below:
- purchases and incremental expenses of Euro 20.5 million;
- reclassifications from the account buildings, following changes in the utilisation of the assets, for Euro 7.6 million and from the account discontinued assets of Euro 3.5 million;
- sales of Euro 1.8 million;
- depreciation of Euro 27.4 million;
- impairments based on specifically appointed independent experts' valuations for Euro 92.1 million.

The changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years, in particular on non-income generating property and development areas. The impairments are illustrated in the notes to the financial statements to which reference should be made.
Overall, the book value at December 31, 2011 was Euro 160.2 million lower than the value of the specifically appointed independent experts.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 56.1 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 4,000 sq.m. for residential use, 12,000 sq.m. for retail use and 20,000 esposition space.
- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 11.7 million, which handles the IT and logistical services of the companies of the Fondiaria-Sai Group;
- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 11.1 million. The company, through its subsidiaries, is involved in the Porta Nuova Isola real estate project, promoted and managed by the US group Hines. The area concerned 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.
- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 8.5 million;
- the holding of 50% in **Valore Immobiliare S.r.l.,** with a book value of Euro 6.1 million. The company owns three buildings in Milan (Piazza Firenze n. 6 - Via

Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;

- a holding of 44.93% in **Borsetto S.r.l**., with a book value of Euro 2.9 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.
- a holding of 49% in **Atahotels S.p.A.**, with a book value of Euro 1.6 million, corresponding to the share of net equity at December 31, 2011. In 2011, Milano Assicurazioni paid in a total of Euro 18 million to Atahotels, of which Euro 5.8 million to cover losses carried forward and Euro 12.2 million to increase shareholders' equity in order to support operating needs in the short-term.

As already illustrated in the real estate sector, the holding of 16.67% in IGLI S.p.A., which holds as sole asset a 29.96% stake in Impregilo S.p.A., is recorded in the account *Non-current assets or of a group held for sale* in consideration of the negotiations in course for its sale.

Investments held to maturity

The account exclusively includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The account *Loans and Receivables* includes:

- debt securities for Euro 799.1 million, increasing on December 31, 2010 by Euro 246.1 million, principally following the undertaking in “Private Placement” of a number of BTP securities acquired for the purposes of stable investment and not listed on Borsa Italiana;
- loans on life policies of Euro 21.2 million;
- receivables from agents for end of mandate indemnities (Euro 57.8 million);
- Deposits with reinsuring companies of Euro 2.2 million;
- Other financial investments of Euro 13 million;
- other loans and receivables for Euro 12.2 million.

AFS financial assets

The financial assets available-for-sale include debt and capital securities not otherwise classified and represents the largest category of the financial instruments, in line with the characteristics and purposes of the insurance activity. The breakdown of the account is as follows:

(Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
AFS financial assets	**6,084,206**	**6,827,511**	**-743,305**
Equity securities and investment funds	888,844	1,220,747	-331,903
Debt securities	5,195,362	5,606,764	-411,402

The listed financial instruments recorded in this category are valued at the market value at the last day of trading in the period or, in the absence of a listing on an active market, through alternative valuation models based on parameters generally utilised by operators. The difference compared to the average weighted cost is recorded in a net equity reserve, except on the recording of impairment losses.

The impairments at December 31, 2011 amounted to Euro 180 million and principally relate to:

- further impairments on securities previously subject to impairment in the previous year, whose book value was aligned to the share price at December 31, 2011 in accordance with IAS 39 (IG.E.4.9); reference is made in particular to the shares of the direct parent company Fondiaria-Sai (Euro 32.1 million), Unicredit (Euro 44.6 million) and Generali (Euro 26.1 million);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 11.1 million relates to the shares of the indirect parent company Premafin;
- Greek government securities for which the differential between the amortised costs and the listing price at the end of December of Euro 40.8 million was fully recognised to the income statement in consideration of the difficult economic conditions of Greece and the restructuring undertaken on its sovereign debt, as illustrated in detail in the specific paragraph illustrated below.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was negative for Euro 222.2 million (positive for Euro 2 million at December 31, 2010). The following table highlights the composition and movements on the previous year:

(Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Debt securities	-414,424	-109,257	-305,167
Fund units	49,024	93,185	-44,161
Equity securities	-25,549	-1,394	-24,155
Shadow accounting reserve	71,515	13,205	58,310
Tax effect	97,256	6,250	91,006
AFS reserve at the end of the year	**-222,178**	**1,989**	**-224,167**

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 types of securities offered will result in a loss of approx. 21% compared to the repayment price.

On October 27, a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds, within a situation still not resolved and which may see further write-downs.

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

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

- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

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

Therefore, as already for the half-year report, Greek securities covered by the action plan of July 21, classified under AFS assets, were subject to impairment, prudently including the entire negative reserve on these securities of Euro 14 million, with a net impact on the income statement of approx. Euro 7 million, taking account of the portion borne by policyholders and the tax effect.

The impairment was made considering the qualitative factors established by paragraph 59 of IAS 39 for the identification of the existence of objective evidence of impairment, with the related significant difficulty of the issuer to repay the bonds subject to the restructuring plan, which indicate an expected decrease in the future financial cash flows compared to those contractually established, as well as economic conditions which have induced creditors to concede conditions which previously would not have been considered.

In the preparation of the present financial statements, taking into account the above, and in particular of the agreement reached on February 24, it was considered appropriate to recognise to the income statement the entire differential between the book value at June 30 and the listed prices at December 31 of the Greek government bonds in portfolio, equal to Euro 26.8 million.

The impairment on Greek government bonds amounts therefore to Euro 40.8 million. The impact on the income statement, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 23.4 million.

The following table breaks down the exposure of the Milano Assicurazioni Group to Greek government debt securities (in Euro millions).

	Nominal value at 31.12.11	**Fair value at 31.12.2011**	**Impairment**	**Gross AFS reserve**	**AFS reserve net of policyholders share**
TOTAL AFS	51,470	13,146	40,817	-	-

Government bonds issued by Spain, Portugal, Ireland and Italy

The following table breaks down the exposure of the Milano Assicurazioni to government securities issued by other countries (the so-called Peripheral countries of the Eurozone) recorded to AFS assets. In accordance with that recently requested by the European Securities and Markets Authority (ESMA) also the Italian government securities are reported in the table (in thousands of Euro).

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	25,998	-	19,541	45,539	-5,877	-4,085
Portugal	-	685	-	-	685	-314	-218
Ireland	-	1,158	3,517	-	4,675	-1,019	-708
Italy	914,442	1,533,812	1,003,182	343,798	3,795,233	-368,119	- 307,059

Also in the portfolio at December 31, 2011 are:

- Euro 483.5 million of Italian government debt securities classified in the Loans & Receivables category (of which Euro 75 million with maturity between 1 and 5 years and Euro 408.5 million with maturity between 6 and 10 years) which report a loss on market prices at year end of Euro 67.6 million;

- Euro 18.6 million of Italian government debt securities classified in the Held to Maturity category with maturity between 1 and 5 years. These securities report a loss compared to the market prices at year-end of Euro 0.8 million.

Financial assets at fair value through the profit or loss account

The *Financial assets valued at fair value through profit or loss* includes the securities held for trading as well as those specifically allocated to this category. The listed financial instruments recorded in this category are valued at market value at the last day of trading in the period, with allocation of the difference to the carrying value to the income statement. The breakdown of the account is as follows:

(Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Financial assets at fair value through the profit or loss account	**226,104**	**288,590**	**-62,486**
Equity securities and investment funds	48,775	48,809	-34
Debt securities	165,203	237,673	-72,470
Other financial investments	12,126	2,108	10,018

Property and other fixed assets

The account *Property*, recorded under *Tangible fixed assets*, includes buildings for use by the company. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

Income from financial instruments and property investments

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

(Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Net income from financial instruments recorded at fair value through profit or loss	-15,127	-637	-14,490
Income from subsidiary and associated companies and joint ventures	388	1,727	-1,339
Income from other financial instruments and property investments of which:	*372,321*	*447,351*	*-75,030*
Interest income	238,143	213,206	24,937
Other income	51,803	70,063	-18,260
Profits realised	82,375	163,821	-81,446
Valuation gains	-	261	-261
Total income	**357,582**	**448,441**	**-90,859**
Charges from investments in subsidiaries, ass ociates and joint ventures	-17,549	-41,355	23,806
Charges from other financial instruments and property investments of which:	*-392,761*	*-511,752*	*118,991*
Interest expense	-12,518	-13,726	1,208
Other charges	-21,290	-23,047	1,757
Losses realised	-52,355	-56,731	4,376
Valuation losses	-306,598	-418,248	111,650
Total charges	**-410,310**	**-553,107**	**142,797**
TOTAL NET INCOME	**-52,728**	**-104,666**	**51,938**

The table reports net charges of Euro 52.7 million compared to Euro 104.7 million. The result includes impairments on financial instruments classified under the Available for Sale and Loans & Receivables categories (Euro 187.1 million) and on property investments (Euro 92.1 million). In particular, the impairments in 2011 on Available for Sale financial assets amount to Euro 180 million and principally refer to:

- further impairments on securities previously subject to impairment in the previous year, whose book value was aligned to the share price at December 31, 2011 in accordance with IAS 39 (IG.E.4.9); reference is made in particular to the shares of the direct parent company Fondiaria-Sai (Euro 32.1 million), Unicredit (Euro 44.6 million) and Generali (Euro 26.1 million);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 11.1 million relates to the shares of the indirect parent company Premafin;
- Greek government securities, for which the differential between the amortised cost and the listing price at the end of December of Euro 40.8 million was fully recognised to the income statement.

The other financial income/charges include:

- **interest income** amounted to Euro 238.1 million, compared to Euro 213.2 million at December 31, 2010 (+11.7%);
- **net profits to be realised** amounted to Euro 30 million (Euro 107.1 million in 2010), of which Euro 1.2 million relates to equity securities, Euro 14.8 million to investment fund units, Euro 10.9 million to bond securities and Euro 3.1 million to property investments;
- the **financial instruments at fair value recorded through profit and loss** report net charges of Euro 15.1 million compared to net charges of Euro 0.6 million in 2010. The result for 2011 was significantly impacted by the loss of Euro 17.9 million deriving from the sale of option rights concerning the parent company Fondiaria-Sai, undertaken in accordance with the provisions of the civil code which do not allow a company to subscribe to the shares of the parent company;
- **income from investments in subsidiaries, associated companies and joint ventures** relate principally to the associated company Sai Investimenti S.g.R. S.p.A.. The **charges from subsidiaries, associated companies and joint ventures** principally include the losses recorded in the period by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader.

Treasury shares and shares of holding companies

At December 31, 2011, the parent company Milano Assicurazioni held treasury shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

(Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Fondiaria-SAI shares	9,982,557	6,183
Premafin shares	9,157,710	1,143

As established by IAS 32.33, treasury shares are valued at acquisition cost and the corresponding value is subtracted from shareholders' equity. The shares of the direct parent company Fondiaria-Sai and the indirect parent company Premafin are recognised under AFS financial assets and as such are valued at the market price on the last contracting day of the period.

As already described, the book value of shares of the parent company Fondiaria-Sai were aligned with the stock market value at December 31 of Euro 0.6194, recording a total adjustment in value of Euro 32.1 million. The impairment was made in accordance with IAS 39 (IG.E.4.9) as the holding in Fondiaria-Sai was already written down in 2010.
As already described, the book value of shares of the parent company Fondiaria-Sai were aligned with the stock market value at December 31 of Euro 0.1248, recording a total adjustment in value of Euro 11.1 million. The adjustment was calculated according to the impairment policy of the group, already communicated in the 2010 annual accounts and in particular based on the standard which recognises a reduction in value following the recording of a market value continuously lower than the average weighted cost for a period of two years, even if the market value and the balance sheet fundamentals of the relative entity do not correlate.

Corporate governance and shareholder structure report

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 new Code, describing the actions already implemented at the date of the present report and those programmed to apply these recommendations. In the case of non-compliance with the recommendations of the Code, these are clarified and justified.

2) The Corporate Boards

2.1) <u>Board of Directors and Executive Committee</u>

The Board of Directors is responsible for operational activities and the organisational and strategic direction of the Company and the Group, in conjunction with the parent company FONDIARIA-SAI, 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 24, 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 13 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 Chief Executive Officer.
The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chief Executive Officer are described in the second section of the present report.

2.2) Board of Statutory Auditors

The Board of Statutory Auditors undertakes its duties in accordance with Legislative Decree 58/98.
The Statutory Auditors remain in office for three years. The procedure for their appointment, in accordance with law and the by-laws, stipulates that a statutory auditor and an alternate auditor are elected by the minority shareholders and that the Chairman of the Board of Statutory Auditors is deemed as the standing member elected by the minority shareholders.
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 FONDIARIA-SAI S.p.A. pursuant to article 2359, paragraphs 1 and 1 of the civil code.
Milano Assicurazioni is not aware of shareholder agreements relating to holdings in the share capital of the Company.

3) Management and control

The Company is subject to management and coordination by FONDIARIA-SAI pursuant to article 2497 of the Civil Code.
The Company is subject to rules of conduct created by FONDIARIA-SAI 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 the Company, 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) <u>Role of the Board of Directors</u>

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 its subsidiaries, within the FONDIARIA-SAI Group and, in particular, subject to the management and coordination by FONDIARIA-SAI and, therefore, within the strategic guidelines provided by the parent company. Examines and approves, in addition, the corporate governance system of the Company and the Group structure. In this remit and in relation to the other boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Company and its subsidiaries;

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 which it heads, 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.

In consideration of the fact that the Company is subject to the management and coordination of FONDIARIA-SAI, the directors take into account the directives and policies defined for the Group by the parent company FONDIARIA-SAI as well as the benefits deriving from belonging to the Group.

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) <u>Composition of the Board of Directors</u>

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 2013.

The appointment of the directors was deliberated at the Shareholders' AGM of April 27, 2011 on the proposal of the only slate by the majority shareholder.

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

We recall that the Shareholders' Meeting appointed 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 7 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 resolutions of the Executive Committee are reported to the Board at the following BoD meeting, together with updated information on the operations approved.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, Vice Chairman, Chief Executive Officer and 4 non-executive directors. 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) <u>Representative of the Company and delegation of powers by Board of Directors</u>

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 13 of the By-Laws, are attributed by the Board.

Currently the Board of Directors has delegated to the sole 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 shareholdings;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties;

- signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

The 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.

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 or which are influenced by a party who exercises direction and control.

The delegated boards (executive directors and Executive Committee) 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) 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 14 times, with an average duration of the meeting of approx. one hour and 52 minutes;
- the Executive Committee did not meet.

It is expected that a similar number of meetings of the Board of Directors will take place in 2012. At the date of the present report, 5 Board of Directors meetings had been held in 2012 and no Executive Committee meetings had been held.

1.7) 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, Gioacchino Paolo Ligresti and Antonio Talarico are no longer considered to be Executive Directors as no longer holding delegated management and functional direction powers in the group company Immobiliare Lombarda S.p.A. which manages the real estate assets of the Company.

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: Angelo Casò, Umberto Bocchino, Maurizio Carlo Burnengo, Maurizio Di Maio, Mariano Frey, Giuseppe Lazzaroni, Davide Maggi, Nicola Miglietta, Aldo Milanese and Simone Tabacci.

Therefore the regulations which require that the Board of Directors of MILANO ASSICURAZIONI, as a company subject to the management and coordination of another listed company, be composed of a majority of independent directors, was complied with.

The Board of Directors, most recently in February of the current year, 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 new 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.

In particular, the Board considered that the above-mentioned directors are not in the position indicated by the Code whereby they are disqualified as independent directors with the exception of the Director Mariano Frey who is in his tenth year as a Company Director - however the Board unanimously approved his independence (with the abstention of the Director himself), despite his extensive length of service in light of the specific activities carried out by him and the independence of judgement which he has always exercised and choosing therefore not to apply the recommendation of the Self-Governance 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 interested parties. In particular, the Board of Directors' meeting of January 30, 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.

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.

Although a lead independent director has not been appointed, we highlight that Mr. Davide Maggi 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, in the meeting of January 30, 2012, in appointing the financial and legal advisers in relation to the integration project proposed by the Unipol Group, also established a committee of four independent directors and, specifically, Davide Maggi, Maurizio Burnengo, Nicola Miglietta and Aldo Milanese who - together with the management – collaborate with the adviser, undertaking detailed examination, including through discussions of the action to be taken with the adviser.

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 Chief Executive Officer ensures 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.

1.8) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 14, 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:

Angelo CASO':

Chairman (without management duties):	Osvaldo S.r.l.
Director (without management duties):	Mediobanca S.p.A. Tre Laghi S.p.A.
Chair - Board of Stat. Auditors:	Alchera S.p.A. Benetton Group S.p.A. Bracco S.p.A. Bracco Imaging S.p.A. Edizione S.r.l. Fiditalia S.p.A.
Statutory Auditor:	Italmobiliare S.p.A.

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:	Artnetworth S.r.l. Atahotels S.p.A. Banca SAI 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. FONDIARIA-SAI S.p.A. Milan A.C. Sai Holding Italia S.p.A. Sailux S.A. Sainternational S.A. Sainternational Lugano Branch S.A.

Emanuele ERBETTA:

Chairman:	Eurosai S.r.l.
Deputy Vice Chairman	Fondazione Fondiaria-Sai
Chief Executive Officer:	FONDIARIA-SAI S.p.A.
Director:	Auto Presto & Bene S.r.l. Consorzio Servizi Logistici S.c.r.l. Consorzio Servizi Tecnologici S.c.r.l. Liguria Assicurazioni S.p.A.

Umberto BOCCHINO:

Chairman:	Gas Energia S.p.A.
Vice Chairman Supervisory Board:	Banca Popolare di Milano s.c.p.a.
Director:	Liguria Assicurazioni S.p.A. Liguria Vita S.p.A. SAI Investimenti SGR S.p.A. Fondazione Fondiaria-Sai BIT Orchestra S.r.l.
Statutory Auditor:	Acquedotto Monferrato S.p.A. Acquedotto di Savona S.p.A. AEM T.D. S.p.A. Beni di Batasiolo S.p.A.

Maurizio Carlo BURNENGO:

Director:	Campo Carlo Magno S.p.A. Saifin – Saifinanziaria S.p.A. Alinvest S.r.l. Chiaravalli Group S.p.A. Gionicem S.r.l. S.D.E. Motorsport S.r.l. Termignoni S.p.A. TMB S.r.l.
Statutory Auditor:	Chiara Assicurazione S.p.A. Chiara Vita S.p.A. Cedacri S.p.A. C-Global S.p.A. C-Card S.p.A. RE Valuta S.p.A. Ribes S.p.A. Sigrade S.p.A. Gruppo GPA S.p.A. GPA S.p.A. Tre Ci S.p.A. Pulsar Risks S.p.A. Mediorischi S.p.A. Immobiliare Lell S.p.A. Gestioni Finanziarie Fernanda S.p.A. Camera Moda S.r.l. Bramani S.r.l. Formaggi d'Italia S.r.l. CVA Nicroram S.r.l.

Barbara DE MARCHI:

Director:	SIAT S.p.A. Sopabroker S.p.A.

Maurizio DI MAIO:

Chairman:	Agos Ducato S.p.A.
Director:	Banco Popolare Soc. Coop.

Mariano FREY:

Chairman:	Roland Berger Strategy Consultants S.r.l.
Director:	Roland Berger Strategy Consultants Lisbona CIDI S.p.A., Milano Italy1 Investment S.A.
Sole Director of:	Berger Frey Advisor

Giuseppe LAZZARONI:

Director:	Banca SAI S.p.A. Premafin Finanziaria S.p.A. Sai Mercati Mobiliari SIM S.p.A. Directa Plus S.r.l.

Jonella LIGRESTI:

Chairman:	FONDIARIA-SAI S.p.A. Sai Holding Italia S.p.A.
Director:	ASSONIME Associazione fra le società italiane per azioni Italmobiliare S.p.A. Mediobanca S.p.A. RCS MediaGroup S.p.A.

Davide MAGGI:

Statutory Auditor:	Mercantile Leasing S.p.A. Ponti S.p.A.

Nicola MIGLIETTA:

Director:	Sviluppo Investimenti Estero S.p.A. Telit Communications PLC

Chair. Board of Statutory Auditors:	Atmos Wind Due S.p.A. Energia & Servizi S.r.l. F2i Sistema Aeroportuale Campano S.p.A. Hines Italia Capital S.r.l. Inbetween SGR S.p.A. Profilo Asset Management SGR S.p.A.
Statutory Auditor:	First Capital S.p.A. Fondamenta SGR S.p.A. F.a.g. Artigrafiche S.p.A. Impregilo S.p.A.

Aldo MILANESE:

Director:	Azimut Holding S.p.A.
Chair. Board of Statutory Auditors:	AEM Torino Distribuzione S.p.A. CEIP S.c.p.a. Infratrasporti To S.r.l. IREN S.p.A. Teksid S.p.A. UniManagement S.r.l.
Statutory Auditor:	FinecoBank S.p.A. Magneti Marelli S.p.A. Pegaso Investimenti Campioni d'Impresa Spa

Massimo PINI:

Chairman:	ADR Advertising S.p.A. Patto di Sindacato GEMINA S.p.A.
Vice Chairman:	FONDIARIA-SAI S.p.A. Gemina S.p.A.
Director:	Finadin S.p.A. Impregilo S.p.A.
Management Board member of:	Patto di Sindacato RCS

Salvatore RUBINO:

Chairman:	Sai Mercati Mobiliari SIM S.p.A.
Vice Chairman:	Saifin Saifinanziaria S.p.A.
Sole Director:	Raggruppamento Finanziario S.p.A.
Director:	Immobiliare Costruzioni IM.CO. S.p.A. SAI Investimenti SGR S.p.A. Sopabroker S.p.A.

Simone TABACCI:

Director:	Alerion Energie Rinnovabili S.r.l.

Alessandra TALARICO:

Director:	Italresidence S.r.l. Liguria Assicurazioni S.p.A. SIAT S.p.A. Sopabroker S.p.A. ACM Servizi Assicurativi S.p.A.

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:	FONDIARIA-SAI S.p.A. Impregilo S.p.A. Saiagricola S.p.A. Immobiliare Lombarda S.p.A.
Director:	Atahotels S.p.A. IGLI S.p.A. Sai Investimenti SGR S.p.A.

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 Milano Assicurazioni, 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.

1.9) 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 concentrated and therefore 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 27, 2011 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 24, 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 21, 2008 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.

1.10) <u>Director remuneration</u>

The remuneration of directors is decided by the Board pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the party concerned, and with the prior favourable approval of the Remuneration Committee as per point 1.12 below. It should be noted that before the appointment by the Board of Directors of MILANO ASSICURAZIONI of December 20, 2011, of its own Remuneration Committee, the relative duties were undertaken, also with reference to MILANO ASSICURAZIONI, by the Board of Directors of the parent company FONDIARIA-SAI.

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

In 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 for good 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.

1.11) <u>Stock options plans</u>

On April 28, 2011 the term established by the Extraordinary Shareholders' Meeting of FONDIARIA-SAI of April 28, 2006 concluded for the exercise by the Board of Directors of the parent company of the July 14, 2006 resolution for the assignment of options of the FONDIARIA-SAI 2006-2011 stock option plan for executive directors and management of FONDIARIA-SAI, of its subsidiaries, among which MILANO ASSICURAZIONI, as well as the holding company PREMAFIN FINANZIARIA, for the purchase of FONDIARIA-SAI saving shares.

The assignment by the Board of FONDIARIA-SAI was made in executive of the extraordinary shareholders' meeting resolution of FONDIARIA-SAI of April 28, 2006.

In relation to the management, the options were therefore assigned also to executives of Milano Assicurazioni, in addition to executives of FONDIARIA-SAI which undertake their functions within the centralised structure of the Group, therefore exercising their activities also on behalf of the Company. 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.

With regard to the executive directors, it is intended to create, in principle, also in relation to MILANO ASSICURAZIONI, 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 FONDIARIA-SAI 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.

1.12) Remuneration Committee

The Board of Directors' meeting of December 20, 2011 appointed a Remuneration Committee pursuant to Isvap Regulation No. 39 of June 9, 2011.

In accordance with this regulation and also taking into account the recommendations of the Self-Governance Code of listed companies, three non-executive and independent directors were appointed to the committee, in the persons of Mr. Davide Maggi (lead coordinator), Mr. Mariano Frey and Mr. Maurizio Burnengo.

The Remuneration Committee was therefore attributed the following duties, in line with both the Self-Governance Code of listed companies, as recently modified, and the provisions of Isvap Regulation No. 39 of June 9, 2011:

- 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;
- verify that, where the company avails of external consultants for the determination of the remuneration policy, the consultants do not undertake other consultancy services for the directors or parties involved in the decisional process.

On the approval of the procedures for transactions with related parties, subject to point 1.13 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.

In 2012, the Remuneration Committee has so far met once.

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

The Board of Directors approved, until May 2005, specific conduct principles for the undertaking of significant operations and of operations with related parties. 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 transactions, including those – in particular – with related parties.

Significant tranactions

In the attribution to the Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Milano Assicurazioni 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 direct and indirect parent company and with the parties controlled by this latter not through Milano Assicurazioni, 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 new 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. Where this relates to an Executive Director, he must abstain from undertaking the operation.

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.

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On November 30, 2010, the Board of Directors of MILANO ASSICURAZIONI 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 Internal Control 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 direct parent company FONDIARIA-SAI or the indirect parent company PREMAFIN FINANZIARIA or related parties to these latter which in turn are related to the Company.

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 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 20, 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 20, 2011 takes into account the recent creation, by the parent company FONDIARIA-SAI on 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 of FONDIARIA-SAI 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, in office until the approval of the financial statements at December 31, 2013, 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 27, 2011, 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 16 times with an average meeting duration of three hours, in addition to the time necessary for drawing up the reports. It is expected that a similar number of meetings will take place in 2012. Currently, the Board of Statutory Auditors has met twice in 2012.

The Board of Statutory Auditors in 2011 attended 12 meetings of the Internal Control Committee, 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% 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 27, 2011 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.

Giovanni OSSOLA

Chairman:	A.T.I.V.A. S.p.A.
Chair. Board of Statutory Auditors:	Comital S.p.A. Liguria Assicurazioni S.p.A. Liguria Vita S.p.A. Vianini Industria S.p.A.
Statutory Auditor:	Cariparma S.p.A.

Maria Luisa MOSCONI

Statutory Auditor:	Banca SAI S.p.A. Premafin Finanziaria S.p.A. Risanamento S.p.A.
Member Supervision Board of:	Banca Popolare di Milano

Alessandro Rayneri

Chairman:	AKSIA GROPUP SGR S.p.A.
Chair. Board of Statutory Auditors:	Banca Reale S.p.A. Banca Sella Holding S.p.A. Mustad S.p.A. Reale Immobili S.p.A. Società Reale Mutua di Assicurazioni
Statutory Auditor:	E.C.A.S. 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 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 "Risk and Control" Manager:

- hierarchically reports to his department and functionally to the Risk Management department;
- is the contact person between Level 1 and Level 2 controls;

- undertakes support activities to the “Process Owners” to protect the business processes, collect data and analyse the risks, monitor the risks, manage the mitigation actions of the risks, and prepare periodic reporting;
- undertakes a methodology based on the consolidated census criteria of Basilea II and Solvency II with the objective to guarantee coverage of all risk events and evaluate them in relation to the existence and quality of the relative controls.

The risk and control management system, in conjunction with the activity undertaken by the line controls department, is represented by the Audit, Compliance and Risk Management Departments which are hierarchically independent from the operating departments and reports functionally and hierarchically to the Board of Directors. Also the “Solvency II” directive attributes to these departments, together with the actuarial functions, a key role in the overall governance.
It is recalled that during 2011, at FONDIARIA-SAI Group level a review of the Audit, Compliance and Risk Management departments took place, in order to identify, where necessary, appropriate corrective actions of both an organisational and procedural nature. Within this activity, the Group 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 1.13 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 of the parent company FONDIARIA-SAI.

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;

- 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 headed by MILANO ASSICURAZIONI 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. This person undertakes their duties for MILANO ASSICURAZIONI and the insurance companies directly controlled by this latter.

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. The Company will outsource to the parent company FONDIARIA-SAI these activities.

The 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 MILANO ASSICURAZIONI has therefore adopted the document and set out its operating limits accordingly or established whether the structure of the limits defined is appropriate, taking account of its own idiosyncrisies and possible restrictions in relation to risk tolerance.

Therefore within the FONDIARIA-SAI Group an adjustment programme to Solvency II is underway which provides for the constant monitoring of the impacts of the new solvency regulations, both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In July 2011, the FONDIARIA-SAI Group updated the "Solvency II Project", in line with that declared in the July 2010 resolution for the formal request of admission to the pre-application process for its internal model. Within this update, undertaken in order to ensure constant alignment of the Programme to the finalisation process of the Solvency II regulation, the FONDIARIA SAI Group also redefined the application scope of its internal model assuming as benchmark the matters highlighted in the Quantitative Impact Study 5 (QIS 5).

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

From the comparative analysis of the risk estimates obtained from the standard formula and from the internal model, the possibility emerged not to consider the use of the internal model for some specific business classes. In view of this consideration, some companies were excluded, at least initially, from the scope of application of the internal model, among these the direct subsidiaries of MILANO ASSICURAZIONI 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. The Company will outsource to the parent company FONDIARIA-SAI these activities.

The Group Compliance department prepares annually for the Company, and each of its direct subsidiaries, a work plan which is presented to the Board of Directors.

3.2.4) The 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 MILANO ASSICURAZIONI. The Audit activities also extend to the business processes of Milano Assicurazioni and its direct subsidiaries (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Audit department annually prepares the Audit Plan for MILANO ASSICURAZIONI 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 MILANO ASSICURAZIONI and the other Group companies. The Group Audit Department undertakes their activity in an autonomous and independent manner reporting to the Board of Directors of MILANO ASSICURAZIONI, 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. The Company 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 Audit department.

3.2.5) Control co-ordination committee

The Board of Directors' meeting of December 20, 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 of the Parent Company FONDIARIA-SAI – 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 for the above-mentioned three committees, with the function to present proposals to the Chief Executive Officer and the Board of Directors of the parent company, are reported below.

In view of the recent appointment of the managers of the control functions of 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 the 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 proposal, 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 proposal 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 Davide Maggi, Mariano Frey and Aldo Milanese. Mr. Maggi 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.

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

The Internal Control Committee carries out the following consultation and proposal duties, with all final decisions devolving to the Board of Directors:

a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;

b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;

c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the Executive Responsible for the preparation of corporate accounting documents pursuant to Legislative Decree No. 58/98 (hereafter: Manager in charge

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 20, 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 1.13, the procedures for transactions with related parties, approved by the Board of Directors most recently on December 20, 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 12 times, with an average duration of the meetings of 1 hour 37 minutes. 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 corporate documents

The Board of Directors' meeting of October 20, 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 FONDIARIS-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 Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Milano Assicurazioni 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.

Finally, the Board of Directors on February 15, 2005 approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Milano Assicurazioni believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

4) Independent Audit Firm

The ordinary Shareholders' Meeting of April 26, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

5) The Shareholders' Meeting and relations with the market

5.1) <u>Shareholders' Meetings</u>

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, as an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information.

Normally all of the directors attend the Shareholders' Meetings.

The shareholders' meetings are called through published notices, within the time period established by Law concerning the first call, on the internet site of the company, in the Official Gazette and in the newspaper Il Sole 24 Ore.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion.

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

5.2) General representative of the saving shareholders

The special shareholders' meeting of savings shareholders of April 21, 2009 appointed Mr. Lucio Crispo Common Representative of the Savings Shareholders for the years 2009/2010/2011 and, therefore, until the approval of the financial statements as at December 31, 2011.

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 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/-6657642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) 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 the Group 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.

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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 set up on December 20, 2011		Nomination Committee ◊		Executive Committee	
Office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman	Casò Angelo		X	X	100% from 27/4/2011	10							X from 27/04/11	
Vice Chairman	Ligresti Gioacchino Paolo		X		65%	20							X	
Chief Executive Officer	Erbetta Emanuele	X			100%	7							X from 27/04/11	
Director	Bocchino Umberto		X	X	86%	11	X	100% up to 27/04/11					X	
Director	Burnengo Maurizio Carlo		X	X	100% from 27/4/2011	27			X				X from 27/04/11	
Director	De Marchi Barbara		X		72%	2								
Director	Di Maio Maurizio		X	X	51%	2								
Director	Frey Mariano		X	X	86%	5	X	75%	X					
Director	Lazzaroni Giuseppe		X	X	91% from 27/04/11	4								
Director	Ligresti Jonella		X		93%	6								
Director	Maggi Davide		X	X	100% dal 27/4/2011	2	X	100% from 27/04/11	X					
Director	Miglietta Nicola		X	X	100% dal 27/4/2011	12								
Director	Milanese Aldo		X	X	91% from 27/04/2011	10	X	75% from 27/04/11						
Director	Pini Massimo		X		86%	7							X	
Director	Rubino Salvatore		X		86%	6							X up to 27/04/11	
Director	Tabacci Simone		X	X	93%	1								
Director	Talarico Alessandra		X		100%	5								
Director	Talarico Antonio		X		93%	10							X	

Board of Directors (2011)							Internal Control Committee		Remuneration Committee set up on December 20, 2011		Nomination Committee ◊		Executive Committee	
Director no longer in office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
	Marchionni Fausto	X			100% fino al 27/4/2011								X up to 27/01/11	
	Rucellai Cosimo		X	X	100% fino al 27/4/2011		X	100% up to 27/04/11					X up to 27/04/11	
	Dezzani Flavio		X	X	--- up to 27/04/2011									
	Ligresti Giulia Maria		X		65% up to 23/12/2011								X up to 23/12/2011	
	Randazzo Francesco		X	X	33% up to 27/04/2011									

- Mr Fausto Marchionni was the Chiarman and CFO until January 27, 2011. After this date he remained a Director until April 27, 2011.
- Mr. Emanuele Erbetta was the Chairman and CFO until April 27, 2011.

TABLE 1: STRUCTURE OF BOD AND COMMITTEES

◊ Reasons for non-establishment of a Committee: *The ownership of the Company is concentrated and there have never been difficulties by the controlling shareholder to prepare proposals Nomina*

Number of meetings held in the year	*BoD: 14*	*Internal Control Committee: 14*	*Executive Committee: nessuna riunione*		

NOTES

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
** This column indicates with an "X" whether the member of the BoD is a member of the Committee.
******* This column indicates the percentage of participation of the director in relation to the number of BoD and Committee meetings.

TABLE 2: BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of participation at Board meetings	Number of other offices *
Chairman	Ossola Giovanni	100%	6
Statutory Auditor	Mosconi Maria Luisa	94%	4
Statutory Auditor	Rayneri Alessandro	94%	7
Alternate Auditor	Aldè Giuseppe		
Alternate Auditor	De Re Claudio		
Alternate Auditor	Frascinelli Roberto – until 27.4.2011		
Alternate Auditor	Zeme Michela – from 27.4.2011		
Number of meetings held in the year: 16			
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%			

NOTES

* 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.

TABLE 3: OTHER REQUIREMENTS OF THE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of “significant” operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		

Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	*The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.*
Internal Control			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)	*Group Audit Department*		
Investor relations			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations	*Investor Relations Department* - Corso G. Galilei, 12 TORINO Tel. 011-6657.642 e-mail: investorrelations@fondiaria-sai.it		

Disclosures on Share Ownership pursuant to article 123 of the Consolidated Finance Act at 14/03/2011

a) Share capital structure

The subscribed and paid-in share capital is Euro 373,682,600.42.

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

	No. of shares	% of share capital	Quoted on	Rights
Ordinary shares	1.842.334.571	94,731	MTA-BORSA ITALIANA S.p.A.	(*)
Non convertible savings shares	102.466.271	5,269	MTA-BORSA ITALIANA S.p.A.	(**)

(*) Each Milano Assicurazioni S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Milano Assicurazioni S.p.A.
On the distribution of the profits or on the liquidation of the company the ordinary shares of Milano Assicurazioni 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 24 and 25 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.
Savings shares receive a dividend of 5% of Euro 0.52 (and therefore Euro 0.026). Where the profits for the year do not permit a dividend of 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 3% of Euro 0.52 (and therefore Euro 0.0156).
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 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, are as follows:

PARTY	DIRECT HOLDER	% OF SHARE CAPITAL	% OF VOTING SHARE CAPITAL
FONDIARIA-SAI S.P.A.		63.764	63.630
	FONDIARIA-SAI S.P.A.	61.098	61.324
	FONDIARIA NEDERLAND BV	1.512	1.518
	SAI HOLDING ITALIA S.P.A.	0.515	0.516
	MILANO ASSICURAZIONI S.P.A. (*)	0.367	-
	SAINTERNATIONAL S.A.	0.201	0.201
	PRONTO ASSISTANCE S.P.A.	0.055	0.055
	POPOLARE VITA S.P.A.	0.016	0.016

(*) excluded voting right pursuant to law.

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 Milano Assicurazioni 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

Loan contracts signed by some direct on indirectly held subsidiaries may provide normal change of control clauses 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 sucession plans for directors.

l) Appointment and replacement of the directors and changes to the by-laws

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 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:

a) 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;
b) 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 the Company of April 27, 2011 decided:

- to remove, in accordance with Articles 2328 and 2346 of the civil code, indications of the nominal value of ordinary and savings shares comprising the share capital, of Euro 0.52 in accordance with Article 6 of the by-laws, therefore not expressing a nominal value of such shares;
- the conferment to the Board of Directors, 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 350,000,000, through the issue of ordinary and saving shares with the same rights as those in circulation, to be offered as options respectively to ordinary and saving shareholders, while authorising the widest possible powers for the Board of Directors to establish, within the limits set out above and in compliance with applicable regulations and the terms and conditions of the share capital increase, including the number and issue price of the new shares.

The Board of Directors' meeting of May 14, 2011 resolved in execution of the powers conferred by the above-mentioned Extraordinary Shareholders' Meeting, to undertake a paid-in divisible share capital increase for a total amount, including share premium, of Euro 350 million, through the issue of new ordinary and savings shares without nominal value, with the same rights as those in circulation, to be offered as options to shareholders.

The Board of Directors' meeting of June 22, 2011 approved, in execution of the power attributed by the Extraordinary Shareholders' Meeting, to increase the divisible paid-in share capital for a maximum nominal value of Euro 67,831,259.30 through the issue of: (i) a maximum 1,284,898,797 ordinary shares and (ii) a maximum 71,726,389 savings shares without nominal value, with the same rights as those in circulation at the issue date (and therefore including the coupon at that date), to be offered as options to shareholders.

On June 22, 2011, the Board of Directors approved the final conditions of the share capital increase:

- issue price of Euro 0.2574 for each ordinary share and Euro 0.2646 for each savings share;
- rights option established as 7 new ordinary shares for every 3 ordinary shares and 7 new savings shares for every 3 savings shares.

At the end of the subscription period, the share capital of Milano Assicurazioni S.p.A. was Euro 373,682,600.42, divided into 1,842,334,571 ordinary shares and 102,466,271 savings shares not convertible and without nominal value.
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 27, 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 present deliberation date, for a maximum increase, taking into account any sales in the period, of 5,000,000 ordinary and/or savings treasury shares, within a maximum amount of Euro 10,000,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by Consob, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

Principal characteristics of the risk management and internal control system in relation to the financial disclosure process in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

Introduction

The Company, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code for listed companies, is progressively implementing the Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a 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 Milano Assicurazioni, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: The Management Model).

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

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

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

The Company has mapped the administrative-accounting processes, identified through a significance rating based on the preparation of the financial statements, with:
- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market.

  These evaluations were carried out using the following parameters:
  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

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

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

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

- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Organisation management, the updating of the documentation relating to the corporate processes;
- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting 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 Company has prepared a procedure, identifying the Risks and Controls 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.58/9, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.

The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.

The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

In order to increase the level of responsibility undertaken by the various personnel in relation to regulations in force, the Management Model has established internal declarations of the individual Process Owners who declare that the administrative-accounting procedures relating to the corporate processes correctly represent the activities and the controls necessary to offset the administrative-accounting risks. The declaration provision methods above are regulated through a relative procedure.

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Internal Control Committee.

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.

Other Information

Litigation

At December 31, 2011, there were 44,631 claims open, of which 34,693 related to the Motor TPL class. During the year, 22,440 cases were defined, of which 19,029 relating to the Motor TPL class.

Stock Exchange Listing

From June 27, 2011 the share capital increase began of Milano Assicurazioni, approved by the Board of Directors of May 14 and of June 22, 2011, in execution of the power conferred by the Extraordinary Shareholders' Meeting of April 27, 2011. The capital increase provided for:

- the issue of 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each;
- the issue of 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

As described in the notes to the financial statements , the share capital increase concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

Taking account of the adjustments concerning the increase, in 2011, the ordinary share price was valued in a range between a minimum of Euro 0.2123 at December 14, 2011 and a maximum of Euro 0.88659 at March 11, 2011; the minimum listing for savings shares was Euro 0.171 on December 20, 2011 with a maximum of Euro 0.8899 on March 10, 2011.

The stock exchange capitalisation at the year-end was Euro 440.1 million (Euro 706.6 million at 31/12/2010), lower than the net book value. 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 for the purposes of the financial statements confirm the correctness of the shareholders' equity recorded.
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*.

Business outlook

The first part of 2012 saw confirmation and strengthening of the improvement for ordinary insurance operations emerging in 2011. In particular, in the Motor TPL class the number of claims reported continues to contract as a result of the actions implemented in relation to the previous multi-risk portfolio and concerning tariff changes, undertaken in order to permit a better synthesis of the tariff mutuality to the effective client risk, making the guarantees offered more competitive on a national level.

The underwriting policy of the **other non-life classes** focuses on a prudent selection of risks, favouring the retail sector and small and medium-sized enterprises which operate in profitable regions, and the application of rigorously adjusted technical tariffs.

In relation to the financial management, we are currently seeing signs of improvement on the financial markets. 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 from over 500 basis points at the end of 2011 to the current 300.

Consolidated Financial Statements

In accordance with IAS 1.10, the Financial Statements consist of:

- Balance Sheet
- Income Statement
- Statement of Comprehensive income
- Statement of change in shareholders' equity
- Cash flow statement
- Notes to the financial statements which contain, among others, the accounting policies and the evaluation criteria adopted.

The balance sheet, income statements, the statement of changes in shareholders' equity and the cash flow statement are prepared according to the format approved by Isvap with Regulation No. 7 of July 13, 2007 and the modifications introduced by Provision No. 2784 of March 8, 2010.
In particular, the comprehensive income statement includes profits and losses which are recorded to net equity as required and permitted by the IAS/IFRS International Accounting Standards; a statement of the other components of the comprehensive income statement are also reported, prepared based on Provision No. 2784.

The notes to the financial statements take account of the information requested by the above-stated Isvap Regulation and contain additional information which are considered best practice, particularly in relation to some illustrative examples contained in some IAS standards.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

BALANCE SHEET - ASSETS

		2011	2010
1	**INTANGIBLE ASSETS**	**242,489**	**250,012**
1.1	Goodwill	231,052	231,052
1.2	Other intangible assets	11,437	18,960
2	**PROPERTY, PLANT & EQUIPMENT**	**52,350**	**64,111**
2.1	Buildings	47,006	58,141
2.2	Other tangible assets	5,344	5,970
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**328,931**	**434,652**
4	**INVESTMENTS**	**8,355,884**	**9,101,143**
4.1	Investment property	910,693	1,000,349
4.2	Investments in subsidiaries, associates and joint ventures	100,416	202,391
4.3	Investments held to maturity	128,927	121,798
4.4	Loans and receivables	905,538	660,504
4.5	AFS Financial assets	6,084,206	6,827,511
4.6	Financial assets at fair value through the profit or loss account	226,104	288,590
5	**OTHER RECEIVABLES**	**959,272**	**1,034,818**
5.1	Receivables from direct insurance operations	614,040	662,794
5.2	Receivables from reinsurance operations	47,067	69,553
5.3	Other receivables	298,165	302,471
6	**OTHER ASSETS**	**558,122**	**327,893**
6.1	Non-current assets or of a discontinued group held for sale	44,503	3,451
6.2	Deferred acquisition costs	10,741	7,477
6.3	Deferred tax assets	393,848	205,915
6.4	Current tax assets	40,595	42,821
6.5	Other assets	68,435	68,229
7	**CASH AND CASH EQUIVALENTS**	**470,804**	**284,665**
	TOTAL ASSETS	**10,967,852**	**11,497,294**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		2011	2010
1	**SHAREHOLDERS' EQUITY**	**929,537**	**1,304,567**
1.1	**Group**	**928,212**	**1,303,248**
1.1.1	Share Capital	373,682	305,851
1.1.2	Other equity instruments		
1.1.3	Capital reserves	951,244	718,147
1.1.4	Retained earnings and other reserves	350,086	980,995
1.1.5	(Treasury shares)	-31,353	-31,353
1.1.6	Translation reserve		
1.1.7	Profit or loss on AFS financial assets	-222,178	1,989
1.1.8	Other gains and losses recorded directly in equity	-5,790	-3,670
1.1.9	Group net loss	-487,479	-668,711
1.2	**Minority interest**	**1,325**	**1,319**
1.2.1	Minority capital and reserves	1,461	1,502
1.2.2	Gains and losses recorded directly in equity	-8	-3
1.2.3	Minority interest loss	-128	-180
2	**PROVISIONS**	**119,870**	**136,139**
3	**TECHNICAL RESERVES**	**9,072,199**	**9,144,336**
4	**FINANCIAL LIABILITIES**	**370,197**	**427,946**
4.1	Financial liabilities at fair value through profit or loss account	70,858	61,643
4.2	Other financial liabilities	299,339	366,303
5	**PAYABLES**	**290,509**	**309,410**
5.1	Payables from direct insurance operations	24,723	31,388
5.2	Payables from reinsurance operations	26,604	40,428
5.3	Other payables	239,182	237,594
6	**OTHER LIABILITIES**	**185,540**	**174,896**
6.1	Liabilities in a discontinued group held for sale		
6.2	Deferred tax liabilities	46,542	33,223
6.3	Current tax liabilities		2,164
6.4	Other liabilities	138,998	139,509
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,967,852**	**11,497,294**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

INCOME STATEMENT

In Euro thousands

		2011	2010
1.1	Net premiums	3,279,514	3,464,853
1.1.1	*Gross premiums written*	*3,421,124*	*3,613,941*
1.1.2	*Premiums ceded to re-insurers*	*-141,610*	*-149,088*
1.2	Commission income	851	874
1.3	Income and charges from financial instruments at fair value through profit or loss	-15,127	-637
1.4	Income from investments in subsidiaries, associates and joint ventures	388	1,727
1.5	Income from other financial instruments and property investments	372,321	447,351
1.5.1	*Interest income*	*238,143*	*213,206*
1.5.2	*Other income*	*51,803*	*70,063*
1.5.3	*Profits realised*	*82,375*	*163,821*
1.5.4	*Valuation gains*		*261*
1.6	Other revenue	180,098	166,549
1	**TOTAL REVENUES AND INCOME**	**3,818,045**	**4,080,717**
2.1	Net charges relating to claims	-3,062,765	-3,278,381
2.1.1	*Amounts paid and changes in technical reserves*	*-3,123,757*	*-3,342,507*
2.1.2	*Reinsurers' share*	*60,992*	*64,126*
2.2	Commission expenses	-233	-82
2.3	Charges from investments in subsidiaries, associates and joint ventures	-17,549	-41,355
2.4	Charges from other financial instruments and property investments	-392,761	-511,752
2.4.1	*Interest expense*	*-12,518*	*-13,726*
2.4.2	*Other charges*	*-21,290*	*-23,047*
2.4.3	*Losses realised*	*-52,355*	*-56,731*
2.4.4	*Valuation losses*	*-306,598*	*-418,248*
2.5	Management expenses	-632,686	-668,834
2.5.1	*Commissions and other acquisition expenses*	*-508,066*	*-541,282*
2.5.2	*Investment management charges*	*-5,521*	*-4,107*
2.5.3	*Other administration expenses*	*-119,099*	*-123,445*
2.6	Other costs	-336,679	-335,182
2	**TOTAL COSTS AND CHARGES**	**-4,442,673**	**-4,835,586**
	LOSS BEFORE TAXES	**-624,628**	**-754,869**
3	Income tax	106,170	82,697
	NET LOSS	**-518,458**	**-672,172**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**30,851**	**3,281**
	CONSOLIDATED LOSS	**-487,607**	**-668,891**
	group share	**-487,479**	**-668,711**
	minority share	**-128**	**-180**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	2011	2010
CONSOLIDATED LOSS	**-487,607**	**-668,891**
Change in reserve for net exchange differences		
Profit or loss on AFS financial assets	-224,172	150,548
Profit or loss on cash flow hedges	-2,522	-599
Profit or loss on a net foreign investment hedge		
Change in net equity of holdings		
Change in revaluation reserve of intangible assets		
Change in revaluation reserve of tangible fixed assets		
Income/(charges) on non-current assets or of a discontinued group held for sale		1,322
Acturarial profits and losses and adjustments to employee defined plans	402	-605
Others items		
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-226,292**	**150,666**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**-713,899**	**-518,225**
group share	**-713,766**	**-518,643**
minority share	**-133**	**418**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Breakdown of other items of the comprehensive income statement

	Allocation		Adjustments from reclassifications to Income Statement	
	2011	2010	2011	2010
Translation reserve				
Profit or loss on AFS financial assets	-369,439	-194,469	145,267	345,060
Profit or loss on cash flow hedges	-2,522	-599		
Profit or loss on a net foreign investment hedge		1		
Reserve for change in net equity of holdings				
Revaluation reserve of intangible assets				
Revaluation reserve of tangible assets				
Income/(charges) on non-current assets or of a discontinued group held for sale				
Acturarial profits and losses and adjustments to employee defined plans	402	-605		
Others items				
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-371,559**	**-195,673**	**145,267**	**345,060**

Other changes		Total changes		Income tax		Balance	
2011	2010	2011	2010	2011	2010	2011	2010
	-43	-224,172	150,548	91,005	41,452	-222,186	1,986
		-2,522	-599	1,318	286	-3,541	-1,019
	1,322		1,322		-631		
		402	-605	-210	289	-2,249	-2,651
	1,279	**-226,292**	**150,666**	**92,113**	**41,396**	**-227,976**	**-1,684**

Statement of changes in Consolidated Shareholders’ Equity for the year ended December 31, 2011

Relating to the statement of change in shareholders' equity, the attachment to Isvap Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, which satisfies the disclosures of IAS 1, is shown below.

The column *allocation* relates to the allocation of the profit or loss for the year, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves, the internal movements to the equity reserves and the changes in profits and losses recorded directly in equity.

The column *Reclassification adjustments to the income statement* include the gains and losses previously recorded directly in equity which are reclassified in the income statement in accordance with international accounting standards (for example following the sale of an AFS financial asset).

The *transfers* report the ordinary and extraordinary distribution of dividends, the decrease of capital and other reserves, among which the purchase of treasury shares and the attribution of profits or losses recorded directly to net equity to other Balance Sheet accounts.

The table highlights all of the changes net of taxes and of profits and losses, deriving from the valuation of AFS financial assets, attributable to policyholders and recorded under insurance liabilities.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31-12-09	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement
Group shareholders' equity	Share Capital	305,851			
	Other equity instruments				
	Capital reserves	718,147			
	Retained earnings and other reserves	1,181,009		-152,095	
	(Treasury shares)	-31,353			
	Profit/(loss) for year	-139,987		-516,616	
	Other comprehensive income items	-151,746		-195,669	345,060
	Total Group	**1,881,921**		**-864,380**	**345,060**
Minority shareholders' equity	Minority capital and reserves	104,531		28	
	Profit/(loss) for year	2,075		-77	
	Other comprehensive income items	-604		-4	
	Minority share	**106,002**		**-53**	
Total		**1,987,923**		**-864,433**	**345,060**

Transfers	Balance at 31-12-10	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 31-12-11
	305,851		67,831			373,682
	718,147		233,097			951,244
-47,919	980,995		-630,909			350,086
	-31,353					-31,353
-12,108	-668,711		181,232			-487,479
674	-1,681		-371,554	145,267		-227,968
-59,353	**1,303,248**		**-520,303**	**145,267**		**928,212**
-103,057	1,502		-41			1,461
-2,178	-180		52			-128
605	-3		-5			-8
-104,630	**1,319**		**6**			**1,325**
-163,983	**1,304,567**		**-520,297**	**145,267**		**929,537**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

CASH FLOW STATEMENT (indirect method)

	2011	2010
Loss before taxes	**-624,628**	**-754,869**
Non-cash adjustments	**441,588**	**759,424**
Change in non-life unearned premium reserve	-43,050	14,979
Change in claims reserve and other non-life technical reserves	366,243	190,469
Change in actuarial reserves and other life technical reserves	-231,300	29,791
Change in deferred acquisition costs	-4,660	0
Change in provisions	-16,269	46,338
Non-cash income/charges from financial instruments, property investments and holdings	316,627	474,364
Other Changes	53,997	3,483
Change in payables and receivables from operating activities	**53,870**	**52,483**
Change in payables and receivables from direct insurance operations and reinsurance	50,751	86,380
Change in other payables and receivables	3,119	-33,897
Income taxes paid	**-583**	**-229**
Net liquidity generated/absorbed from cash items relating to investing and financing activities	**68,542**	**35,640**
Liabilities from financial contracts issued by insurance companies	8,238	-5,977
Bank and interbank payables		
Loans and receivables from banks and interbank		
Other financial instruments at fair value recorded to the income statement	60,304	41,617
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**-61,211**	**92,449**

Net liquidity generated/absorbed from property investments	-18,722	40,236
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	57,472	-13,060
Net cash generated/absorbed from loans and receivables	-246,712	-149,164
Net cash generated/absorbed from investments held to maturity	-7,046	-6,602
Net cash generated/absorbed from AFS financial assets	190,473	36,789
Net cash generated/absorbed from intangible and tangible fixed assets	-15	7,976
Net cash generated/absorbed from investing activities		225,183
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-24,550**	**141,358**

Net cash generated/absorbed from Group equity instruments	338,730	-1,404
Net cash generated/absorbed from treasury shares	0	0
Distribution of Dividends relating to the Group	0	-58,621
Net cash generated/absorbed from minority interest capital and reserves	134	-104,503
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	661	31
Net cash generated/absorbed from other financial liabilities	-67,625	-31,660
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**271,900**	**-196,157**

Exchange difference effect on cash and cash equivalents		

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	284,665	247,015
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	186,139	37,650
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	470,804	284,665

Explanatory Notes

Information on the group and activities carried out

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of approx. Euro 3.4 billion and a sales network of approx. 1,900 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan. The Company is listed on the Italian Stock Exchange. The principal activities of the Company and of its subsidiaries are described in the Directors' Report, to which reference should be made.

Milano Assicurazioni is controlled by Fondiaria-Sai which exercises management and co-ordination pursuant to article 2497 bis of the civil code.

PART A - Accounting Principles

Section 1 - Declaration of compliance with international accounting standards and general preparation principles

The present consolidated financial statements were prepared in accordance with International Accounting Standards IAS/IFRS issued by the IASB (International Accounting Standard Board), approved by the European Union, and on the current interpretation by the official organisations.

The format for the financial statements schedules are those contained in the ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments and compiled based on the attached instructions.

The accounts also include additional information which are considered best practice, particularly in relation to some illustrative examples contained in some IAS standards.

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

Section 2 - Consolidation scope and consolidation methods

CONSOLIDATION PRINCIPLES

The consolidation procedure is in accordance with the provisions of IAS 27 (Consolidated and Separated Financial Statements), of IAS 28 (Accounting of associated investments) and IAS 31 (Investments in joint ventures).

The Parent Company and all of the significant subsidiary companies are included in the consolidation scope. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
For the verification of the existence of control, reference was made to paragraph 13 of IAS 27.

In compliance with IAS 28, the associated companies are accounted under the equity method.

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the Consolidated Financial Statements, the financial statements of the companies of the Group approved by the respective Boards of Directors were utilised. The financial statements were adjusted, where necessary, to ensure uniform group accounting principles.

CONSOLIDATION PRINCIPLES

Line-by-line consolidation

The consolidated financial statements includes the financial statements of the Parent Company and those companies in which, directly or indirectly, Milano Assicurazioni S.p.A. holds the majority of the voting rights exercisable in an ordinary shareholders' meeting or in any case a sufficient amount to exercise control, in accordance with IAS 27.13.
Under the line-by-line consolidated method, the book value of the investments is eliminated against the relative net equity, recording the total assets and liabilities as well as income and charges of the investing company.
The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.

The difference between the carrying value of the investments and the respective share of the net equity, which emerges at the date of acquisition of the investment, are allocated to the assets where the higher cost reflects an effective higher value of these assets or specific intangible assets such as the VOBA (value of business acquired) and the VIF (value in force), and residually to the Goodwill account, where the higher price paid reflects the expected value of the future economic results.

It is also noted that for the accounting treatment of the acquisitions of further holdings in investments in companies that are already subsidiaries, the choice was made to record to Group net equity the difference between the purchase cost and value of the minority shares acquired, applying the so called economic entity theory.
Similarly, in the case of the sale of minority holdings which do not lead to a loss of control, the profits and losses realised are recorded directly to net equity.

Accounting under the Net Equity method

The equity method was utilised for the associated companies, or rather those companies in which the parent company exercises a significant influence, having the power to determine the financial and operational policies of the company, without having control or joint control. In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.

Under the equity method, the investment in an associated company is initially recognised at cost and the carrying amount is increased or decreased to recognise the associated company's share of the changes in net equity after the date of acquisition. The consolidated financial statements therefore only include the share of book net equity and result of the investment for the year, but not the individual accounts of the financial statements.

Consolidation adjustments

In order that the consolidated financial statements present financial information on the group as that of a single economic entity, the following adjustments were made:

- The dividends received from consolidated companies or valued under the equity method were eliminated;
- The significant inter-group balances and transactions were eliminated with the exception of those relating to operations with companies valued under the equity method;
- The profits from sales/purchase operations made between Companies of the Group were eliminated, even if valued under the equity method. Similarly, the losses deriving from operations between Companies of the Group were eliminated, unless such losses reflect a permanent loss in value of the assets transferred.

The merger deficits generated following mergers between companies within the group and recorded in the statutory financial statements of the Parent Company, increasing the value of asset accounts, were eliminated in the consolidated financial statements, in that in these latter the consolidation differences were maintained deriving from the elimination of the carrying value of the individual investments incorporated against the relative share of net equity, allocated to the assets or recorded in the Goodwill account.
The merger operations, in fact, only produce the legal effects of that expressed in the consolidated financial statements; where the merger deficits were not eliminated this would result in a duplication of the pre-existing values within the consolidated financial statements.

Date of the consolidated financial statements

The Consolidated Financial Statements are as of December 31, 2011, a date coinciding with that of the financial statements of the line-by-line consolidated companies.

Currency

The present financial statements are expressed in Euro as this is the currency in which the majority of the operations of the Group are carried out. It is also reported in the accounts whether the amounts are in thousands or millions of Euro. Where applicable, the conversion of the balance sheet accounts expressed in currencies other than the Euro is made applying the exchange rates at the balance sheet date.

Section 3 - Accounting principles

The main accounting principles utilised in the financial statements are shown below:

1. INTANGIBLE ASSETS

Goodwill

The account includes the goodwill deriving from business combinations; in accordance with appendix B of IFRS 1 (first time adoption of IAS), the company opted not to apply IFRS 3 to the business combinations before the transition date to the IAS/IFRS. The goodwill resulting from the financial statements prepared in accordance with Italian GAAP were maintained for the amount already recorded, with prior verification of their value.

In particular, the amount includes:

- the goodwill recorded following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991;
- the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A.;
- the goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni in 1992;
- the goodwill relating to the life portfolio of La Previdente Assicurazioni, originally acquired from La Previdente Vita (formerly Latina Vita) in 1993;
- the goodwill relating to the acquisition of the insurance activity Maa Assicurazioni S.p.A. in 1995 and from the accounts of the incorporated Nuova Maa;

- the goodwill deriving from the acquisition of the portfolio of insurance contracts of Profilo Life, in 2001 and from the accounts of the incorporated Maa Vita;
- the goodwill accorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the carrying value of the investment and the net equity book value.

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, made at least annually, in order to identify the existence of a permanent loss in value.

In summary:

- The Cash Generating Unit – CGU relating to the goodwill recorded is identified;
- The goodwill is allocated to the individual CGU's;
- The recoverable value of the CGU is identified, which is the higher between the fair value less costs to sell and its value in use, equal to the current value of the future cash flows for the CGU.
- The book value of the CGU is compared with the recoverable value in order to verify the existence of any loss in value;
- Sensitivity analyses were carried out on the results taking into consideration changes in the parameters utilised.

Other intangible assets

They relate to non-physical assets, recorded in accordance with IAS 38 as they have the following characteristics:
- Identifiable;
- Control of the resources by the enterprise;
- Existence of future economic benefits.

In accordance with IAS 38 the set-up and formation costs and research and publicity costs are not recorded in this account.

On initial recognition, this asset is recorded at cost, including the directly attributable charges.
Further amounts are recorded at cost, net of accumulated amortisation and any loss in value. The amortisation is charged to the income statement on a straight-line basis, taking into consideration the asset's estimated useful life.
The assets with indefinite useful life are not amortised but subject annually to an impairment test, in accordance with IAS 36, in order to identify any permanent loss in value.

The VOBA relating to Liguria Assicurazioni, amounted to Euro 10,054 thousand recorded in 2008 following the consolidation of the relative investment. The amortisation in the year amounted to Euro 7,096 thousand.

2. PROPERTY, PLANT & EQUIPMENT

Buildings

This account includes the buildings utilised directly in the business activities.
IAS 16 (Property, plant and equipment) provides that, on initial inscription, the buildings for use by the enterprise are recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the revaluation model (paragraph 31).

The Company decided to utilise cost as the valuation principle. In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost.
In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.

In accordance with IAS 16 the value of the buildings is subject to depreciation on the basis of the estimated useful life of the asset. For the buildings wholly owned, the depreciation was made separately on the building construction values and of the plant excluding the value of the land on which the assets are located.

Properties are subject to an impairment test through comparison of the book value with the estimate of the fair value.

Also included in this category are buildings classified as inventory in the accounts of Sintesi Seconda s.r.l.
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.

Other tangible assets

The account includes furniture and fittings, plant and equipment, office equipment and motor vehicles utilised directly by the enterprise in the business activities.
They are recorded at cost and depreciated based on the estimated useful life. In order to calculate the depreciation, the residual value of the asset, or rather the value of the asset at the end of the useful life, is estimated as zero. The amortisation rates used are as follows: furniture and fittings 12%, plant and equipment 15%, office machinery 12% and motor vehicles 25%.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The technical reserves relating to the reinsurers are calculated applying the same criteria adopted for direct premiums, taking account of the reinsurance contractual clauses.
The reserves attributable to the reinsurance companies are determined with the same criteria utilised for the formation of the reserves of the underwritten risks and represent the share, attributable to them, of the contractual commitments undertaken.

4. INVESTMENTS

Fair value policy

IAS/IFRS international accounting standards require for financial instruments the indication of the fair value level utilised for their valuation and configuration. This indication is not applicable to controlling shareholdings included in the definition of IAS 27, to associated companies as per IAS 28, to joint ventures included in the definition of IAS 31 except in the cases in which these principles relate to the valuation criteria of IAS 39, to contracts covered by IFRS 4, to financial instruments covered by IFRS 2 and to capital instruments classifiable as equity.

An official listing on the active market (1) is the best indicator of the fair value; these listings are therefore the first choice for valuation of financial assets and liabilities as fair value (level 1 of the hierarchy of fair value (as per IFRS 7).

[1] The financial instrument is considered listed on an active market when the relative price is promptly and regularly made available by stock market valuers, operators and brokers and this price is based on effective market operations, concerning normal transactions or potential transactions which could be carried out on these bases. Instruments admitted to trading on regularly managed markets or systematically dealt on “alternative” trading circuits as opposed to official markets are included in this category, whose prices are considered significant, as well as those recorded by contributors who operate as primary intermediaries on various markets, where the proposed prices represent the potential transactions.

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In the case in which valuations of the financial instruments from sources considered reliable are not available (even if not from listings on an active market), the fair value can be calculated utilising valuation techniques which establish the price that an instrument would have at the date of valuation in a free exchange under normal market conditions. The techniques include valuations carried out using theoretical models which are based on, only in part, input data not based on observable market parameters and which utilise estimates and assumptions made by the assessor (level 3 of the hierarchy of fair value).

The above methods must be applied in a hierarchical order: if, in particular, a price is available on an active market no recourse is made to other valuation approaches. The hierarchical level of the fair value at which the valuation of a financial instrument takes place is determined based on the input data of the lowest level which significantly contributes to the determination of the fair value. Therefore, the amount of the input data is compared to the entirety of the data used for the calculation of the fair value. If the valuation of the fair value utilises observable data which requires a significant adjustment according to non-observable input data, such valuation is classified as Level 3.

No disclosure is made for the instruments whose book value is reasonably close to the fair value such as trade receivables and payables.

The Milano Assicurazioni Group carried out an analysis of the various fair value levels utilised for the valuation of financial assets and liabilities at December 31, 2009 and are summarised below:

- Level 1 of Fair Value. The valuation is the market price of the same financial instrument subject to valuation, based on listings on an active market.

- Level 2 of Fair Value. The valuation is not based on significantly sizeable listings of the same financial instrument subject to the valuation, but indicative valuations created by infoproviders and contributors considered reliable, or on prices determined utilising a relevant methodology (mark to model) and observable market parameters, including the credit spread of the official list price of similar financial instruments in terms of risk factors. These methodologies allow the reproduction of listed financial instrument prices on active markets excluding discretional parameters which may significantly influence the final valuation price.
- Level 3 of Fair Value. The valuations are carried out utilising various inputs, not all concerning observable market parameters and utilising therefore estimates and assumptions of the assessor. In particular this approach provides for the valuation of financial instruments utilising a calculation method which is based on, among others, specific parameters regarding future cash flows and the level of input based on parameters non listed on active markets, whose estimate however utilises information acquired by prices and spreads observed on the market. In the cases where such information is not available, reference is made to historical data of the specific underlying risk factors or on specialised research.

The classification of the various levels of Fair Value of financial instruments in the categories held-for-sale and available-for-sale, recorded in the Fair Value Option, carried out based on the above-stated analysis, is presented in an attachment.

It is noted that:

- the assets related to class III policies were included in level 2;
- the Fair Value level 3 includes the investment in the Bank of Italy.
- no significant portions of financial instruments were transferred from level 1 to level 2 or vice versa.

Investment property

IAS 40 (Investment properties), which governs the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, they should be recorded at cost, while in subsequent evaluations the entity can choose between the cost valuation 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.
The Company chose to utilise the cost as the valuation principle of the buildings held for investment and, as such, utilised by third parties.

In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost. In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.

In accordance with IAS 40 the value of the buildings is subject to depreciation on the basis of the estimated useful life of the asset. For the buildings wholly owned the depreciation was made separately on the building construction values (with depreciation rates between 1.7% and 3.3%) and of the plant (depreciation rates between 6% and 8%) excluding the value of the land on which the assets are located.

The account also includes the payments on account made in relation to buildings under construction or development as per IAS 40.9(d).

The investment properties are subject to an impairment test through comparison of the book value with the estimate of the fair value.

Investments in subsidiaries, associates and joint ventures

The account includes the non-consolidated investments, defined and governed by IAS 27, 28 and 31.

Reclassification of financial instruments

In accordance with IAS 39 currently in force, a financial asset classified as available-for-sale may be reclassified in the category "loans and receivables" provided it complies 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 recorded in the notes.

Loans and receivables

The account includes the loans as per IAS 39, with exclusion of the trade receivables, the reinsurance deposits held at the reinsurers, as well as the receivables from agents for sub entering agencies terminated.
On first recognition they are recorded at fair value increased by any transaction costs directly attributable. On subsequent valuations, the financial instruments included in this category are valued at amortised cost, calculated utilising the effective interest rate method. The amortised cost of a financial asset is the value in which this is measured at the moment of the initial recording net of capital repayments, increased or decreased by the total amount utilising the effective interest criterion on any difference between the initial value and the expiry value, and deduction of any impairment (following a reduction in value or non recovery). The effective interest rate is that which equates the current value of a financial asset to the contractual payments and future receipts of cash at the maturity date.
In substance, the logic of the amortised cost is to accrue over the duration of the contract the economic components which otherwise would be recorded as a charge or as income on the moment of collection or payment.

Investments held to maturity

The account includes non-derivative financial instruments with fixed or determinable payments, with a fixed maturity date, which the Group has the full intention and capacity to maintain until maturity.
In accordance with IAS 39 (Financial instruments: recognition and measurement), the initial recognition of these financial instruments is made at fair value inclusive of the transaction costs directly attributable to the purchase.
The fair value is the amount at which an asset can be exchanged between knowledgeable and expert counterparties at arm's length and generally corresponds to the transaction price.
Subsequently, they are recorded at amortised cost which is, in summary, the amount in which the asset is initially valued increased or decreased by the amortisation, determined with the effective interest rate, of any difference between the initial value and the repayment value.

AFS financial assets

This includes all the financial assets not otherwise classified.
On first recognition, these assets are recorded at fair value which generally corresponds to the price paid for their acquisition, to which the directly attributable transaction costs are added.

Subsequently, the AFS financial instruments are valued at fair value, with recording to net equity of the differences from the initial value. The fair value is calculated according to the fair value policy guidelines previously described.

The amounts related to the adjustment to fair value are maintained in net equity until the relative financial assets remain in the balance sheet of the company and are recorded in the income statement on sale or on the establishment of impairments in value.

Impairment on AFS financial assets

In relation to the recording of losses for the reduction in value, we report that paragraph 59 of IAS 39 provides indicators of a possible reduction in qualitative factors such as:

- significant financial difficulties of the issuer;
- non contractual compliance or non payment of interest or capital;
- the risk of commencement or the commencement of receivership of the issuer;
- the elimination of an active market for the financial assets subject to valuation;
- data which 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.

Paragraph 61 of IAS 39 states that the reduction of value of an instrument represented by capital includes information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction of the market value of an equity instrument below the original purchase cost constitutes evident impairment.

The identification criteria of a prolonged or significant decrease in the fair value of financial instruments classified as available-for-sale were revised to take account of the indications of the “IFRIC Update” document of July 2009 as well as the joint Bank of Italy/Consob/Isvap document No.4 of March 3, 2010.

And therefore, it is noted that:

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

Therefore for the purposes of the objective recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. a reduction of the market value above 60% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of two years;

the original cost relates to, in conformity with that applied from the introduction of the IAS principles, the average weighted cost at the date of preparation of the accounting documents.

In relation to financial instruments which report a significant decrease in fair value and not within the thresholds above, the analysis of the existence of impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.

Specifically:

1. Strategy and/or significant investments (in terms of carrying value and losses): they were subject to analytical valuations, conducted both internally and through independent experts' opinions.
2. Other investments: given their fragmentation and the lower amount of the related losses, an impairment test is only made in the presence of one of the qualitative factors as per paragraphs 59 and 61 of IAS 39, confirmed by further analytical evaluations.
3. Debt instruments: there is evidence of impairment if only one of the qualitative factors exists of the above-mentioned paragraph 59. For the debt securities with a significant reduction in fair value at the date of the preparation of the financial statements the same criteria was adopted as described above, taking into account that any analytical valuations carried out are principally based on the probability of default of the issuer.

Based on the methods described above, the reduction in value for impairment relating to the AFS assets amounts to Euro 180 million and are summarised in the following table:

(Euro millions)

Shareholding investments	133.3
Investment fund units	5.9
Bonds	40.8
Total	180.0

Financial assets at fair value through the profit or loss account

The account includes the short-term financial assets held for trading as well as the financial assets designated in this category, within the limits permitted by IAS 39.
The account includes the financial assets relating to index and unit-linked insurance or investment contracts (as per IFRS 4.IG2) issued by insurance companies.
On first-time recognition, these assets are recorded at fair value which generally corresponds to the price paid for their acquisition.

Subsequently, the financial instruments at fair value recorded in the income statement, as indicated by the name of the category, are valued at fair value, recording the difference between the fair value and the initial value in the income statement.
For the listed financial instruments on active markets the fair value is the current market price at the reference date while, for the non-listed financial instruments, it is the price determined based on adequate valuation techniques.

5. RECEIVABLES

The account includes the trade receivables, in accordance with IAS 39, which are recorded at recoverable value.
The IAS/IFRS accounting standards require, for the short-term trade receivables, accounting management with some exceptions. In particular, the amortised cost is not applied, in consideration that the application of this criterion would have a very similar result to the valuation of the historical cost and, in the determination of the recoverable value, no discounting is made of the financial cash flows which would be negligible.

6. OTHER ASSETS

Deferred acquisition costs

They include the share of commissions on long-term life division contracts to be amortised which are broken down based on the duration of each contract and however for a period not greater than 10 years.

Current and deferred tax assets

The current tax assets relate to receivables of a tax nature defined and regulated by IAS 12.
In particular, they include, the assets deriving from the accounting of taxes pursuant to article 1, paragraph 2 of Legislative Decree No. 209/2002 as enacted into law by article 1 of Law 265/2002, as supplemented (taxes on actuarial reserves).

The deferred tax assets include the positive fiscal effect determined in relation to the temporary differences between the fiscal values recorded and those recorded in accordance with IAS principles.

The recording of the deferred tax assets (and of the deferred tax liabilities under liabilities) allows the correlation of the tax charge recorded in the financial statements with the gross result before taxes, both for the years in which these differences arise and in the future years when these differences are reversed following, for example, the sale of the activities to which they refer, to the recovery through amortisation or the settlement of liabilities.

Non-current assets or of a discontinued group held for sale

The account includes any assets defined and governed by IFRS 5. These assets are recorded at cost and measured at the lower between their book value and the fair value, net of selling costs.

Other assets

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not within the application of IFRS 4 and the other assets of a residual nature which are not within the previous accounts.

Service contracts related to financial policies

The index-linked and unit-linked of a financial nature are separated between:

- financial contract components (IAS 32 and 39)
- components to service contracts (IAS 18)

With reference to the service component, IAS 18 provides that:

- 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 can be recorded thorough various methodologies, in particular, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

7. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are represented by cash and deposits on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short-term financial investments are those with a maturity of three months or less at the acquisition date.

For the purposes of the valuations of the assets included in this category, IAS 39 is applied and, in particular, the provisions in relation to available-for-sale financial assets. The initial valuation is made at fair value, generally corresponding to the price paid for the acquisition, including the transaction costs. Subsequently, these assets are recorded at fair value, which normally corresponds to the acquisition cost increased by the interest matured, with recording to equity of any difference to the initial value.

SHAREHOLDERS' EQUITY AND LIABILITIES

1. SHAREHOLDERS' EQUITY

Share Capital

The account includes the share capital of the parent company Milano Assicurazioni, recorded at the nominal value of the shares fully subscribed and paid in.

Capital reserves

The account refers exclusively to the share premium reserve.

Retained earnings and other reserves

The account includes, in particular, the gains and losses deriving from the first time application of the international accounting standards (IFRS 1), the catastrophic reserves and the equalisation reserves not recorded under technical liabilities as per IFRS 4.14(a), the reserves in accordance with the civil code and special laws before the adoption of the international accounting standards, as well as the consolidation reserves.

Treasury shares

In accordance with IAS 32.33, the value of the shares of the company that prepares the consolidation held by the company and by consolidated companies is recorded as a reduction of Net Equity.

Profit or loss on AFS financial assets

The account includes the gains and losses deriving from the valuation of the financial assets classified in the category "assets AFS" , net of the part attributable to the policyholders and allocated to the insurance liabilities based on the shadow accounting method, described below in the account Technical Reserves.
The amount recorded is equal to the difference between cost and fair value of the assets represented by the current quotation at the reference date for the listed financial instruments on active markets and by the price determined based on adequate valuation techniques for the non listed financial instruments, net of the shadow accounting effect.

Other gains and losses recorded directly in equity

The account includes profits or losses recorded directly in equity and in particular:

- the recording of the actuarial gains and losses relating to the Employee Leaving Indemnity for the part matured at the transition date to IAS/IFRS international accounting standards and for the part matured subsequent as permitted by EU regulation No. 1910 published in the official EU Gazette of November 24, 2005;
- profit or loss on cash flow hedges;

Minority interest capital and reserves

The account includes the instruments and the components representative of capital, as well as related to minority share equity reserves.

2. PROVISIONS

Based on IAS 38 (Provisions, potential liabilities and assets), the provisions are liabilities of an uncertain amount or maturity which are recorded when the following conditions exist:

- There is a current obligation at the reporting date resulting from a past event;
- It is probable that to comply with this obligation the outflow of economic resources will be required;
- A reasonable estimate can be made of the amount necessary for compliance with the obligation.

In particular, the account therefore includes provisions for risks and future charges of a determined nature, reliably estimated based on the information available at the date of the preparation of the financial statements.

3. TECHNICAL RESERVES

The account includes the commitments deriving from insurance contracts and financial instruments governed by IFRS 4.2, gross of the reinsurance cessions. It also includes the reserves made following verification of the liabilities (IFRS 4.15), the deferred liabilities to policyholders (IFRS 4.30,34) and the reserve for amounts due.
The account is comprised of:

NON-LIFE DIVISION

Premiums reserve on direct insurances risks

This includes the reserve for premium fractions and, where applicable, the reserve for risks in course, calculated in accordance with ISVAP Regulation No. 16 of March 4, 2008.

The reserve for premium fractions was determined in accordance with the pro-rata method applied analytically for each policy based on the gross premiums written. The reserve for risks in course, which represents in substance the verification of the insurance liabilities of the non life classes required by paragraph 15 of IFRS 4 (Insurance Contracts), is accrued at each individual insurance class level where the expected claims for the current generation is higher than the reserve for premium fractions. The valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year. The total amount provisioned is considered appropriate to cover the commitments for risks in course at the year-end.

Claims reserve on direct insurances risks

This reserve includes the total amount of the sums that from a prudent evaluation made based on objective elements and separate for each claim, are necessary against the payment of the claims during the year or in previous years, and those still not paid, as well as the relative settlement expenses.

In accordance with the provisions contained in ISVAP regulation No. 16 of March 4, 2008, the reserve for claims reported was determined from a separate and analytical evaluation of the cost of each claim reported and not fully paid at the year-end and valued at the last cost, taking into account all the future foreseeable costs based on historical data and reliable projections.

The 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.

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

Motor TPL
From February 2007, a direct compensation procedure has been in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

In this context, from the 2011 financial statements statistical-actuarial models were developed which separately analysed the claims up to 2006 and the claims thereafter and separating these latter between claims not within the direct indemnity regime (prevalently as they concern physical injuries greater than 9% or they concern more than two vehicles involved) and those within the so-called CARD management regime.

However for the determination of the last cost of the reserve, the actuarial methods Chain Ladder and Fisher-Lange were utilised.

The reserve for claims not yet reported (IBNR) was determined in accordance with the general calculation criteria pursuant to paragraph 1 of Article 32 of ISVAP Regulation No. 16 of March 4, 2008, implementing a method which provides the estimate of the IBNR claims reserve, by number and amount, on the basis of experience acquired in the previous years, taking into account the trend in the number of late claims and the average cost of claims reported late, as well as the average cost of claims reported in the year. The estimate of the number of expected late claims was made separately between No Card and Card.

The flat-rates related to the CARD Management and CARD Debtor regime were recorded based on the amounts and rules defined by the Technical Committee set up pursuant to Presidential Decree No. 254/2006.

Other Non-Life Classes
The determination of the last cost was made on the basis of the reserves of the liquidators, adjusted to take into account past experience in relation to the changes in the claims reserve.

The claims reserve includes also the total amount of the sums necessary to cover previous year claims not yet claimed at the year-end (I.B.N.R. claims reserve).
The last cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance division, of the late claims made in comparison to the year of occurrence of the event giving rise to the claim.

Other technical reserves
The account includes the aging reserve of the health class, which offsets the greater risk due to the increased life span of the policyholders. The determination was made separately for each contract utilising technical-actuarial criteria in accordance with article 47, point 2, of ISVAP regulation No. 16 of March 4, 2008.

Unearned premium reserve on indirect business

The reserve is calculated based on the communications received from the reinsurance companies; where this has not been received, appropriate rates are applied to the premiums written and the related risks still in course at the year-end.

Claims reserves on inward reinsurance risks

The reserve is calculated based on the communications received from the insurance companies supplemented by objective and statistical elements in our possession. The provisions are considered sufficient to meet the commitments at the year-end.

LIFE DIVISION

Technical reserves on direct insurances risks

They are calculated in accordance with the actuarial techniques which comply with current legislative provisions and in particular the principles contained in ISVAP Regulation No. 21 of March 28, 2008. The calculation is made analytically for each contract, based on the commitments without detraction for acquisition expenses; the base calculation techniques (interest rates, demographic assumption for eliminations for death or invalidity and frequency of abandon) are the same utilised for the calculation of the premiums of the individual contracts. In any case, the actuarial reserve is not lower than the redemption values.

The account also includes the additional reserve for financial risk and demographic risk. Among the additional reserves for financial risk, we highlight the additional reserve for guaranteed interest rate risk, calculated in accordance with the provisions of articles 47 and 48 of ISVAP regulation No. 21/2008.

The provision for this reserve derives from the higher cost that the company must incur against the difference between the interest rate guaranteed to the policyholders and the current and expected returns on the assets represented by the actuarial reserves, calculated in accordance with the provisions of the previously stated Regulation 21 (art. 38-46).
The additional reserve for demographic risk, made in line with articles 50, 51 and 52 of ISVAP Regulation No. 21, provides for the higher cost that the company must incur against the average extension of the human life for the annuity tariffs or where the option for conversion of capital to annuity exists.

For the products in accordance with article 41, paragraphs 1 and 2 of Legislative Decree 209 of 7/9/2005, as well as the Open Pension Funds, the calculation is made analytically contract by contract, adopting assumptions that represent with maximum approximation the value of the underlying assets.

In accordance with IFRS 4, the actuarial reserves recorded in accordance with these principles are subject to adequacy tests (Liability Adequacy Test) according to the method described in PART F of the present report, to which reference should be made for greater detail. The verifications made confirmed the values recorded in accordance with IAS/IFRS.

The accounts also includes the adequacy of the actuarial reserves relating to the contracts included in the separated management of the life classes, made applying the shadow accounting as per paragraph 30 of IFRS 4.
With the utilisation of this accounting method, which represents a non obligatory but optional choice of the entity, this was made to provide a further contribution to the transparency and clarity of the data, correlating the value of the actuarial reserve relating to these contracts to the value determined with the IAS principles of the assets inserted in the separated managements.

The securities included in the separated management of the life division are included prevalently in the category “available-for-sale”, or in the category of financial instruments valued at “fair value through the income statement” and, as such, are valued at fair value, recording an increase or decrease in equity or in the result for the period of the difference between the fair value and the 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 reserve.

Therefore the amount of the actuarial reserves of the contracts inserted in the separated managements were recalculated in line with the valuation of the correlated assets, allocating to equity or the income statement the difference compared to the amount of the reserves calculated in accordance with the Italian standards.

In substance this difference represents the policyholders' share of the latent gains and losses on the securities in the separated management which, based on the contractual clauses and current regulations, will be recognised to the policyholders only if and when they will be realised with the sale of the relative assets but are in this context explicit in the latent gains or losses of these securities, as already described, are recorded as an increase or decrease of the net equity or as a result for the period. The recognition method adopted also takes into account the minimum guaranteed return, recognised contractually to each separated management.

Technical reserves on inward reinsurance risks

They are recorded based on communications provided by the insurance companies.

4. FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

The account includes the financial liabilities at fair value recorded in the income statement defined and governed by IAS 39.

The account includes in particular the financial liabilities designated at fair value recorded through the profit or loss relating to the investment contracts not recorded in application of IFRS 4 (unit linked and pension funds) which are recorded in accordance with the deposit accounting method which provides, substantially, the recording in the income statement of only the margins and recording under liabilities of the premiums issued and of the returns matured in favour of the policyholders. The account also includes the negative positions on the derivative financial contracts.

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39, other than trade payables and not included in the previous category.

In particular this account includes:

- Subordinated liabilities;
- Deposits received from reinsurers;
- Social security institutions.

This liability on first recognition is recorded at fair value and subsequently valued at amortised cost utilising the effective interest rate method.

5. PAYABLES

The account includes commercial payables as well as personnel payables for employee leaving indemnity.

Employee leaving indemnity and other employee benefits

It is recalled that due to the 2007 Finance Act (Law No. 296/2006) that 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 matured 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 leaving indemnity matured remained in the company.
For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes: the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, did not apply IAS 19.

The employee leaving indemnity matured at December 31, 2006 continues to be considered as a defined benefit plan.

6. OTHER LIABILITIES

Current and deferred tax liabilities

They principally comprise:

- the current tax liabilities, limited to the IRAP regional income tax. The current tax charge relating to the IRES income tax was recorded in the account payables to parent company following the inclusion by the companies of the Milano Assicurazioni group to the Fondiaria-SAI Group tax consolidation;
- the deferred tax liability accrued, in accordance with IAS 12 (Income taxes), relating to the deferred temporary tax differences in order to maintain the correlation between the fiscal charge and the result for the year.

Other Liabilities

The account includes, among others, the liability relating to the defined benefits and other long-term employee benefits (including the provisions made for the leaving indemnity recorded under liabilities), the reinsurance transitory accounts, and the deferred commission income related to the contracts not within the application of IFRS 4, determined in accordance with IAS 18.

INCOME STATEMENT

Net premiums

The account includes the premiums relating to insurance contracts and financial instruments containing discretional investment as per IFRS 4.2, net of reinsurance ceded.
The revenues relating therefore to the policies that, although legal insurance contracts and having an insignificant insurance risk and which do not have discretional investment elements, are not included in this account. These contracts are accounted for in accordance with IAS 39 (Financial instruments: recording and evaluation) and of IAS 18 (Revenues) and are treated under the “deposit accounting” method which, in summary, requires the recording in the income statement of the explicit and implicit loading, recorded in the account “commission income”.

We also report that, based on the analysis made on the policies in portfolio, all the contracts of the non life classes and all the contracts of the life classes with the exception of the unit-linked and pension fund contracts are included in the application of IFRS 4 and are therefore valued based on the principles of IAS 39 and IAS 18 and treated under the “deposit accounting” method.

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 of ISVAP Regulation No. 22/2008 in relation to the accounts, the premiums include:

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

while they do not include, as allocated to technical charges, those in the account “other costs”:

- The write-downs for doubtful receivables from policyholders for premiums of the year made at the reporting date;
- The write-downs of receivables from policyholders for non-life premiums in previous years;
- The write-downs of receivables from policyholders from first year life annuity premiums or units issued in the previous years.

Commission income

The account includes the commissions relating to the investment contracts not included within the application of IFRS 4, as the explicit and implicit loading on the contract and the management commission.
As already described under the comments of the premium accounts, this relates to commissions for the year relating to unit-linked and pension fund contracts.

Investment income

Income and charges from financial instruments at fair value through profit or loss
The account includes the realised gains and losses and the positive and negative changes to financial assets and liabilities measured at fair value through the income statement. The change in value is determined based on the difference between the fair value at the reference date and the initial book value of the financial instruments recorded in this category.
For the listed financial instruments on active markets the fair value is the current price of the reference date, while for the non-listed financial instruments the price is determined based on adequate valuation techniques.

Income from investments in subsidiaries, associates and joint ventures
Includes the income originated from investments in associated companies recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Income from other financial instruments and property investments
The account includes income from property investments and financial instruments not measured at fair value through profit or loss and in particular:

- Financial income recognised utilising the effective interest method (IAS 18.30 (a));
- Other income and, in particular, dividends relating to equity securities and revenues deriving from the utilisation, by third parties, of the property investments;
- Profits realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Profits on valuation, deriving principally, where possible, from the write-back in value (reversal of impairment).

Other revenues

The account comprises:

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

Net charges relating to claims

The account comprises:

- the amounts paid, net of recovery;
- The changes of the claims reserves and of the recovery reserves;
- The changes in the reserve for the amounts outstanding, actuarial reserves and the technical reserves where the investment risk is borne by the policyholders;
- The changes of the other technical reserves relating to insurance contracts and financial instruments as per IFRS 4.2, including the deferred liabilities to the policyholders referring to income and charges recorded in the income statement (e.g. shadow accounting reserve).

The amounts recorded include the settlement expenses paid and accrued, which include the expenses relating to the investigation, acceptance, valuation and settlement of the claims.

Commission expenses

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4. This relates in particular to the commission paid to the Agents in relation to the acquisition of the unit-linked and pension fund contracts.

Investments charges

Charges from investments in subsidiaries, associates and joint ventures
Includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Charges from other financial instruments and property investments
The account includes charges from property investments and financial instruments not measured at fair value through the income statement and in particular:

- Financial charges recognised utilising the effective interest method, including the interest relating to subordinated loans;
- Other charges and, in particular, the costs relating to investment property, such as condominium expenses, and maintenance and repairs not of an incremental nature;
- Losses realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Losses on valuation, deriving principally from amortisation, and where necessary, impairment.

Management 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 charges
These refer 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 attributed to the relative claims charges, contract acquisition expenses and investment management charges. The account relates also to the general expenses and personnel costs of the companies which exercise financial activities other than the insurance companies, not otherwise allocated, as well as the general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not included within IFRS 4.

Other costs
The account comprises:
- The costs relating to the sale of goods other than those of a financial nature;
- The other net technical charges relating to insurance contracts, for which reference should be made to the comments on the premium accounts;
- The provisions made in the year;
- the exchange differences recorded in the income statement as per IAS 21;
- The losses realised, impairment and depreciation on tangible fixed assets, and on intangible assets.

Income tax
The account includes the current and deferred income taxes (Ires income tax and Irap regional tax), calculated applying to the respective assessable bases, the nominal rates in force at the balance sheet date.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting principles necessarily implies significant elements of opinion based on estimates and assumptions which are uncertain at the time of their formation.

For the accounts for the year 2011 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. In the notes in the relative paragraphs, adequate and exhaustive information is provided into the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

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

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

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

- in the calculation of the technical reserves;
- in the calculation of the loss of value of goodwill from business combinations, of goodwill in investment holdings and the relative Value of Business Acquired;
- in the determination of the loss in value of Buildings and Property investments;
- in the determination of the fair value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of equity securities and bonds in the AFS 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;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification 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 reporting of these cases is made with the objective to permit the reader of the accounts a better understanding of the principal areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

In addition, the valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. Despite the losses in 2011, the net equity is more than adequate also to support the solvency margin, while the outlook is positive and Fondiaria-SAI regularly complies with the regulations issued concerning the coverage of technical reserves.

The information on financial risks is contained in Part E – Information on financial risks, while the disclosure on insurance risks is reported in Part F – Amounts, timing and level of uncertainty of the financial cash flows relating to insurance contracts.

Group Structure

Consolidation scope

Company	State	Method (1)	Activity (2)
ATHENS R.E. FUND	ITALY	G	10
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	ITALY	G	10
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SINTESI SECONDA S.r.l.	ITALY	G	10
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

(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

% Direct Holding	% Total Holding (3)	% Voting in Ordinary Shareholder Meeting (4)	% consolidated
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
99.85	99.85	99.85	100.00
100.00	100.00	100.00	100.00
99.97	99.97	99.97	100.00
-	99.97	100.00	100.00
28.00	54.51	54.55	100.00
-	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31 2011

Details of non-consolidated investments

Company	State	Activity (1)	Type (2)
A7 S.r.l. in liquidation	ITALY	10	B
ATAHOTELS S.p.A.	ITALY	11	B
BORSETTO S.r.l.	ITALIA	10	B
GARIBALDI S.C.A.	LUXEMBOURG	10	B
GLOBAL CARD SERVICE S.r.l.	ITALY	11	A
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	ITALY	11	B
ISOLA S.C.A.	LUXEMBOURG	10	B
IGLI S.p.A.	ITALY	11	(*)
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
METROPOLIS S.p.A.	ITALY	10	B
PENTA DOMUS S.r.l.	ITALY	10	(*)
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	ITALY	10	B
SVILUPPO CENTRO EST S.r.l.	ITALY	10	B
VALORE IMMOBILIARE S.r.l.	ITALY	10	B

(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); (*) = the companies classified as held for sale in accordance with IFRS 5

(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

% Direct Holding	% Total Holding (3)	% Voting in Ordinary Shareholder Meeting (4)	Book value
-	20.00	20.00	266
49.00	49.00	49.00	1,589
-	44.93	44.93	2,891
32.00	32.00	32.00	56,119
-	94.97	95.00	-
34.21	34.63	34.65	11,720
29.56	29.56	29.56	11,096
-	16.67	16.67	0
35.83	35.83	35.83	8,516
-	29.73	29.73	
-	20.00	20.00	0
29.00	29.00	29.00	1,639
30.00	30.00	30.00	351
-	20.00	20.00	129
-	40.00	40.00	
50.00	50.00	50.00	6,100

Consolidation scope

At December 31, 2011, the Milano Assicurazioni Group, including the Parent Company, was made up of 11 Companies, of which 5 operating in the insurance sector, 4 in the real estate sector, 1 in support of the insurance business and 1 various services. The list of these companies, all fully consolidated, is shown in the table of the consolidated companies.

In 2011, there were no changes in the consolidation scope.

Notes to the consolidated financial statements

The details and notes to the consolidated financial statement accounts are presented below. Further details are contained in the attachment as per ISVAP Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, at the end of present notes.

PART B - Information on the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

They include:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Goodwill	231,052	231,052	-
Other intangible assets	11,437	18,960	-7,523
TOTAL	**242,489**	**250,012**	**-7,523**

Goodwill

The following movements took place during the year:

(in Euro thousands)	**2011**	**2010**
Value at beginning of year	**231,052**	**244,131**
Increases in the year	-	-
Reductions for cessions or for recording under held for sale assets	-	-

Losses in value recorded in the year	-	-3,079
Other changes	-	-10,000
Value at year end	**231,052**	**231,052**

Goodwill is reported in the following table:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Goodwill recorded following the merger with the parent company by Lloyd Internazionale S.p.A. in 19991	17,002	17,002	-
Goodwill recorded in 1992 following the acquisition by the Parent Company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the insurance portfolio of Latina Assicurazioni S.p.A. in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previden te Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio Maa Finanziaria by Nuova Maa, incorporated into the parent company in 2003.	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated into the parent company in 2003.	1,052	1,052	-
Goodwill recorded following the merger with the parent company of Maa Vita in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995	152	152	-
Consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subse quently incorporated into Milano Ass.)	3,275	3,275	-
Consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
Consolidation difference arising from conferment in 2008 of Liguria Assicurazioni.	52,555	52,555	-
Consolidation difference arising from conferment in 2008 of Liguria Vita	3,159	3,159	-
TOTAL	**231,052**	**231,052**	**-**

Impairment test

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, made at least annually, in accordance with the manner set out in IAS 36 (Reduction in value of Assets), in order to identify the existence of a permanent loss in value.
The impairment tests are made comparing the carrying value and the recoverable value of the Cash Generating Units (CGU), in accordance with IAS 36 as reported below.

Identification of the CGU

The Cash Generating Units identified for this purpose consist of:

- The Lide Division of Milano Assicurazioni;
- the Non-Life Division of the entire Milano Assicurazioni group, excluding Liguria Assicurazioni;
- the real estate sector of the Milano group;
- the Liguria Assicurazioni Group;

The identification of the CGU's at Group level took into account also the CGU's which benefited from the business combination synergies achieved in the past, which the individual components of the account goodwill in the accounts refer to.

This identification is also in line with the Group management reporting system, in which the CGU's stated-above represent the minimum level to which the goodwill is monitored for internal management control purposes. These CGU's comply with the definition of operating segments established by IFRS 8.

The determination of the book value of the CGU's identified is made in line with the determination of the appropriate cash flow streams to identify the recoverable value. In particular, the goodwill allocated amounted to Euro 22.1 million for the Life Division CGU, Euro 153.2 million for the Non-Life division CGU and Euro 55.7 million for the Liguria CGU. Goodwill was not recognised to the real estate CGU.

Recoverable value of the CGU's

The recoverable value of the CGU's is the higher between the fair value less costs to sell and its value in use. The fair value of the CGU's represents the amount obtainable on its sale between knowledgeable and willing parties at arm's length, less selling costs.

Goodwill relating to Milano Assicurazioni

Considering that the CGU's identified belong to a listed company (Milano Assicurazioni), where an active market exists, it was considered appropriate to preliminarily compare the book value of the CGU to which the goodwill was allocated with the market value (fair value) of the same, determined utilising as a reference parameter the market capitalisation of Milano Assicurazioni.

The fair value test, based on stock exchange prices, did not confirm the full recoverability of the goodwill recorded. 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. When it is necessary to carry out an impairment test, the value in use is calculated.

In this regard, the Sum of Parts methodology was utilised. This method calculates the economic value as the sum of the capital values attributed to the various business lines of Milano Assicurazioni (life, non-life and real estate business). The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

The **Life Business** was valued applying the Appraisal Value (AV) method, which calculates the value of an insurance portfolio as the sum of the Embedded Value (EV) and the New Business Value (NBV).

The Embedded Value estimates the value of future cash flows based on actuarial models, without considering in the valuation the effects of new business. The Embedded value can be defined as the sum of the Adjusted Net Asset Value (ANAV) and the Value in Force (VIF).

The ANAV is the value of the net equity related to the portfolio subject to valuation, adjusted taking account of the gains/losses on investments, on intangible and tangible fixed assets and on payables and liabilities for which the fair value is estimated.

The VIF concerns the value of profits which will be generated from the future technical and financial management of contracts already issued and present in the portfolio.

The New Business Value represents the future cash flows deriving from new premiums written whose basis already exists at the time of valuation.

The principal parameters utilised in the application of the model are as follows:

- discount rate utilised in the valuation of the VIF and NBV: 10.5%;
- synthetic multiple for the estimate of goodwill from new business: 5x
- solvency ratio: 100%.

The recoverable value identified was Euro 309.3 million.

The following sensitivity analyses were carried out on the result:

- change in the synthetic multiplier between the interval 3x-7x in order 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%.

Based on the result of the sensitivity analysis carried out, the recoverable value of the Life Business was placed in the following range: Euro 282.7-317.2 million.

The **Non-Life Business** was valued utilising the Dividend Discount Model method, utilising the Excess Capital model, which establishes the value in use as the sum of:

- the current value of the dividends distributed over an established time period, taking account of any excesses or insufficiencies in the share capital in relation to the required minimum solvency margins for insurance companies.
- the current terminal value, calculated as the perpetual return of the distributable dividends in the long-term period.

The valuation was carried out based on the 2012-2014 industrial plan approved by the Board of Directors and the 2015 and 2016 projections drawn up to reflect a normal level of profitability.

The parameters used were as follows.

- combined ratio*:* gradual alignment to 96%;
- cost of capital (ke) for discounting cash flows at 10.2%, estimated based on:
  - net risk free rate of 5.27% calculated as the average of the BTP 10-year yield in the second half of 2011;
  - Beta ratio of 0.99;
  - Market Risk Premium of 5%;
  - long-term growth rate (g-rate) of 2%;
- investment return: 3%
- solvency ratio: 120% calculated according to the Solvency I rules and considering, as constituting items, only those relating to the Non-Life CGU.

The recoverable value of the non-life business of the Milano Assicurazioni group excluded the contribution of the Liguria Assicurazioni group, identifying it as an autonomous and independent CGU and subject to a separate impairment test and amounted to Euro 1,259.9 million.

The valuations made using the DDM were subject to a sensitivity analysis. In particular, the following changes were assumed:

- changes in the combined ratio and target investment returns around +/-0.25%;
- change in the discount rate on the long-term growth rate of +/-0.25%;
- change in the combined ratio of +/- 0.25% and Solvency Margin in the range 115%-125%.

The minimum and maximum values from the sensitivity analysis: Euro 1,152.3 million – Euro 1,367.6 million;

The **Real Estate Business** was valued with the Adjusted Net Equity Method taking account of the net equity allocated and of the equity adjustments made to realign the value of assets and liabilities to the current estimate and/or market value (net of any notional tax effect).

The valuation processes carried out confirmed the recoverability of the goodwill allocated to the Non-

Life and Life CGU’s.

Goodwill relating to Liguria Assicurazioni

The value in use of the Liguria Group was calculated through the Sum of Parts (SOP) method, utilising the Dividend Discount Model (DDP) for the valuation of Liguria Assicurazioni and the Appraisal Value for Liguria Vita. The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

The parameters utilised for the application of DDM were as follows:

- combined ratio: gradual alignment to the target value estimated at 96%;
- cost of capital for the discounting of cash flows: 10,2%;
- long-term growth rate (g-rate): 2%;
- financial income: gradual alignment of the investment yield to the target value, estimated at 3%;
- solvency ratio: 120%, calculated according to the Solvency I rules.

The Appraisal value of Liguria Vita was determined based on the following principles:

- discount rate utilised for the valuation of the VIF and NBV: 10.5%;
- synthetic multiple for the estimate of goodwill from new business: 5x
- solvency ratio: 100%.

The valuation was carried out based on the 2012 budget of the company and the 2013-2014 plan and the 2015 and 2016 projections drawn up to reflect a normal level of profitability.

The valuations carried out allocated to the Liguria Group a value of Euro 91.6 million and, in particular, a goodwill value of Euro 55,714 thousand.

The following table summarises the valuation results indicating the recoverable value of the identified CGU’s and the comparison with the relative book values.

(in Euro millions)	**Recoverable value**	**Book value**	**Excess**
Milano Life CGU	309	163	146
Milano Non-Life CGU	1,260	236	1,024
Liguria Assicurazioni Group	92	76	16

Other intangible assets

The *other intangible assets* have a definite useful life and are therefore amortised over their duration. There were no intangible assets generated internally. The account principally includes the VOBA relating to Liguria Assicurazioni, amounting to Euro 10,054 thousand and recorded in 2008 following the consolidation of the balance sheet of the relative investment. The amortisation in the year amounted to Euro 7,096 thousand.

The table below shows the breakdown of the gross value and total amortisation recorded up to December 31, 2011:

(in Euro thousands)	**Gross carrying value**	**Amortisation and impairment**	**Net value**
Studies and research expenses	-	-	-
Utilisation rights	-	-	-
Other intangible assets	51,981	-40,544	11,437
TOTAL	**51,981**	**-40,544**	**11,437**

The movements in the account “Other intangible assets” in the year are as follows:

(in Euro thousands)	2011	2010
Value at beginning of year	18,960	26,270
Increases:		
• generated internally	-	-
• purchased	-	43
• from business combinations	-	-
• from changes in the consolidation method	-	-
Reductions for cessions or for recording under held for sale assets	-177	-
Amortisation	-7,346	-7,353
Other changes	-	-
Value at end of year	**11,437**	**18,960**

The tests carried out did not establish any reductions for loss in value.

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 52,350 thousand, broken down as follows:

	Buildings		Other tangible assets	
	2011	**2010**	**2011**	**2010**
Gross carrying value	49,047	63,785	23,989	23,384
Depreciation and impairment	-2,041	-5,644	-18,645	-17,414
Net value	**47,006**	**58,141**	**5,344**	**5,970**

The movements in the year are shown below:

(in Euro thousands)	Buildings		Other tangible assets	
	2011	**2010**	**2011**	**2010**
Value at beginning of year	58,141	58,650	5,970	5,719
Increase	411	1,011	241	886
Reductions for cessions or for recording under held for sale assets	-460	-219	-	-
Buildings from business combinations	-	-	-	-
Impairment recorded in the year	-3,323	-1,068	-	-
Reclassifications in the investment property category	-7,647	-	-	-
Depreciation	-116	-233	-867	-635
Other changes	-		-	-
Value at end of year	**47,006**	**58,141**	**5,344**	**5,970**

The buildings concern:

- the buildings used for business activities. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
- the buildings considered as inventory and valued in accordance with IAS 2.

No buildings had any restrictions on title.

The Group annually undertakes independent expert valuations to determine the current value of its land and buildings.
Based on the valuations made impairments were recorded of Euro 3,323 thousand in relation to the buildings in Milan, Via dei Missaglia, 97. Overall, the expert's valuation at 31/12/2011 was Euro 2.2 million higher than book value at the same date.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The account amounts to Euro 328,931 thousand, broken down as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Non-Life premium reserve - reinsurers	53,783	55,969	-2,186
Non-Life claims reserve - reinsurers	193,497	275,772	-82,275
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserves attributed to reinsurers	78,220	98,502	-20,282
Reserve for claims to be paid – reinsurers	3,431	4,409	-978
Class D reserves attributed to reinsurers	-	-	-
Other reserves – reinsurers	-	-	-
TOTAL	**328,931**	**434,652**	**-105,721**

4. INVESTMENTS

This consists of:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Investment property	910,693	1,000,349	-89,656
Investments in subsidiaries, associates and joint ventures	100,416	202,391	-101,975
Investments held-to-maturity	128,927	121,798	7,129
Loans and receivables	905,538	660,504	245,034
AFS financial assets	6,084,206	6,827,511	-743,305
Financial assets at fair value recorded through the profit & loss account	226,104	288,590	-62,486
	8,355,884	**9,101,143**	**-745,259**

TOTAL

Investment property

The account includes the buildings for rental or held for their capital appreciation.
The investment properties are recorded at purchase cost in accordance with IAS 16 (Property, plant and equipment), which IAS 40 (Investment property) refers to in the case of adoption of the cost model. They are therefore depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
The separation of the land component from the buildings is made based on the updated expert valuations at the date of transition to the international accounting standards (January 1, 2004).

The Group annually determines the current value of the property investments on the basis of independent expert valuations. Overall, the expert's valuation of the property investments at 31/12/2011 was Euro 160.2 million higher than book value at the same date.

The composition of the investment property and the movement in the year is shown below:

	31/12/2011	**31/12/2010**
Gross carrying value	1,032,706	1,092,526
Accumulated depreciation	-122,013	-92,177
Net value	**910,693**	**1,000,349**

(in Euro thousands)	**2011**	**2010**
Value at beginning of year	1,000,349	1,078,543
Increases:		
• for purchases	259	-
• for incremental expenses	20,271	16,693
Buildings from business combinations	-	-
Reduction for disposals	-1,808	-56,626
Depreciation	-27,418	-27,516
Reclassifications from other categories	11,098	
Impairment recorded in the year	-92,058	-10,745
Other changes	-	-
Value at end of year	**910,693**	**1,000,349**

During the year, rental income from investment property and expense reimbursements amounted to Euro 28,069 thousand while operating costs, mainly relating to building lease charges, amounted to Euro 18,525 thousand.
There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

Improvement expenses refer for Euro 17.6 million to payments on account in relation to the real estate operation regarding the land in Milan, via Confalonieri – via de Castillia and for Euro 1.6 million to restructuring works of the building in Rome, via Tre Madonne.

Reclassifications from other investment categories relate to the transfer from the account buildings for Euro 7.6 million, following changes in the utilisation of the assets, and from the account discontinued assets of Euro 3.5 million.

The **impairments** related in particular to hotel complexes, vacant buildings and development areas and were made based on independent expert valuation reports. In addition, to ensure rotation, it was considered appropriate to utilise different real estate experts than those normally utilised in previous years. The breakdown is as follows:

Proprieties of Milano Assicurazioni:

- Rome, Via Fiorentini, Euro 29,883 thousand;
- Milan, Via Confalonieri - Via de Castillia, Euro 12,593 thousand;
- Milan, Via Caldera, Euro 7,179 thousand;
- Milan, Via Crespi, Euro 1,574 thousand;
- Milan, Viale Lancetti – Via dell’Aprica, Euro 667 thousand;
- Bologna, Via Bassi, Euro 2,441 thousand;
- Turin, Strada del Drosso, Euro 2,237 thousand.

Proprieties of Immobiliare Milano Assicurazioni:

- Pieve Emanuele, via dei Pini, Euro 7,000 thousand;
- Milan, via Medici del vascello, Euro 1,890 thousand;
- Milan, via Val Formazza 10, Euro 2,625 thousand;

Propriety of Campo Carlo Magno:

- Pinzolo, loc. Madonna di Campiglio, complesso alberghiero Golf Hotel, Euro 7,860 thousand.

Propriety of Athens R.E. Fund:

- Civitella Paganico, Hotel Terme di Petriolo, Euro 9,884 thousand.

The lower value attributed to property compared to the prior year valuations follows the changed economic-financial environment (increase in interest rates and difficulties in achieving sustainable profit levels), in addition to the consequent need to undertake a more prudent valuation - although utilising similar methods - in order to obtain a fair market value of the assets held.

Considering also the difficulties in acquiring credit by real estate operators and the significant slowdown in demand, the Company adopted a more prudent valuation for property with unsatisfactory profitability and for development initiatives which are affected by greater uncertainty concerning their completion.

The property portfolio was impacted by the international financial crisis which resulted in a decline in the market value of properties, with an increase in the risk perception of investors and in the expected profit from such investments. This resulted in a reduction of expected income for vacant buildings or for development areas by the valuers and an increase in the discount rates and the exit yield in the DCF (Discounted Cash Flow) utilised principally for the valuation of the assets, compared to that utilised in valuations in the previous year with a consequent reduction in the market value of property and the imposition of write-downs on the book value. In particular, the property portfolio reports a decrease in the market value of 10% between the end of 2009 and the end of 2011. A similar decline was reported over recent years also for the Italian property market as a whole.

Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27 (Consolidated and separate financial statements), the subsidiaries are fully consolidated, including those which undertake dissimilar activities, with the exception of the companies which due to their size are insignificant in terms of the consolidated financial statements. The amount recorded therefore refers to holdings in associated companies, valued under the equity method.

(in Euro thousands)	**31/12/2011**	**31/12/2010**
A7 S.r.l. in liquidazion	266	266
Atahotels S.p.A.	1,589	-
Borsetto S.r.l.	2,891	3,170
Citylife S.r.l.	-	78,087
Garibaldi S.c.a.	56,119	45,902
Gruppo Fondiaria-Sai Servizi S.c.r.l.	11,720	11,615
Isola S.c.a.	11,096	10,907
Igli S.p.A.	-	28,366
Immobiliare Lombarda S.p.A.	8,516	9,083
Metropolis S.p.A.	-	1,665
Penta Domus S.r.l.	-	2,417
Sai Investimenti SGR S.p.A.	1,639	1,832
Service Gruppo Fondiaria-Sai S.r.l.	351	310
Servizi Immobiliari Martinelli S.p.A.	129	103
Sistemi Sanitari S.c.r.l.	-	182
Sviluppo Centro Est S.r.l.	-	386
Valore Immobiliare S.r.l.	6,100	8,100
TOTAL	**100,416**	**202,391**

Investments held-to-maturity

These amount to Euro 128,927 thousand and were as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Non quoted debt securities	1,379	1,330	49
Quoted debt securities	127,548	120,468	7,080
TOTAL	**128,927**	**121,798**	**7,129**

This category includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The account amounts to Euro 905,538 thousand and is comprised of:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Debt securities	799,122	553,037	246,085
Loans on life policies	21,185	24,627	-3,442
Deposits held by reinsurers	2,193	2,614	-421
Receivables from sub-agents for indemnities paid to agents terminated	57,814	58,720	-906
Other financial investments	13,000	-	13,000
Other loans and receivables	12,224	21,506	-9,282
TOTAL	**905,538**	**660,504**	**245,034**

The increase in the account *debt securities* compared to December 31, 2010 is principally due to the "Private Placement" subscription to some BTP securities acquired as a stable investment.
The account also includes approx. Euro 237 million relating to financial instruments transferred from the AFS category at the beginning of 2009. These refer to corporate bonds with subordination clauses, with carrying values below the repayment value and high yields. The classification in this category is due to the technical characteristics of the securities, the desire to maintain them in portfolio until maturity and the high levels of volatility which continue to affect the markets and which do not always guarantee prices in line with the underlying fundamentals of the issuing companies;

The other financial investments consist of time deposits with maturity above 15 days at the balance sheet date.

These securities were valued at amortised cost. The related losses which decreased from Euro 23.8 million at January 1, 2009 to Euro 20.5 million at December 31, 2011 were recorded under shareholders' equity in the account *Profits or losses on available-for-sale financial assets* and valued at amortised cost.

The fair value of these securities at December 31, 2011 was Euro 203.9 million, recording in the income statement for the year gains of Euro 18.4 million.

The *Debt securities* includes the book values of some issuers (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost instead of the fair value.

The receivables from agents for the recovery of indemnities paid to their predecessors are recorded in this account in accordance with the requirements of Isvap Regulation No. 7 of July 13, 2007 and in consideration of their interest bearing nature.

AFS financial assets

The AFS financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified. They represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

The division by type is as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Quoted equity securities	307,672	544,809	-237,137
Non quoted equity securities	64,265	48,505	15,760
Quoted debt securities	5,168,581	5,567,954	-399,373
Non quoted debt securities	26,781	38,810	-12,029
Fund units	516,907	627,433	-110,526
TOTAL	**6,084,206**	**6,827,511**	**-743,305**

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the year, with allocation of the differences compared to cost in a specific net equity reserve, except for the recording of reductions in value which are recorded in the income statement.

Under the impairment policy of the group, which has not changed from the previous year, the impairment carried out at December 31, 2011 amounted to Euro 180 million. The impairments principally relate to:

- further impairments on securities previously subject to impairment in the previous year, whose book value was aligned to the share price at December 31, 2011 in accordance with IAS 39; reference is made in particular to the shares of the direct parent company Fondiaria-Sai (Euro 32.1 million), Unicredit (Euro 44.6 million) and Generali (Euro 26.1 million);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 11.1 million relates to the shares of the indirect parent company Premafin;

- Greek government securities, for which the differential between the amortised cost and the listing price at the end of December of Euro 40.8 million was fully recognised to the income statement. The impact on the income statement, net of the portion attributable to policyholders and the tax effect, amounted to approx. Euro 23.4 million.

Similar to previous years, the holding in the Bank of Italy was valued based on the future distributable cash flows which resulted in Euro 40 million as the fair value of the 2,000 shares held against a historical cost of Euro 8 thousand, with a consequent recording of a reserve of Euro 39,992 thousand, before any tax effect.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was negative for Euro 222.2 million (positive for Euro 2 million at December 31, 2010). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Debt securities	-414,424	-109,257	-305,167
Fund units	49,024	93,185	-44,161
Equity securities	-25,549	-1,394	-24,155
Shadow accounting reserve	71,515	13,205	58,310
Tax effect	97,256	6,250	91,006
AFS reserve at the end of the year	**-222,178**	**1,989**	**-224,167**

Financial assets at fair value recorded through the Profit or Loss account

The breakdown is as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Quoted equity securities	157	650	-493
Quoted debt securities	151,505	204,883	-53,378
Non quoted debt securities	13,698	32,790	-19,092
Fund units	48,618	48,159	459
Other financial instruments	12,126	2,108	10,018
TOTAL	**226,104**	**288,590**	**-62,486**

The amount includes Euro 176,905 thousand of investment contracts where the risk is borne by the policyholders and Euro 18,110 thousand of investments relating to pension fund management.
The listed financial instruments recorded in this category are valued at market value at the last day of trading in the year, with allocation of the difference with the carrying value to the income statement.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Receivables from direct insurance operations	614,040	662,794	-48,754
Receivables from reinsurance operations	47,067	69,553	-22,486
Other receivables	298,165	302,471	-4,306
TOTAL	**959,272**	**1,034,818**	**-75,546**

Receivables from direct insurance operations include:

- receivables from policyholders of Euro 284,499 thousand, of which Euro 272,719 thousand referring to the premiums for the year and Euro 11,780 thousand for premiums of previous years;
- receivables from insurance brokers for Euro 259,819 thousand;
- receivables from insurance companies for Euro 12,346 thousand;
- receivables from policyholders and others for sums to be recovered for Euro 57,376 thousand.

The other receivables are broken down as follows:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Receivables from Fondiaria-Sai for tax payments on account and for credits and withholding taxes transferred in accordance with the tax consolidation	94,956	90,570	4,386
Trade receivables	8,385	7,069	1,316
Tax reimbursements	25,071	26,589	-1,518
Other receivables	169,753	178,243	-8,490
TOTAL	**298,165**	**302,471**	**-4,306**

The trade receivables are non-interest bearing and are generally payable within 90 days.

With reference to the receivables from policyholders for premiums, receivables from agents and other brokers and receivables from insurance and reinsurance companies, the Group does not have significant concentrations of credit risks with parties external to the Fondiaria-Sai group, as the credit exposure is divided among a large number of clients.

6. OTHER ASSETS

The account amounts to Euro 558,122 thousand and is comprised of:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Non-current assets or of a discontinued group held for sale	44,503	3,451	41,052
Deferred acquisition costs	10,741	7,477	3,264
Deferred tax assets	393,848	205,915	187,933
Current tax assets	40,595	42,821	-2,226
Other assets	68,435	68,229	206

TOTAL	**558,122**	**327,893**	**230,229**

Non-current assets or of a discontinued group held for sale

The amount recorded, of Euro 44.5 million, refers for Euro 42.6 million to the investment in IGLI S.p.A. and for Euro 1.9 million to the investment in Penta Domus S.p.A. held by Immobiliare Milano.

It is recalled that Immobiliare Fondiaria-Sai S.r.l. and Immobiliare Milano Assicurazioni s.r.l. each holds 16.67% of IGLI and that the group Fondiaria-Sai has a total holding in IGLI of 33.33% of the share capital, equal to the other two shareholders of IGLI, Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A.

On December 27, 2011 Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed the acquisition with 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..
The acquisition price of each IGLI share subject to the agreement was established at Euro 10.89572, based on the forecast balance sheet of IGLI at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65.

Argo Finanziaria may designate its subsidiary Autostrada Torino Milano to acquire the IGLI shares.

Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni 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, 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 is subject to any required authorisation of the antitrust authorities and compliance with the pre-emption procedure established in the by-laws of IGLI and is expected to be completed by the end of March 2012. This sale will generate a gain of Euro 1.2 million.

Deferred acquisition costs

The deferred acquisition costs refer to the acquisition commissions on long-term contracts which, in accordance with the accruals principle, are amortised for the duration of the relative contracts.

The movements during the year were as follows:

(in Euro thousands)	31/12/2011 Non-Life Division	Life Division	Total	31/12/2010
Balance at beginning of year	-	7,477	7,477	27,861
Increases in the year	-	4,660	4,660	-
Amortisation in year (-)	-	-1,396	-1,396	-20,384
Balance at end of year	**-**	**10,741**	**10,741**	**7,477**

Current tax assets

The current tax assets, amounting to Euro 40,595 thousand, refer principally to tax authorities for payments on account and withholding taxes. The account includes amounts paid on account on the life division actuarial reserves pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented, recorded in accordance with Isvap Regulation No. 7 of July 13, 2007.
Where permitted by IAS 12, current tax assets and liabilities are compensated.

Deferred tax assets

The account amounts to Euro 393,848 thousand of which Euro 126,243 thousand recorded against tax losses at 31/12/2011 and Euro 267,605 thousand calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the "balance sheet liability method" principle established by IAS 12. The recording occurs in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future. Where permitted by IAS 12, deferred tax assets and liabilities were compensated.
The amount relating to the fiscal losses includes:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2010 of Euro 36,510 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group in 2010, amounting overall to Euro 22,071 thousand;
- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2011 of Euro 54,658 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group in 2011, amounting overall to Euro 14,725 thousand.

The relative benefits of the tax losses were recorded on fulfilling the following requirements:

- a reasonable certainty exists to achieve fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The possibility that the benefits related to the tax losses will be realised was analysed based on the 2012-2014 Industrial Plan, recently approved by the Board of Directors and on the outlook, also considering that established for the purposes of the impairment tests on goodwill carried out. The benefit will be absorbed in the next 4 years.

Other assets

The account amounts to Euro 68,435 thousand and includes the taxes on the actuarial reserves of the Life division for the year of Euro 9,411 thousand and indemnities paid to agencies (Euro 12,768 thousand).

7. CASH ON HAND AND AT BANK

The total recorded amounts to Euro 470,804 thousand.
This account includes the liquidity and deposits and bank current accounts with maturity less than 15 days.

Balance Sheet - Liabilities

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

The consolidated Shareholders' Equity, inclusive of net profit for the year and the minority interest share, amounts to Euro 929,537 thousand, as shown in the following table:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Group Net Equity	**928,212**	**1,303,248**	**-375,036**
Share capital	373,682	305,851	67,831
Other equity instruments	-	-	-
Capital reserves	951,244	718,147	233,097
Retained earnings and other reserves	350,086	980,995	-630,909
Treasury shares	*-31,353*	*-31,353*	-
Translation reserve	-	-	-
Profit or loss on AFS financial assets	-222,178	1,989	-224,167
Other gains and losses recorded directly in equity	-5,790	-3,670	-2,120
Group net loss	-487,479	-668,711	181,232
Minority interest equity	**1,325**	**1,319**	**6**
Share capital and reserves pertaining to minority interests	1,461	1,502	-41
Gains and losses recorded directly in equity	-8	-3	-5
Minority interest loss	-128	-180	52
TOTAL	**929,537**	**1,304,567**	**-375,030**

The change in the consolidated net equity is shown in the specific schedule attached to the present notes.

The disclosures on the composition and on the movements in the share capital required by IAS 1.79a is provided below:

	Ordinary 31/12/2011	Savings 31/12/2011	Ordinary 31/12/2010	Savings 31/12/2010
Number of shares issued	1,842,334,571	102,466,271	557,435,774	30,739,882

	Ordinary	Savings	Total
Shares existing at 01/01/11	557,435,774	30,739,882	588,175,656
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 01/01/11	550,670,914	30,739,882	581,410,796
Increases:			
Sale of treasury shares	-	-	-
Share capital increase	1,284,898,797	71,726,389	1,356,625,186
Decreases:			
Acquisition of treasury shares	-	-	-
Shares outstanding: balance at 31/12/2011	**1,835,569,711**	**102,466,271**	**1,938,035,982**

The above-stated shares were entirely paid in and without a nominal value as resolved by the Extraordinary Shareholders' Meeting of April 27, 2011.

The savings shares do not carry voting rights and devolve the following rights:

- a dividend up to 5% of the amount of Euro 0.52 (and therefore of Euro 0.026). Where the profits for the year do not permit a dividend of 5% for the saving shares, the difference is included as an increase in the dividend in the two following years. Furthermore, 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 3% of Euro 0.52 (and therefore Euro 0.0156);
- 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 be wound up, the ordinary shares shall not receive any part of the share capital until the entire value of the savings shares has been reimbursed.

During the year the share capital increase approved by the Board of Directors of May 14 and of June 22, 2011 was carried out, in execution of the power conferred by the Extraordinary Shareholders' Meeting of April 27, 2011.

The share capital increase provided for the issue of ordinary and saving shares assigned as rights options to Shareholders as follows:

- 7 new ordinary shares for every 3 ordinary shares held, at a price of Euro 0.2574 each;
- 7 new savings shares for every 3 savings shares held, at a price of Euro 0.2646 each.

During the rights offer period between June 27, 2011 and July 15, 2011 (the "Offer Period"), 542,567,376 option rights were taken up for 1,265,990,544 newly issued Milano Assicurazioni ordinary shares and 29,021,556 option rights for 67,716,964 savings shares, equal to respectively 98.528% of the total of the newly issued ordinary shares and 94.410% of the total of the newly issued savings shares offered, for a total value of Euro 343,783,874.79.

In accordance with underwriting commitments, the shareholders Fondiaria-SAI S.p.A., Fondiaria-SAI Nederland BV, Sai Holding Italia S.p.A., Sainternational S.A., Pronto Assistance S.p.A. and Popolare Vita S.p.A. exercised 350,396,460 option rights for the subscription of 817,591,740 new ordinary shares for a total value of Euro 210,448,113.88.

All 8,103,537 non-exercised ordinary rights options and 1,718,325 non-exercised saving share rights options at the end of the Offer Period were sold on July 20, 2011 during the first session in which the Rights Options were offered on the open market by Milano Assicurazioni through UniCredit Bank AG, Milan Branch in accordance with Article 2441, third paragraph of the Civil Code. At the end of the Stock Market Offer Period, 18,872,077 newly issued ordinary shares and 4,009,425 newly issued savings shares, respectively equating to 1.469% of the total of the newly issued ordinary shares and 5.590% of the total of the newly issued savings shares offered, for a total value of Euro 5,918,566.48 were subscribed to.
Therefore 36,176 newly issued ordinary shares equating to 0.003% of the total of the newly issued ordinary shares, for a total value of Euro 9,311.70, had not been taken up.
These Shares were subscribed to by Credit Suisse, UniCredit Bank Milano, Keefe, Bruyette & Woods Limited, The Royal Bank of Scotland N.V. (London Branch), Banca Akros S.p.A. and Equita SIM S.p.A., in accordance with the guarantee agreements signed on June 22, 2011.

Following the subscription by the guarantee consortium banks, the Share Capital Increase therefore concluded with the full subscription of 1,284,898,797 ordinary shares and 71,726,389 savings shares offered for a total value of Euro 349,711,752.88.

The new share capital of Milano Assicurazioni therefore amounted 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.

Capital reserves

The capital reserves, amounting to Euro 951,244 thousand, refer to the share premium reserve. This account is net of the Euro 9,663 thousand relating to the costs related to the share capital increase described above which, in accordance with paragraph 35 of IAS 32, is recorded as a direct deduction of net equity.

Riserve di utili e altre riserve

They principally comprise profits carried forward (Euro 384,459 thousand). The account also includes the consolidation reserve, negative for Euro 16,219 thousand, the reserve for gains and losses deriving from the first-time application of the international accounting standards for a negative amount of Euro 44,067 thousand and the merger reserve of Euro 25,913 thousand.

Treasury shares

The account amounts to Euro 31,353 thousand (amount unchanged compared to December 31, 2010). These consist of 6,764,860 ordinary shares of the Parent Company, recorded at purchase price. This account reduced the net equity in accordance with IAS 32.

Profit or loss on AFS financial assets

A loss net of taxes of Euro 222,178 thousand was recorded, representing the difference between the acquisition costs and market prices of the financial assets available-for-sale where these differences are not indicative of reductions in value. The account is recorded net of the part attributable to the policyholders and recorded as insurance liabilities in accordance with the accounting method contained in paragraph 30 of IFRS 4 (shadow accounting). Euro 20.5 million of losses relating to financial instruments transferred to the *Loans and Receivables* category are also included.

Other gains and losses in the year recorded directly in equity

They relate to:
- losses of an actuarial nature consequent of the application of IAS 19 (Euro 2,249 thousand);
- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 3,541 thousand).

Minority interest equity

The minority interest shareholders' equity amounts to Euro 1,325 thousand and refers principally to the minority holding of Pronto Assistance Servizi S.c.r.l..

* * *

The reconciliation between the net result and net equity of Milano Assicurazioni and of the consolidated financial statements are shown below.

RECONCILIATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(in Euro thousands)	Result for the year	
	2011	**2010**
Financial statements of Milano Assicurazioni S.p.A. as per Italian GAAP	**-783,309**	**-512,679**
Effects deriving from the application of IAS/IFRS on the Parent Company		
IAS 38 "Intangible assets"		
- Goodwill	16,320	18,900
- Other intangible assets	2,943	67
IAS 16-40 "Buildings and investment property"		
- Buildings	6,076	-2,948
IAS 32 "Financial instruments: disclosures"		
- Treasury Shares	6,535	5,817
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	416	344
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	338,068	-191,184
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium reserve	4,599	-1,660
- Actuarial reserves	-6,686	7,645
Tax effect on IAS/IFRS adjustments	-50,300	-21,453
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**-465,338**	**-697,151**
Consolidation adjustments:		
- Difference between valuation and share of net equity:		
Consolidated line-by-line	-27,811	31,555
Valued under the equity method	665	2,616
- Difference allocated to assets	-15,582	-12,845
- Difference arising on consolidation		-3,079
- Application of different accounting principles	18,368	-1,135
- Difference on assets discontinued	-5	-722
- Elimination effects of inter-group operations:		
Dividends	-511	-454
Other intra-group operations	185	
- Tax effects of the consolidation adjustments	2,550	12,504
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**-487,479**	**-668,711**

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND CONSOLIDATE

(in Euro thousands)	Net equity before result	
	31/12/2011	**31/12/2010**
Financial statements of Milano Assicurazioni S.p.A. as per Italian GAAP	**1,761,020**	**1,923,941**
Effects deriving from the application of IAS/IFRS on the Parent Company		
IAS 38 "Intangible assets"		
- Goodwill	157,912	139,012
- Other intangible assets	-14,719	-71
IAS 16-40 "Buildings and investment property"		
- Buildings	-64,347	-61,399
IAS 32 "Financial instruments: disclosures"		
- Treasury Shares	-8,082	-13,899
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	-548	-1,438
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	-517,993	31,275
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium reserve	43,206	44,866
- Actuarial reserves	110,192	43,869
Tax effect on IAS/IFRS adjustments	-10,390	-79,415
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**1,456,251**	**2,026,741**
Consolidation adjustments:		
- Difference carrying value and share of net equity:		
Consolidated line-by-line	-113,340	-130,503
Valued under the equity method	-12,835	-15,107
- Difference allocated to assets	41,545	54,390
- Difference arising on consolidation	59,038	62,117
- Application of different accounting principles	36,475	37,610
- Difference on assets discontinued	5	722
- Elimination effects of inter-group operations:		
Dividends	511	454
Reversal goodwill deriving from merger deficit	-25,451	-25,451
Other intra-group operations	-17,075	-17,075
- Tax effects of the consolidation adjustments	-9,433	-21,939
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**1,415,691**	**1,971,959**

2. PROVISIONS

The account includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course. The account includes the estimated losses in relation to the probable renegotiation of the rental contracts with Atahotels of buildings owned by the Milano group, although the amount and timing of the renegotiation is uncertain.

The movements are as follows:

(in Euro thousands)	
Value at beginning of year	136,139
Increases in the year	25,575
Utilisation in the year	-41,844
Other changes	-
Value at end of year	**119,870**

3. TECHNICAL RESERVES

Details of this account are shown below:

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
NON-LIFE DIVISION			
Unearned premium reserve	1,146,826	1,192,062	-45,236
Claims reserve	4,380,552	4,096,194	284,358
Other reserves	2,897	3,287	-390
Total Non-Life Division	**5,530,275**	**5,291,543**	**238,732**
LIFE DIVISION			
Actuarial reserves	3,453,474	3,648,679	-195,205
Reserve for claims to be paid	43,083	48,886	-5,803

Technical reserves where investment risk borne by policyholders and from pension fund management	133,304	188,076	-54,772
Other reserves	-87,937	-32,848	-55,089
Total Life Division	**3,541,924**	**3,852,793**	**-310,869**
TOTAL TECHNICAL RESERVES	**9,072,199**	**9,144,336**	**-72,137**

The *unearned premium reserve* includes Euro 1,132.3 million of premium fraction reserve for direct business, Euro 13.7 million for the reserve for risks in course and Euro 0.8 million of unearned premium reserve relating to indirect business.

The claims reserve includes Euro 351.6 million accrued against claims referring to the year but not yet reported at the balance sheet date (I.B.N.R late claims reserve).

The *other technical reserves of the Non-Life division* refer to the ageing reserve pursuant to ISVAP Regulation No. 16 of March 4, 2008.

The actuarial reserve includes the additional reserve on the financial risk equal to Euro 35.3 million, determined according to ISVAP Regulation No. 21 of March 28, 2008.

The technical reserves of the life division amount to Euro 1,446 million concerning investment contracts with a discretional profit participation in accordance with the application of paragraph 2b) of IFRS 4.

The “other technical reserves” of the life division principally include the reserve for future expenses (Euro 15.3 million) and the reserve for deferred liabilities due to policyholders, determined applying the shadow accounting method, as per paragraph 30 of IFRS 4, which was negative for Euro 107.1 million, taking account of the unrealised losses on financial instruments utilsed to cover the life division technical reserves. For the purposes of the determination of this reserve, in accordance with that undertaken in the previous year:

- the time period for the realisation of the losses was 5 years;
- the level of the losses was determined based on the changes in the rate of return of the separated management following the realisation of the losses, taking into account the minimum withholding of the return and the various financial guarantee levels.

The following movements took place in the technical reserves during the year:

(in Euro thousands)

	Non-Life Division	Life Division	Total
Value at beginning of year	5,291,543	3,852,793	9,144,336
Increases in the year	1,232,407	420,798	1,653,205
Payments (-)	-1,509,195	-731,667	-2,240,862
Gains or losses recorded through profit or loss	527,337	-	527,337
Reserves acquired or transferred to other insurers	-	-	-

Other changes	-11,817	-	-11,817
Reserve at end of year	**5,530,275**	**3,541,924**	**9,072,199**

The account “*losses recorded in the income statement*” is principally attributable to:

- to the revaluation of the prior year Motor TPL claims reserve, 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;
- to the negative trend of the settlements relating to the claims in previous years in the General TPL Class, which required the utilisation of more prudent criteria in the accrual of the claims reserve.

In order to illustrate the reasons for the significant revaluation of the Motor TPL reserves in 2011, it is necessary to provide a methodological background.

Introduction

- The Claims Reserves are made up of the Prior Year Reserve (or rather relating to claims arising in the prior generation and previous) and the Current Year Reserve (or rather relating to claims reported in 2011). For the Prior Year Reserves ISVAP requires a specific evaluation of each claim not completely settled (inventory method), as well as compliance with the last cost method, which is obtained combining the inventory technique with the statistical-actuarial methodologies; on the other hand, for the current year claims, given the reduced level of information which is available to the Company, the ISVAP Regulation accepts the possibility to determine the relative reserve through the average cost criterion, although applied to groupings of claims;
- In relation to the statistical-actuarial method used in the valuation of the prior year claims, the high number of models should be noted which, while in theory all valid, provide different possibilities of application depending on the historical data and technical indicators of the portfolio subject to valuation. Therefore each actuarial analysis requires, from the initial phase, the selection of the models to be utilised compared to those not appropriate to specific situations; the analysis therefore requires, also in this case, based on the characteristics and particularly the stability of the underlying parameters, the choice of the weighting to be applied to the different actuarial models utilised. The change, from year to year, of the benchmark models or the importance of the parameters in the overall valuation is not intended as a change in the valuation logic, or in the accounting principle, but may be justified from the change in the characteristics of the portfolio or the overall context;
- finally, we highlight that in general while continuing to utilise last cost criterion, the revaluation of the residual load of the prior year reserves must be considered a normal and recurring event (annual), in that also related to changes in jurisprudence and consequently of the amount of the expected average costs of claim settlement.

Motor TPL Reserve Previous Years

With reference to the Milano Group, in 2011, the strengthening of the residual load of the Motor TPL Reserves for the prior year claims managed (total Euro 333 million) was particularly significant.

To understand the basis of these results, issues which at least partly affected the past year are outlined below:

- Review of the Claims Reserve construction process, focusing particularly on the role of the Settlement Network, required in the final part of the year to closely review the residual technical reserves for each claim recognised. The inventory-taking concluded in November 2011 highlighting an extensive request for strengthening by settlement officers of the prior year generation claims reserves (2010 and before) of Euro 94 million, for Milano Assicurazioni, in relation to the impact of the Reserve. This requirement was due to:
- organisational issues related to greater control and attention on the service quality of settlement agents and in particular, the development of a central Claims Management centre with specific regard for claims in long-term dispute or concerning significant amounts as relating to death or a number of counterparties;
  - regulatory and judicial developments, with gradual extension of the use of the non-property damage settlement tables also in light of the Cassation Court judgment of June 2011 which adopted as a basis the Milan Court tables.

- Adjustment of the actuarial models utilised. As required by the same settlement process, once the inventory-taking activity is completed by the settlement agents, the revaluation of the Claims Reserves is carried out by the application by the Planning and Control Department of the actuarial models to ensure the valuation of the reserve under the Last Cost Method (therefore taking account of the probability that the claim is not entirely settled in the year, but may be settled also over one or more subsequent years). The year 2011 saw:
- a more responsive and weighted actuarial model was utilised; in particular for Milano Assicurazioni the Fisher Lange (weighted at 35%) and the Chain Ladder Paid (weighted at 65%) methods were used;
  - a specific focus was placed on the close and prudent selection of the parameters applied to the models, utilising historical series considered reliable and repeatable;
  - the updating and validation of the models, in line with the management of claims from 2007 broken down between CARD and No CARD;
  - the use of an approach based on historical series including late claims enabled - differing from that applied in the 2010 annual accounts - the estimate of a reserve amount including the IBNR provision.

- Claims task force coordinated by the Risk Management department. The initiative in this case was to undertake a number of activities (also highly operational) to strengthen the controls and assessments of the claims management and settlement procedures, therefore consolidating the claims database.

The above changes were implemented in view of ISVAP letter received on November 17, 2011 which, with reference to the situation at December 31, 2010, made comments on the calculation of the actuarial models utilised, indicating irregularities in the statistical projections.

At the conclusion of this phase of the process, the revaluation of the Motor TPL Reserves for previous years (therefore 2010 and prior) was Euro 308 million for Milano Assicurazioni (with supplementation of Euro 214 million of the settlement agent reserves for the last cost criteria) and approx. Euro 25 million for the other companies.

Current Motor TPL Reserve

For complete disclosure, the estimate of the 2011 current generation was made by the Company based on an average Cost Method, with the method updated on the previous year, thanks to a new calculation motor which permits the allocation of a current claim reserve already in the current year, as well as on the above-mentioned actuarial statistical valuation models. This resulted in an Average Cost of accepted current year claims for Milano Assicurazioni (or rather average cost of claims already settled in the year and the reserve for settlement in future years) of Euro 4,220 (compared to Euro 3,919 utilised in the 2010 financial statements).

Also in this case, the change in the method adopted reflects ISVAP observations, which noted, with reference to 2010, an average cost of accepted claims in line with the 2009 market data, but lower than that observed on the market in 2010 (data provided by the Institute in its Note and not available at the time of the valuation).

* * *

4. FINANCIAL LIABILITIES

(in Euro thousands)	**31/12/2011**	**31/12/2010**	**Change**
Financial liabilities at fair value through profit or loss account	70,858	61,643	9,215
Other financial liabilities	299,339	366,303	-66,964
TOTAL	**370,197**	**427,946**	**-57,749**

The financial liabilities designated at fair value essentially include (Euro 61,711 thousand) liabilities relating to life policies that, although legally insurance contracts, have an insignificant insurance risk and therefore do not fall within the remit of IFRS 4.

The other financial liabilities include deposits consisting of guarantees in relation to risks ceded in reinsurance (Euro 123,519 thousand), subordinated liabilities of Euro 152,468 thousand and bank payables (Euro 23,352 thousand).

The subordinated liabilities are composed as follows:

- Euro 50,859 thousand, equal to the amortised cost of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million (Euro 100 million was repaid in 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 101,609 thousand, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment should be made in one repayment after 10 years.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the above-stated subordinated liabilities are supported by particular contractual clauses protecting the rights and interests of the lenders.

In relation to the subordinated loan issued in 2006 (of which a nominal Euro 50 million is outstanding and concerning the subordinated loan contract of Euro 300 million signed on June 22, 2006, undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) of the contract establishes, as a general obligation of the Parent Company, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

In relation to the hybrid loan of Euro 100 million, the faculty to convert into shares of the Issuer is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Issuer of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

(i) the downgrade of the Standard & Poor's rating (or any other agency to which the Issuer is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not rectified to at least 130% of the requested solvency margin, Milano Assicurazioni may, over a period of more than two years, put in place measures to enable compliance with the requested parameters.

This information is provided although there is little possibility of contractual events arising for the protection of the lenders. The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

5. PAYABLES

The account amounts to Euro 290,509 thousand and is comprised of:

(in Euro thousands)	**2011**	**2010**	**Change**
Payables to direct insurance operations	24,723	31,388	-6,665
Payables to reinsurance operations	26,604	40,428	-13,824
Other payables	239,182	237,594	1,588
TOTAL	**290,509**	**309,410**	**-18,901**

Payables from direct insurance operations include:
- Euro 11,276 thousand with insurance intermediaries;
- Euro 8,981 thousand for payables to insurance companies;
- Euro 4,466 thousand for payables for guarantee provisions for policyholders.

The payables deriving from reinsurance operations refer entirely to payables on reinsurance company current accounts.

The breakdown of the *Other payables* is shown below:

(in Euro thousands)	**2011**
Policyholders' tax due	23,545
Other taxes due	45,731
Social security and welfare institutions	7,891
Trade payables	10,909
Post-employment benefits	20,908
Other	130,198
TOTAL	**239,182**

Staff termination pay

Based on the Finance Law of 2007, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity matured 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 leaving indemnity matured remained in the company.

For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes: the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, did not apply IAS 19.

The movements in the year are shown below:

(in Euro thousands)

Value at 31/12/10	**24,728**
Costs relating to current employee services	929
Financial charges	427
Actuarial gain/(loss)	-563
Utilisation for payments made	-4,613
Change in consolidation area	
Value at 31/12/11	**20,908**

6. OTHER LIABILITIES

The breakdown is as follows:

(in Euro thousands)	**2011**	**2010**	**Change**
Current tax liabilities	-	2,164	-2,164
Deferred tax liabilities	46,542	33,223	13,319
Liabilities of a discontinued group held for sale	-	-	-
Other liabilities	138,998	139,509	-511
TOTAL	**185,540**	**174,896**	**10,644**

Deferred tax liabilities

The deferred tax liabilities, amounting to Euro 46,542 thousand, include the temporary tax differences relating to balance sheet and income statement accounts, which will be cancelled in future years.

Where permitted by IAS 12, the amounts are offset with deferred tax assets.

Other liabilities

The account amounts to Euro 138,998 thousand and is principally comprised of:

- commissions on premium collection of Euro 45,477 thousand;
- reinsurance premiums of Euro 6,439 thousand;
- over commissions paid for Euro 10,362 thousand;
- payments for claims in the non-life classes and sums in the life division in course of execution at the balance sheet date for Euro 38,922 thousand.

PART C - Information on the consolidated income statement

NET PREMIUMS

The consolidated net premiums written amounted to Euro 3,279,514 thousand, a decrease of 5.3% on the previous year. Before reinsurance premiums written by the Group amounted to Euro 3,421,124 thousand, a decrease of -5.3%.

Premiums written in the life division amounted to Euro 396,951 thousand (-24.8%). The premiums written in the non-life division amount to Euro 2,978,926 thousand (-4%). The analysis of the change compared to the previous year was already undertaken in the first part of the present report to which reference should be made.

The table below shows the breakdown of gross premiums written and those ceded in reassurance.

(in Euro thousands)	2011	2010	Change
Gross Life premiums written	**396,951**	**527,782**	**-130,831**
Gross Non-Life premiums written	2,978,926	3,103,989	-125,063
Change gross premium reserve	45,247	-17,830	63,077
Total Non-Life Division	**3,024,173**	**3,086,159**	**-61,986**
Gross premiums written	**3,421,124**	**3,613,941**	**-192,817**

(in Euro thousands)	2011	2010	Change
Life premiums ceded	**12,908**	**13,213**	**-305**
Non-Life premiums ceded	126,950	139,549	-12,599
Change in reinsurers reserves	1,752	-3,674	5,426
Total Non-Life Division	**128,702**	**135,875**	**-7,173**
Premiums ceded to re-insurers	**141,610**	**149,088**	**-7,478**

The account *gross premiums written* do not include the cancellation of securities issued in previous years, which were recorded in the account “Other costs”.
In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business, reference should be made to the tables in the Directors’ Report.

Further information is provided as an attachment to the notes.

COMMISSION INCOME

(in Euro thousands)	**2011**	**2010**	**Change**
Commission income	851	874	-23

This relates to the explicit and implicit loading relating to the investment contracts not within the application of IFRS 4 as not containing a significant insurance risk. The deposit accounting method is applied to these contracts, with the recording under liabilities of the amounts collected and the recording to the income statement only of the profit margins.

The account also includes the management commissions on internal funds.

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

The account amounts to Euro 15.1 million of net charges compared to Euro 0.6 million of net charges recorded in 2010, as illustrated below

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Val. Gains & rec. in values**	**Val. losses & adj. in values**	**Total 2011**	**Total 2010**	**Change**
Result of investments from:									
Financial assets held for trading	2,428	-31	89	-	-	-161	2,325	-12,800	15,125
Financial assets designated at fair value through profit or loss	9,797	-751	1,417	-26,199	10,572	-11,311	-16,475	11,568	-28,043
Financial liabilities held for trading	-	-	-	-	613	-1,590	-977	595	-1,572
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-
TOTAL	**12,225**	**-782**	**1,506**	**-26,199**	**11,185**	**-13,062**	**-15,127**	**-637**	**-14,490**

The losses realised refer for Euro 17,876 thousand the sale of option rights concerning the parent company Fondiaria-Sai's rights issue. Article 2359 *quinquies* of the civil code restricts a company from subscribing to shares or holdings in a parent company. Milano Assicurazioni therefore disposed on the market of the 9,982,557 option rights held. The average unitary sales price was Euro 0.703 against a unitary book value of Euro 2.494, obtained applying to the book value of the shares the impairment factors relating to the share capital increase of Fondiaria-Sai.

INCOME AND CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS

The breakdown of the account is as follows:

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Val. gains & recovery in values**	**Val losses & adj. in values**	**Total 2011**	**Total 2010**	**Changes**
Result from:									
Investment property	-	9,544	3,093	-	-	-119,476	-106,839,	36,473	-143,312
Investments in subsidiaries, associates and joint ventures	-	-17,144	-	-17	-	-	-17,161	-39,628	22,467
Investments held to maturity	6,986	-	-	-	-	-	6,986	6,765	221
Loans and receivables	39,789		451	-717		-7,091	32,432	23,176	9,256
AFS financial assets	186,845	20,922	78,831	-51,638		-180,031	54,929	- 119,041	173,970
Receivables	1,441	71	-	-	-	-	1,512	806	706
Cash and cash equivalents	3,082	-24	-	-	-	-	3,058	1,146	1,912
Other financial liabilities	-11,775	-	-	-	-	-	-11,775	-13,049	1,274
Payables	-743	-	-	-	-	-	-743	-677	-66
	225,625	**13,369**	**82,375**	**-52,372**		**-306,598**	**-37,601**	-	**66,428**

TOTAL	**-**	**104,029**

Net interest amounts to Euro 225,625 thousand compared to Euro 199,480 thousand in 2010 (+13.1%).

Other income amounted to Euro 13,369 thousand (Euro 7,388 thousand in 2010). The charges from subsidiaries, associates and joint ventures principally include the losses recorded in the period by Atahotels, which continues to be affected by the difficult economic environment and the weak hotel sector in general, particularly in relation to congresses – an area in which the company is the market leader.

Net profits to be realised amounted to Euro 30 million (Euro 107.1 million in 2010), of which Euro 1.2 million relates to equity securities, Euro 14.8 million to investment fund units, Euro 10.9 million to bond securities and Euro 3.1 million to property investments.

The valuation losses and impairments concern:

- AFS financial instruments for Euro 180 million;
- impairments on loans and receivables for Euro 7.1 million;
- property depreciation of Euro 27.4 million;
- impairments on real estate investments for Euro 92.1 million.

The impairments principally relate to:

- further impairments on securities previously subject to impairment in the previous year, whose book value was aligned to the share price at December 31, 2011 in accordance with IAS 39 (IG.E.4.9); reference is made in particular to the shares of the direct parent company Fondiaria-Sai (Euro 32.1 million), Unicredit (Euro 44.6 million) and Generali (Euro 26.1 million);
- impairments relating to securities impacted by the continued negative financial market performance resulting in the period of a listed value lower than the book value for a continuous period of at least 2 years. Of these, Euro 11.1 million relates to the shares of the indirect parent company Premafin;
- Greek government securities, for which the differential between the amortised cost and the listing price at the end of December of Euro 40.8 million was fully recognised to the income statement. Taking account of the current economic crisis in Greece and the restructuring initiatives of the sovereign debt, the difference between the book value and fair value was in fact considered a permanent loss in value, as described in detail in the first part of the report relating to securities issued by peripheral Eurozone countries.

OTHER REVENUES

Other income amounts to Euro 180,098 thousand and is composed of:

(in Euro thousands)	**2011**	**2010**	**Change**
Other technical income	20,814	32,026	-11,212
Utilisation of provisions	38,846	2,217	36,629
Exchange differences	2,378	12,836	-10,458
Prior year income	2,279	10,951	-8,672
Gains realised on fixed assets	184	315	-131
Recovery of expenses and administrative cost	83,193	86,852	-3,659
Other revenue	32,404	21,352	11,052
TOTAL	**180,098**	**166,549**	**13,549**

The recovery of expenses and administration charges, which are offset against other charges, principally relate to recharges to the consortium company Fondiaria-Sai Servizi Group for the secondment of personnel.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 3,126,242 thousand, a decrease of 3.3 % on the previous year (-8.3% in the non-life division and +19% in the life division).

The table below shows the breakdown of the accounts relating to direct and indirect premiums, as well as the reinsurance share.

Claims costs, amounts paid and changes in technical reserves

(in Euro thousands)	**2011**	**2010**	**Change**
Non-Life Division			
Amount paid	2,424,598	2,644,335	-219,737
Change in recoveries	-40,085	-55,869	15,784
Change in other technical reserves	-390	-145	-245
Change in claims reserve	284,134	158,758	125,376
Total Non-Life	**2,668,257**	**2,747,079**	**-78,822**
Life Division			
Sums paid	701,644	589,478	112,166
Change in actuarial reserve and other technical reserves	-187,982	35,589	-223,571
Change in technical reserves where investment risk borne by policyholders and from pension fund management	-52,614	-39,360	-13,254
Change reserve for sums to be paid	-5,548	9,721	-15,269
Total Life	**455,500**	**595,428**	**-139,928**
TOTAL NON-LIFE + LIFE	**3,123,757**	**3,342,507**	**-218,750**
Amount paid	3,126,242	3,233,813	-107,571
Change reserves	-2,485	108,694	-111,179

The increase in the claims reserve is due to the significant revaluation of the Motor TPL claims reserve, 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; More prudent reservation policies were also utilised for general civil responsibility.

Claims costs, reinsurers portion

(in Euro thousands)	2011	2010	Change
NON-LIFE DIVISION			
Amount paid	66,389	74,605	-8,216
Change in other technical reserves	-	-	-
Change in recoveries	-	-	-
Change in claims reserve	-14,541	-21,149	6,608
Total Non-Life	**51,848**	**53,456**	**-1,608**
LIFE DIVISION			
Amount paid	21,744	27,080	-5,336
Change in actuarial reserve and other technical reserves	-11,878	-18,775	6,897
Change reserve for sums to be paid	-722	2,365	-3,087
Total Life	**9,144**	**10,670**	**-1,526**
TOTAL NON-LIFE + LIFE	**60,992**	**64,126**	**-3,134**
Amount paid	88,133	101,685	-13,552
Change reserves	-27,141	-37,559	10,418

COMMISSION EXPENSE

These represent the acquisition costs of the contracts not within the application of IFRS 4 as not relating to a significant insurance risk.

(in Euro thousands)	2011	2010	Change
	233	82	151

Commission expenses

MANAGEMENT EXPENSES

The breakdown of the account is as follows:

(in Euro thousands)	**2011**	**2010**	**Change**
NON-LIFE DIVISION			
Acquisition commissions and changes in deferred acquisition costs	424,399	449,296	-24,897
Other acquisition expenses	87,550	93,667	-6,117
Collection commissions	23,337	26,121	-2,784
Commissions and profit participation received from reinsurers	-41,153	-44,258	3,105
Total Non-Life	**494,133**	**524,826**	**-30,693**
LIFE DIVISION			
Acquisition commissions and changes in deferred acquisition costs	3,840	7,431	-3,591
Other acquisition expenses	9,025	8,349	676
Collection commissions	3,670	4,120	-450
Commissions and profit participation received from reinsurers	-2,602	-3,444	842
Total Life	**13,933**	**16,456**	**-2,523**
Investment management charges	5,521	4,107	1,414
Other administration expenses	119,099	123,445	-4,346
TOTAL	**632,686**	**668,834**	**-36,148**

The acquisition costs of direct business matured in the year (acquisition commissions and other acquisition expenses) amount to Euro 524,814 thousand (Euro 558,743 thousand in 2010).

OTHER COSTS

Other costs amounts to Euro 336,679 thousand and is composed of:

(in Euro thousands)	**2011**	**2010**	**Change**
Other technical charges	113,731	132,229	-18,498
Provisions	23,180	44,845	-21,665
Losses on receivables	21,081	18,483	2,598
Prior year charges	7,663	4,415	3,248
Depreciation of tangible assets	983	868	115
Amortisation of intangible assets	7,346	8,375	-1,029
Exchange differences	1,465	4,624	-3,159
Impairment on tangible assets	3,323	1,068	2,255
Impairment on intangible assets	-	3,079	-3,079
Administrative costs/expenses incurred for third parties	83,193	86,852	-3,659
Other expenses	74,714	30,344	44,370
TOTAL	**336,679**	**335,182**	**1,497**

INCOME TAXES

The account *income taxes* includes income for Euro 106,170 thousand as the joint effect of charges for current income taxes of Euro 583 thousand, income from deferred tax charge/income of Euro 111,585 thousand, and charges for the recalculation of the deferred tax income/charge following the changes in the IRAP rate from 4.82% to 6.82% of Euro 4,832 thousand. The breakdown is illustrated in the following table:

(in Euro thousands)	
Current taxes	583

Deferred tax liabilities arising in the year	54,380
Deferred tax liabilities utilised in the year	-8,963
Deferred tax assets arising in the year	-185,511
Deferred tax assets utilised in the year	28,509
Change in deferred tax asset/liability for changes in IRAP tax rate	4,832
TOTAL	**-106,170**

Deferred tax assets arising in the year include:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 54,658 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 14,725 thousand.

The above-stated tax benefits were recorded to the financial statements when:

- a reasonable certainty exists to achieve fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The verification of the possibility that the benefits related to the tax losses will be gained was carried out based on the 2012 Budget and the Industrial Plan guidelines, recently approved by the Board of Directors of the parent company and on the outlook.

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate for the year of 27.5% is as follows:

(in Euro thousands)	**2011**
Loss before taxes	-593,777
Taxes on theoretical income (only IRES 27.50%)	-163,289
Tax effect from changes in permanent differences	41,001
Other differences	1,075
Taxes on income (excluding regional tax)	**-121,213**
Irap regional tax	15,043
TOTAL taxes for the year	**-106,170**

In order for a better understanding of the reconciliation between the effective charge in the accounts and the theoretical fiscal charge account was not taken of the Irap regional tax effect as the assessable basis for these taxes are not uniform with those utilised for Ires and therefore not directly comparable with the pre-tax effect.

Profit/(loss) from discontinued operations

The amount refers to the gain obtained from the sale of the investment in Citylife, held by Immobiliare Milano Assicurazioni. This investment, following the conclusion of the authorisation process required by Isvap and Antitrust, was sold on August 3, 2011 to Generali Properties for an amount of Euro 109.3 million.

FURTHER INFORMATION

Earnings per share

	2011	2010
Net loss from ordinary operations attributed to the ordinary shareholders of the parent company (Euro thousand)	-491,138	-636,872
Weighted average number of ordinary shares to calculate the basic earnings per share	1,148,495,288	550,670,914
Earnings/(loss) per share from ordinary operations – in Euro	-0.43	-1.16

The earnings per share are calculated by dividing the net result from operating activities attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year.

It is noted that:

- the net result of operating activities attributable to ordinary shareholders of the Parent Company is calculated subtracting from the Group net result the share of the savings shareholders;
- the weighted average of the shares in circulation is calculated net of the weighted average of the treasury shares held and is calculated on a pro-rata temporis basis, relating to the pre share capital increase, to the shares issued at the end of the offer period and those issued following the sale on the stock exchange of the rights not exercised.

In accordance with paragraph 68 of IAS 33, we report the earnings per share from discontinued operations:

	2011	2010
Net profit from ordinary operations attributed to the ordinary shareholders of the parent company (Euro thousand)	29,233	3,110
Weighted average number of ordinary shares to calculate the basic earnings per share	1,148,495,288	550,670,914
Earnings/(loss) per share from ordinary operations – in Euro	0.03	0.01

Dividends paid and proposed

Information is provided below in accordance with IAS 1.125a and 125b:

(in Euro thousands)	**2011**	**2010**
Declared and paid in the year		
Dividends on ordinary shares	-	55,067
Dividends on savings shares	-	3,554
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	-	-
Dividends on savings shares	-	-

PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the accounts with an additional instrument for a better understanding of the financial results of the Group.

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

The primary reporting of the Group is by sector of activity. 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.

In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure.

The **Non-Life sector** includes the insurance categories indicated in Article 2, paragraph 3 of Legislative Decree 209/2005 (Insurance Code).

The **Life sector** includes the insurance categories and the operations indicated in Article 2, paragraph 1 of Legislative Decree 209/2005 (Insurance Code).

The **Real Estate sector** includes the activities carried out by the real estate companies controlled by the parent company Milano Assicurazioni (Immobiliare Milano s.r.l., Sintesi Seconda s.r.l., Campo Carlo Magno S.p.A.) and by the Athens Real Estate Fund.

The **Other Activities** sector, of a residual nature, includes the activities of Sogeint which operates in the sector of providing commercial assistance to agencies.

This section shows the balance sheet and income statement by sector, prepared in accordance with the formats approved by Isvap Regulation No. 7 of July 13, 2007. Comments and further information on the individual segments are included in the first part of the present report, to which reference should be made.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Balance sheet by segment

		Non-Life Sector		Life Sector	
		2011	2010	2011	2010
1	**INTANGIBLE ASSETS**	**216,843**	**224,164**	**25,328**	**25,325**
2	**PROPERTY, PLANT & EQUIPMENT**	**3,664**	**11,918**	**19**	**28**
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**247,280**	**331,741**	**81,651**	**102,911**
4	**INVESTMENTS**	**4,389,254**	**4,395,130**	**3,610,055**	**4,186,895**
4.1	Investment property	594,782	639,107		
4.2	Investments in subsidiaries, associates and joint ventures	95,288	86,102	1,842	1,829
4.3	Investments held to maturity			128,927	121,798
4.4	Loans and receivables	275,196	195,417	609,955	446,994
4.5	AFS Financial assets	3,411,436	3,456,620	2,655,779	3,345,568
4.6	Financial assets at fair value through the profit or loss account	12,552	17,884	213,552	270,706
5	**OTHER RECEIVABLES**	**862,555**	**953,869**	**89,562**	**74,127**
6	**OTHER ASSETS**	**404,089**	**347,560**	**119,258**	**49,864**
6.1	Deferred acquisition costs			10,741	7,477
6.2	Other assets	404,089	347,560	108,517	42,387
7	**CASH AND CASH EQUIVALENTS**	**402,926**	**232,280**	**57,318**	**44,545**
	TOTAL ASSETS	**6,526,611**	**6,496,662**	**3,983,191**	**4,483,695**
1	**SHAREHOLDERS' EQUITY**				
2	**PROVISIONS**	**107,112**	**125,539**	**9,658**	**7,750**
3	**TECHNICAL RESERVES**	**5,530,275**	**5,291,543**	**3,541,924**	**3,852,793**
4	**FINANCIAL LIABILITIES**	**174,822**	**160,064**	**182,393**	**197,409**
4.1	Financial liabilities at fair value through profit or loss	6,591	1,506	64,060	59,317
4.2	Other financial liabilities	168,231	158,558	118,333	138,092
5	**PAYABLES**	**258,812**	**264,124**	**26,498**	**38,284**
6	**OTHER LIABILITIES**	**152,092**	**134,055**	**50,737**	**116,723**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
318	**523**					**242,489**	**250,012**
48,574	**52,071**	**93**	**94**			**52,350**	**64,111**
						328,931	**434,652**
365,836	**528,379**			**-9,261**	**-9,261**	**8,355,884**	**9,101,143**
325,172	370,503			-9,261	-9,261	910,693	1,000,349
3,286	114,460					100,416	202,391
						128,927	121,798
20,387	18,093					905,538	660,504
16,991	25,323					6,084,206	6,827,511
						226,104	288,590
9,732	**10,105**	**3,093**	**2,785**	**-5,670**	**-6,068**	**959,272**	**1,034,818**
49,610	**3,964**	**92**	**77**	**-14,927**	**-73,572**	**558,122**	**327,893**
						10,741	7,477
49,610	3,964	92	77	-14,927	-73,572	547,381	320,416
7,735	**3,118**	**2,825**	**4,722**			**470,804**	**284,665**
481,805	**598,160**	**6,103**	**7,678**	**-29,858**	**-88,901**	**10,967,852**	**11,497,294**
						929,537	**1,304,567**
2,800	**2,800**	**300**	**50**			**119,870**	**136,139**
						9,072,199	**9,144,336**
12,982	**70,473**					**370,197**	**427,946**
207	820					70,858	61,643
12,775	69,653					299,339	366,303
5,339	**5,783**	**5,530**	**7,287**	**-5,670**	**-6,068**	**290,509**	**309,410**
698	**497**	**118**	**186**	**-18,105**	**-76,565**	**185,540**	**174,896**
						10,967,852	**11,497,294**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Segment Income Statement

		Non-Life Sector		Life Sector	
		2011	2010	2011	2010
1.1	Net premiums	2,895,471	2,950,284	384,043	514,569
1.1.1	*Gross premiums written*	3,024,173	3,086,159	396,951	527,782
1.1.2	*Premiums ceded to re-insurers*	-128,702	-135,875	-12,908	-13,213
1.2	Commission income	0	0	851	874
1.3	Income and charges from financial instruments at fair value through profit or loss	-16,282	-9,541	542	8,309
1.4	Income from investments in subsidiaries, associates and joint ventures	362	806		
1.5	Income from other financial instruments and property investments	154,380	235,459	205,860	199,448
1.6	Miscellaneous	158,702	144,902	6,758	12,103
1	**TOTAL REVENUES AND INCOME**	**3,192,633**	**3,321,910**	**598,054**	**735,303**
2.1	Net charges relating to claims	-2,616,409	-2,693,623	-446,356	-584,758
2.1.1	*Amounts paid and changes in technical reserves*	-2,668,257	-2,747,079	-455,500	-595,428
2.1.2	*Reinsurers' share*	51,848	53,456	9,144	10,670
2.2	Commission expenses			-233	-82
2.3	Charges from investments in subsidiaries, associates and joint ventures	-13,688	-34,750	-331	-346
2.4	Charges from other financial instruments and property investments	-245,444	-382,996	-90,645	-99,213
2.5	Management expenses	-606,949	-639,267	-25,737	-29,567
2.6	Other costs	-296,986	-301,937	-15,851	-22,224
2	**TOTAL COSTS AND CHARGES**	**-3,779,476**	**-4,052,573**	**-579,153**	**-736,190**
	PROFIT/(LOSS) BEFORE TAXES	**-586,843**	**-730,663**	**18,901**	**-887**
	INCOME TAXES				
	PROFIT/LOSS FROM DISCONTINUED OPERATIONS				
	CONSOLIDATED LOSS				
	group share				
	minority share				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2011	2010	2011	2010	2011	2010	2011	2010
0	0	0	0	0	0	3,279,514	3,464,853
						3,421,124	3,613,941
						-141,610	-149,088
						851	874
613	595					-15,127	-637
26	921					388	1,727
12,081	12,444					372,321	447,351
10,340	5,229	11,071	9,259	-6,773	-4,944	180,098	166,549
23,060	**19,189**	**11,071**	**9,259**	**-6,773**	**-4,944**	**3,818,045**	**4,080,717**
0	0	0	0	0	0	-3,062,765	-3,278,381
						-3,123,757	-3,342,507
						60,992	64,126
						-233	-82
-3,530	-6,259					-17,549	-41,355
-56,672	-29,543					-392,761	-511,752
						-632,686	-668,834
-19,883	-7,122	-10,732	-8,843	6,773	4,944	-336,679	-335,182
-80,085	**-42,924**	**-10,732**	**-8,843**	**6,773**	**4,944**	**-4,442,673**	**-4,835,586**
-57,025	**-23,735**	**339**	**416**	**0**	**0**	**-624,628**	**-754,869**
						106,170	82,697
						30,851	3,281
						-487,607	**-668,891**
						-487,479	-668,711
						-128	-180

PART E – Financial risk management

1.1 The government risk

In the Fondiaria SAI Group, the Risk Management structure and process is within the wider internal control system based on the following levels:

- line controls which ensure the correct performance of the operations (Level 1 controls);
- risk management controls which have the objective to measure the risks and identify the strategies to govern them (Level 2 controls);
- internal audit controls which provides an independent evaluation of the overall control and risk management system in order to improve efficiencies of the organisation (Level 3 controls).

Within the “line controls”, the “Process Owners” and the “Risk and Controls Managers” assume importance. Specifially, the “Process Owner”:

- has the responsibility to oversee their own business processes;
- has the responsibility of the analysis and monitoring of the risks related to their processes in accordance with the company policies (including the internal declaration for the Executive Responsible for corporate documents);
- has responsibility for the management of the impacts deriving from the risks of his processes and the implementation of any mitigation action to reduce the exposure to risk;
- has responsibility of the impacts deriving from the risks of the process for which they are responsible outsourced to third parties and for which they have the duties to supervise;
- must integrate the analysis of the risk into the decisional processes.

The “Risks and Control” Manager:

- hierarchically reports to his department and functionally to the Risk Management department;
- is the contact person between Level 1 and Level 2 controls;
- undertakes support activities to the “Process Owners” to protect the business processes, collect data and analyse the risks, monitor the risks, manage the mitigation actions of the risks, and prepare periodic reporting;
- undertakes a methodology based on the consolidated census criteria of Basilea II and Solvency II with the objective to guarantee coverage of all risk events and evaluate them in relation to the existence and quality of the relative controls.

The risk management system involves the following parties, which undertake different roles based on the positions held, know-how and information available:

- Board of Directors;
- Internal Control Committee;
- Chief Executive Officer, General Manager and Senior Management;
- Risks Committee and other Management Committees;
- Risk Management Department;
- Compliance Department;
- Audit Department;
- Process Owners.

The Board of Directors have the ultimate responsibility for the internal control system which must ensure completeness, functionality and efficiency.
The Internal Control Committee assists the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and undertakes a consultative role.
The Chief Executive Officer, the General Manager and senior management oversee the implementation, updating and monitoring of the internal control and risk management system, in accordance with the directives of the Board of Directors.
The risk management system involves specifically created committees which contribute to strengthen and integrate the risk management system which undertake a critical role for the Board of Directors so that they may adopt the most informed decision.
The Compliance department identifies and evaluates risks not in accordance with regulations.
The Audit department monitors and evaluates the efficiency of the internal control system and indicates the corrective actions considered necessary, the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.
The Risk Management Department undertakes, together with the other parties involved in the risk management system, the definition and creation of a management system covering all of the activities related to risk, through the development and maintenance of the policies, of the methodologies and the risk measurement instruments. In particular, the Risk Management function was attributed the following responsibilities:

- managing the activities to develop and complete the Risk Capital models functional to the implementation of an efficient and effective Enterprise Risk Management system;

- Undertake recurring monitoring of the risks through the reporting indicators;

- contribute to the definition of the tolerance thresholds and the operating limits and draw up the procedures for the prompt verification of these limits;

- prepare reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the breaches of fixed operating limits;

- Defines, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;

- undertake stress testing in order to evaluate the economic and financial impact deriving from adverse trends of the principal risk factors.

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. From December 20, 2011, the Board of Directors of Milano Assicurazioni appointed its own head of the Risk Management department. The Company will outsource to the parent company FONDIARIA-SAI these activities. Similarly, the Board of Directors of MILANO ASSICURAZIONI meeting held on December 20, 2011 appointed its own Audit manager and on January 23, 2012 appointed its own Compliance manager, and outsourcing to the parent company FONDIARIA-SAI the carrying out of the relative activities.

The Risk Management, Compliance and Audit functions are independent from the operating structures and report functionally and hierarchically to the Board of Directors. Also the “Solvency II” directive attributes to these departments, together with the actuarial functions, a key role in the overall governance.

In addition, in 2011 the Board of Directors’ of FONDIARIA-SAI approved the creation of a new organisational unit, called the “Inter-group Activity Unit”, reporting to the Chief Executive Officer, with the responsibility to review and monitor the transactions with related parties, before, during and after their execution, in order to evaluate, case by case, the situations of conflicts of interest, and to ensure 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.
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.

The Board of Directors’ meeting of December 20, 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.

1.2 The Risk Map

The risks considered in the Model adopted are illustrated the Risk Map, shown below, which breaks down each risk by segment of business. As well as the assessment of maximum potential loss, the approach adopted in the monitoring of the total exposure considers also the risks which according to the cause – effect, can manifest themselves as a consequence of other risks, although not always generating a directly measurable economic impact.
These risks, called “Second level risks” are:
-The Reputational Risk, or rather the risk related to the deterioration of the corporate image and the increase of conflict with insured parties, related also to a drop in the quality of the products offered, the placing of unsuitable policies or the conduct of sales networks;
-The Risks related to belonging to a group or “infection” risk, refers to the risk which arises due to the interlinked nature of the other companies of the group, a situation of difficulty if an entity of the same group has solvency issues.

Alongside these types of Risks, particular attention must be paid to Strategic Risk, or 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 decisions or a failure to react sufficiently to changes in the competitive environment.

The Risk Map, of Level I and II, is the basis for the Risk Management activity. This structure however is not a fixed element within the Model, in that the approach adopted, as set out above, must consider not only all of the current Risks, but also the possible future risks, with the objective to anticipate any possible threats originating from the context in which the Group operates.

	Ramo Danni	Ramo Vita	Immobiliare	Altro
Rischi Finanziari				
Rischio di Mercato	✓	✓	✓	✓
Rischio di Credito	✓	✓	✓	✓
Rischio di Liquidità	✓	✓	✓	✓
Rischi Tecnici Vita				
Longevità		✓		
Mortalità		✓		
Disabilità		✓		
Spese		✓		
Riscatto		✓		
Catastrofale		✓		
Rischi Tecnici Danni				
Riservazione	✓			
Premio	✓			
Catastrofale	✓			
Rischi Operativi e altri Rischi				
Rischi Operativi	✓	✓	✓	✓
Rischio di non conformità alle norme	✓	✓	✓	✓
Rischio Reputazionale	✓	✓	✓	✓
Rischio legato all'appartenenza al Gruppo o "di contagio"	✓	✓	✓	✓
Rischio Strategico	✓	✓	✓	✓

The quantification of the above-mentioned risks is determined on an ALM basis through the internal model utilising best practice procedures.
The ALM estimate results in an analysis of the shock of the risk variables on both asset and liability accounts in the financial statements.
This aspect is significant for the financial variables and in particular for the interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial reserves and Non-Life claims reserves, due to the discounting of the cash flows.
The quantification of the financial risks reported below however are reported without taking into account the ALM aspect. The compensating principle defined by this method is principally applicable on a "Total Balance Sheet" basis defined by Solvency II.
The accounting principles marginally permit the adoption of this technique, and for clarity no calculations were made not compatible with the accounting principles for the preparation of the financial statements.
In 2011, the credit risk relating to government bonds was significant. This risk is not valued by the standard formula proposed by QIS5, while the internal model estimates the credit risk also for the government component, on the basis of the issuer rating.

The significant amount of securities issued by the Italian State, the subsequent downgrading, as well as the volatility of the spread compared to risk free securities, significantly impacted on the valuation of this risk, which in the internal model was the greatest risk among market risks.
The technical risks are also valued through internal models and the models proposed by the standard QIS5 formula.
The most significant component is the reserve risk relating to the Non-Life division. The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements.
The term life and redemption risks and inflation currently represent a minor technical risk.
Particular attention however was placed on the acceleration of the redemption of life policies, which occurred in the final part of the year.
Currently, this aspect is monitored on specific scenario analysis; however the modelisation of this event may be premature due to the short period in which there was a significant amount of redemption.

2 Information on Operational Risks

2.1 *Objectives and criteria of the financial risk management*

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors of the parent company Fondiaria-SAI approved the document "Investment and Risk Management Policy" of the Group.
The policy has the objective to guarantee:

- adequate diversification, avoiding excessive concentration;
- a readily liquid portion of investments;
- structuring of the assets with liabilities through the utilisation of ALM policies;
- a prudent management, limiting the exposure in securities with low credit ratings;
- a use of derivative instruments principally for hedging purposes.

In accordance with these objectives, the Board of Directors of Milano Assicurazioni and each subsidiary, through the "Investment framework resolution" defined the operating limits with reference to all the financial risk types, considering also any exposure to risk concentration.

The structure of the limits is extended to the principal asset classes which make up the investments and the limits are defined in terms of:

- maximum percentage per asset class of the total of the Assets Under Management (Total Investments);
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap (broken down between Non-Life and Life);
- limits in terms of minimum hedging on the strategic investments;
- limits in terms of liquidity: maximum percentage of “illiquid” instruments.

The portfolio structure of the assets in the Life Division is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Division, the assets are selected also in consideration of the foreseeable development of the settlement of claims in relation to the relevant reserves.

2.2 Market Risk

Market risk refers to “the risk of losses from changes in interest rates, in share prices, exchange rates and property prices”.

The Group monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:

- The obtaining of uniform measures of risks which permit the comparison of different instruments;
- Determine position limits;
- Construction of “risk-adjusted” measures.

In particular, the measures adopted are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at December 31, 2011 and December 31, 2010 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

Analysis of the values and of the Value at Risk 31/12/2011

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	6,80	10,59	0,18	10,76
Totale Derivati	0,12	N/A	0,00	N/A
Esposizione Azionaria Netta	6,92	7,34	0,17	7,51
Totale Obbligazioni e Fondi	84,13	0,99	0,04	1,04
Totale Azioni non quotate	4,95	6,97	0,07	7,03
Totale	96,00	1,76	0,05	1,81
Altri Attivi	4,00	1,01	0,03	1,03
Totale generale	100,00	1,73	0,05	1,78

Analysis of the values and of the Value at Risk 31/12/2010

Tipologia	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Totale Azioni quotate	9,76	9,66	0,24	9,90
Totale Obbligazioni e Fondi	80,67	1,12	0,04	1,16
Totale Azioni non quotate	4,98	3,04	0,03	3,07
Totale	95,41	2,09	0,06	2,16
Altri Attivi	4,59	1,12	0,02	1,14
Totale generale	100,00	2,05	0,06	2,11

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column “Price/VaR Rate” and “VaR Exchange %” shows the percentage on the market values.
- The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

Analysis of the values and Risk Capital 31/12/2011

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	6,80	38,30	0,81	39,11
Totale Derivati	0,12	N/A	0,00	N/A
Esposizione Azionaria Netta	6,92	30,26	0,80	31,06
Totale Obbligazioni e Fondi	84,13	4,54	0,19	4,73
Totale Azioni non quotate	4,95	28,36	0,31	28,66
Totale	96,00	7,62	0,24	7,86
Altri Attivi	4,00	4,60	0,14	4,74
Totale generale	100,00	7,50	0,24	7,74

Analysis of the values and Risk Capital 31/12/2010

Tipologia	Composizione % (Quotato Secco)	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Totale Azioni quotate	9,76	37,75	1,14	38,89
Totale Obbligazioni e Fondi	80,67	4,25	0,19	4,44
Totale Azioni non quotate	4,98	13,69	0,15	13,84
Totale	95,41	8,17	0,28	8,45
Altri Attivi	4,59	4,24	0,11	4,35
Totale generale	100,00	7,99	0,27	8,26

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The columns “Risk Capital Rate/Price” and “Risk Capital Exchange %” show the percentage on the market values.
- The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

The reduction of the risk of the portfolio compared to 12/31/10 is principally due to the equity component arising from the contraction in volatility and the change in the method in measuring equity risk.

2.2.1 Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Group principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mix between fixed income securities and variable rates. The ALM management has the aim to maintain an equilibrium in duration between assets and liabilities.
Through the utilisation of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme situations. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Sensitivity analysis of the bond component

	+50bp		-50bp	
(€ milioni)	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Totale	**-256**	**-119**	**282**	**124**
di cui Danni	-68	-32	72	32
di cui Vita	-188	-87	211	92

Notes:
- The Held To Maturity and Loans and Receivables categories are not included
- Sensitivity relating solely to financial assets and not ALM.

The table below shows the analysis of the duration, of the VaR and of the Risk Capital of the bond portfolio at 12/31/11 divided by type of issuer and maturity.

Analysis of the bond component by VaR and Risk Capital maturity

Tipologia	Composizione % (Quotato Tel Quel)	Duration Macaulay	VaR Tasso %	Risk Capital Tasso %
Government Euro	**85,44**	**4,00**	**0,96**	**4,40**
Tasso Variabile	***21,37***	***0,67***	***0,22***	***1,27***
Tasso Fisso	***64,07***	***5,08***	***1,21***	***5,45***
0,0< <=1,5	16,28	0,80	0,29	0,13
1,5< <=3,0	10,46	2,18	0,79	2,76
3,0< <=5,5	12,86	3,79	1,11	5,05
5,5< <=7	5,02	5,40	1,67	8,16
>7	19,44	9,36	2,14	10,92
Corporate Euro	**12,91**	**4,03**	**1,16**	**5,24**
Tasso Variabile	***0,45***	***0,13***	***0,00***	***1,10***
Tasso Fisso	***12,46***	***4,17***	***1,20***	***5,39***
0,0< <=1,5	1,54	0,83	0,30	0,24
1,5< <=3,0	3,60	2,25	0,78	2,79
3,0< <=5,5	3,59	4,04	1,30	5,99
5,5< <=7	2,05	5,31	1,64	8,00
>7	1,67	8,19	2,21	11,26
Fondi Obbligazionari Euro	**1,01**	**3,00**	**0,93**	**3,88**
Tasso Fisso	***1,01***	***3,00***	***0,93***	***3,88***
1,5< <=3,0	1,01	3,00	0,93	3,88
Government Non Euro	**0,41**	**5,07**	**0,28**	**1,17**
Tasso Fisso	***0,41***	***5,07***	***0,28***	***1,17***
3,0< <=5,5	0,28	3,34	0,24	0,92
5,5< <=7	0,02	5,62	0,24	0,62
>7	0,11	9,70	0,39	1,90
Corporate Non Euro	**0,23**	**1,08**	**0,09**	**0,18**
Tasso Variabile	***0,02***	***0,07***	***0,00***	***0,00***
Tasso Fisso	***0,21***	***1,18***	***0,10***	***0,20***
0,0< <=1,5	0,15	0,64	0,08	0,09
1,5< <=3,0	0,04	1,80	0,16	0,50
3,0< <=5,5	0,02	4,47	0,16	0,38
Totale Obbligazioni	**98,99**	**4,00**	**0,98**	**4,49**
Totale	**100,00**	**4,00**	**0,98**	**4,48**

Notes:

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

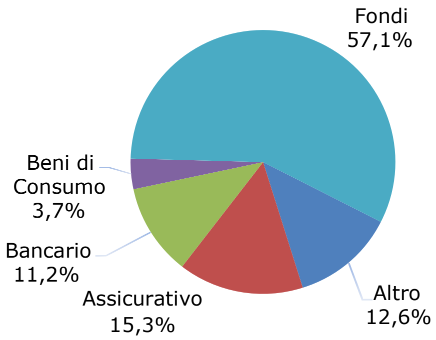
2.2.2 Equity risk, exchange risk and real estate risk

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

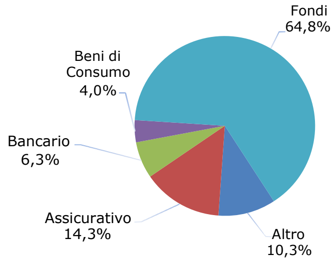
The valuation of the assets utilises the volatility of the underlying and associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria are utilised as input for the calculation of the VaR and Risk Capital.

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

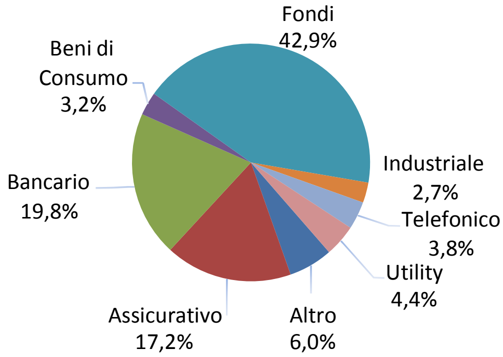
Composition equity portfolio of the Milano Assicurazioni Group



Milano Assicurazioni Group Non-Life



Milano Assicurazioni Group Life



The impact in the income statement is shown below of a reduction in listed equity prices of 10%. The analysis was carried out gross of the tax effects.

Sensitivity analysis of the listed equity portfolio

(€ milioni)	31/12/2011	31/12/2010
Totale	**-35**	**-73**
di cui Danni	-19	-51
di cui Vita	-16	-22

Notes:

- Sensitivity relating solely to financial assets and not ALM.

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.

Analysis of the composition and Value at Risk

Tipologia	Divisa	Composizione % (Quotato Secco)	VaR Tasso Prezzo %	VaR Cambio %	VaR Totale %
Azioni	Corona norvegese	0,00	18,98	3,87	22,86
	Corona svedese	0,00	19,14	3,93	23,07
	Euro	6,55	10,45	0,00	10,45
	Franco svizzero	0,05	15,78	7,39	23,17
	Sterlina inglese	0,19	13,37	4,05	17,42
	Totale Azioni quotate	**6,80**	**10,59**	**0,18**	**10,76**
Derivati su azioni	Euro	0,12	N/A	0,00	N/A
	Totale Derivati	**0,12**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**6,92**	**7,34**	**0,17**	**7,51**
Fondi obbligazionari	Euro	0,86	0,93	0,00	0,93
Obbligazioni	Dollaro americano	0,26	0,30	5,63	5,92
	Euro	82,73	1,00	0,00	1,00
	Franco svizzero	0,28	0,15	7,52	7,67
	Totale Obbligazioni Fondi	**84,13**	**0,99**	**0,04**	**1,04**
Azioni	Dollaro americano	0,06	8,84	5,56	14,40
	Euro	4,89	6,94	0,00	6,94
	Totale Azioni non quotate	**4,95**	**6,97**	**0,07**	**7,03**
	Totale	**96,00**	**1,76**	**0,05**	**1,81**
	Dollaro americano	0,02	0,99	5,58	6,57
	Euro	3,98	1,01	0,00	1,01
	Altri Attivi	**4,00**	**1,01**	**0,03**	**1,03**
	Totale generale	**100**	**1,73**	**0,05**	**1,78**

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column "VaR Price %" and "VaR Foreign Exchange %" shows the percentage on the market values.
- The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

Analysis of the composition and Risk Capital

Tipologia	Divisa	Composizione % (Quotato	Risk Capital Tasso Prezzo %	Risk Capital Cambio %	Risk Capital Totale %
Azioni	Corona norvegese	0,00	67,89	18,22	86,11
	Corona svedese	0,00	68,25	18,46	86,71
	Euro	6,55	37,82	0,00	37,82
	Franco svizzero	0,05	56,80	33,01	89,81
	Sterlina inglese	0,19	48,19	18,99	67,18
	Totale Azioni quotate	**6,80**	**38,30**	**0,81**	**39,11**
Derivati su azioni	Euro	0,12	N/A	0,00	N/A
	Totale Derivati	**0,12**	**N/A**	**0,00**	**N/A**
	Esposizione Azionaria Netta	**6,92**	**30,26**	**0,80**	**31,06**
Fondi obbligazionari	Euro	0,86	3,88	0,00	3,88
Obbligazioni	Dollaro americano	0,26	1,36	25,79	27,15
	Euro	82,73	4,57	0,00	4,57
	Franco svizzero	0,28	0,34	33,59	33,93
	Totale Obbligazioni Fondi	**84,13**	**4,54**	**0,19**	**4,73**
Azioni	Dollaro americano	0,06	38,06	25,50	63,56
	Euro	4,89	28,24	0,00	28,24
	Totale Azioni non quotate	**4,95**	**28,36**	**0,31**	**28,66**
	Totale	**96,00**	**7,62**	**0,24**	**7,86**
	Dollaro americano	0,02	4,51	25,60	30,11
	Euro	3,98	4,6	0	4,6
	Altri Attivi	**4**	**4,6**	**0,14**	**4,74**
	Totale generale	**100**	**7,5**	**0,24**	**7,74**

Notes:

- The percentage weight is calculated taking as reference the listed value.
- The column “Price Risk Capital %” and “Risk Capital Foreign Exchange %” shows the percentage on the market values.
- The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
- The account other assets includes structured securities.

In relation to the real estate risk, or rather the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment. The analysis model for the residential and commercial buildings is calibrated on a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

2.3 Credit Risk

The analysis of the credit risk is broken down as follows:

- **Counterparty Default Risk**, the risk of possible losses due to unexpected non compliance of the counterparties and of the debtors, excluding issuers of bond securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- *Spread Risk*, the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

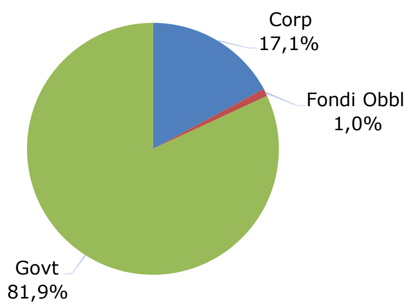
The internal model utilises two models to determine the spread risk.

The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a consequence of "migration" of the issuers from one class to another rating. This latter is considered more adequate for the total determination of the Economic Capital. On the basis of these models, the exposure of the Group to the credit risk is periodically monitored.

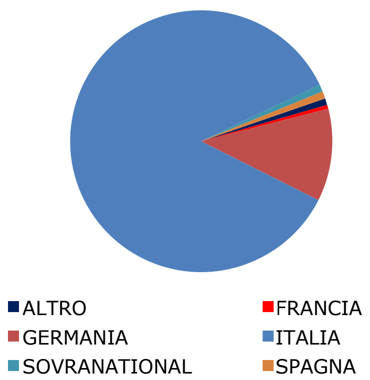
In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

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

Composition of the Bond portfolio

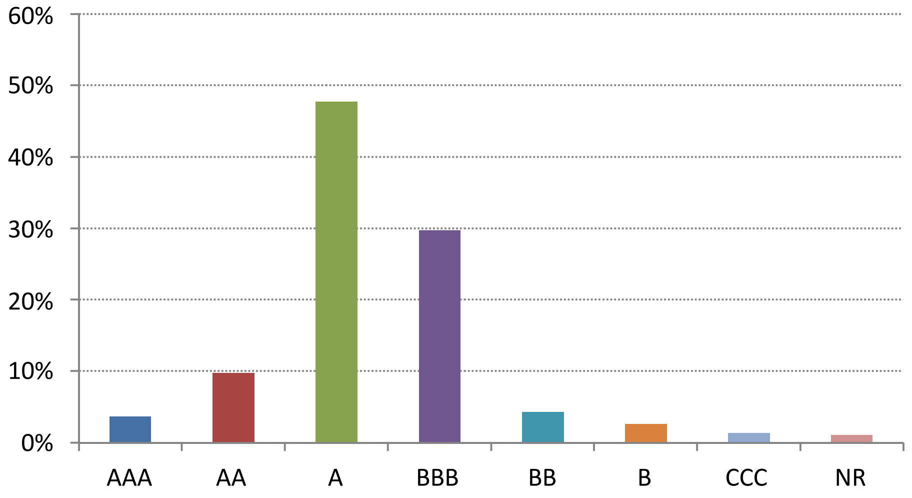


Government bond portfolio by country

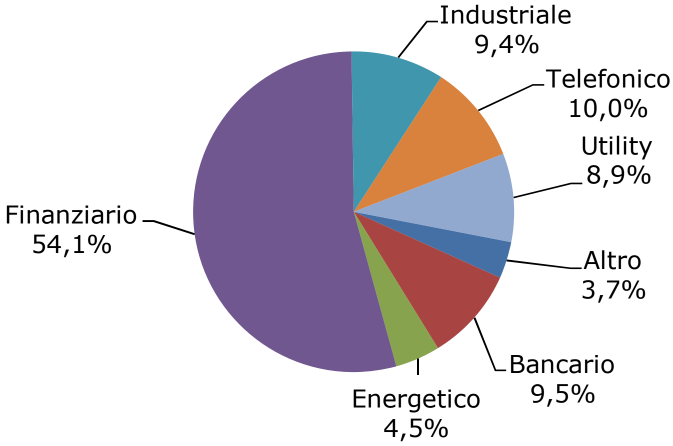


Paese Emittente	Quota (%)
Austria	0,03%
Belgio	0,02%
Canada	0,07%
Francia	0,51%
Germania	11,41%
Grecia	0,29%
Irlanda	0,10%
Italia	85,49%
Messico	0,05%
Portogallo	0,01%
Sovranational	0,87%
Spagna	0,94%
Stati Uniti D'America	0,09%
Svizzera	0,12%

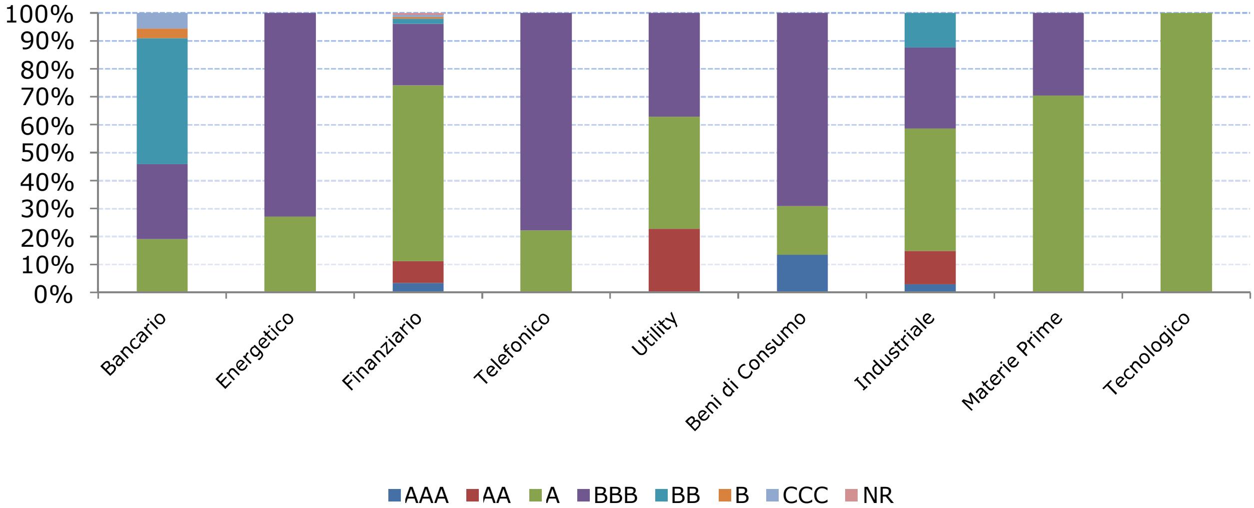
Corporate bond portfolio by Standard & Poor's rating



Corporate bond portfolio by segment



Corporate bond portfolio by sector and rating

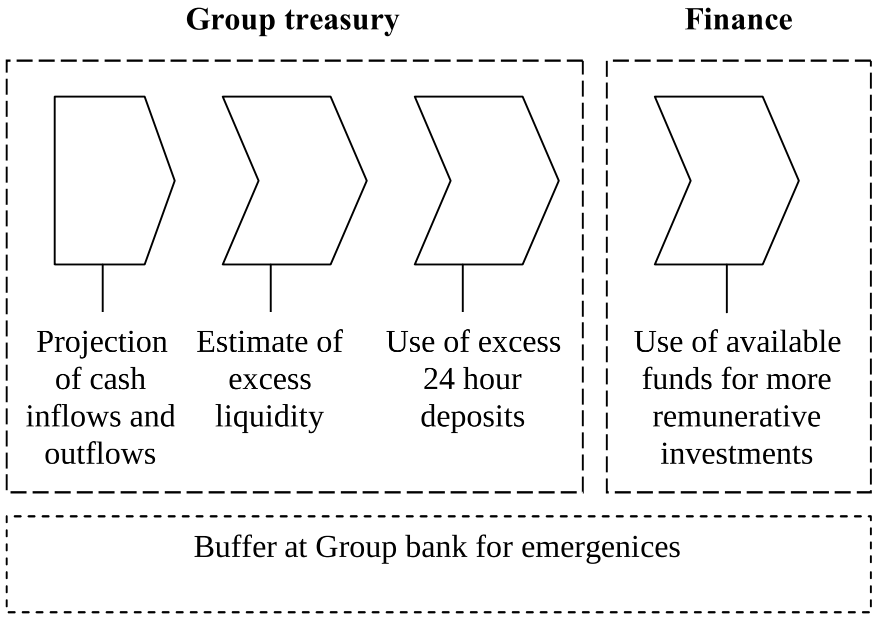


2.4 Liquidity Risk

The liquidity risk involves “the risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses".

The Group for the management of liquidity adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily cash pooling), also the optimisation of the returns on the liquidity realised through the centralised management of the excess liquidity compared to the programmed commitments. The Group Treasury activities seek to ensure a balance between the maintaining of monetary credit lines capable of covering any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



The funds in restricted 24 hour deposit accounts (so-called time deposits) are managed by counterparty banks according to the following criteria:

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

In relation to the fund investments, on the basis of the Group Risk Policy, limits were fixed relating to the illiquid assets compared to the total assets under management (AUM).

3 Information on Operational Risks

3.1 The Framework of Operational Risk Management

The operating risk concerns the *"risk of loss deriving from inefficiencies of staff, processes and systems, including those utilised for distance selling, or external events, such as fraud and the activities of supplier services (Outsourcing risk)".* Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include risk compliance and reputational risk, with the objective to evaluate the direct and indirect effects of events relating to operating risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

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

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

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

3.2 Activity carried out

During the year, the Risk Self Assessment activity continued of the business processes according to the qualitative-quantitative methodology based on questionnaires which identified the most significant risks in terms of economic impact. The questionnaires were drawn up making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit department, with the support of the respondents and based on the preceding verifications carried out.
In relation to the definition of the Business Continuity general plan, the recognition activity was concluded on the principal business processes and on the principal Group operating site in order to define the minimum operating requirements in emergency conditions against the principal catastrophic events (Business Impact Analysis).
On the management of the IT risk, some evaluations were made on the vulnerability of the IT system with particular focus on the evaluation of the infrastructure managed by the outsourcer FSST and some applications on the internet.
The IT risk and business continuity management also includes the Disaster Recovery plans.
The activity relating to the definition of a data quality management model, within the Solvency II convergence, was undertaken through a pilot project which created the basis for a data dictionary and for a census methodology and controls. Simultaneously specific work was undertaken to improve the quantity and quality of the information relating to catastrophic risk in the Non-Life Corporate policy sector.

The Solvency II convergence project

In July 2011, the 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 and therefore the application perimeter excluded some companies whose businesses were concentrated in specific classes for which the internal model required adjustments and customisation.

Analysis by maturity for the insurance and financial liabilities

The table below summarises the insurance and financial liabilities of the group by maturity.

The direct business non-life technical reserves comprise the premium reserve (Euro 1,146 million), the claims reserve (Euro 4,363.3 million) and the other technical reserves (Euro 2.9 million), represented by the age reserve of the health class.

The table which summarises the liabilities of the life segment includes insurance liabilities of Euro 3,628.3 million and financial liabilities of Euro 61.7 million. In particular, the insurance liabilities includes the actuarial reserves for Euro 3,452 million and technical reserves with investment risk borne by the policyholders of Euro 133.3 million and reserve for sums to be paid of Euro 43 million. The financial liabilities relate to the insurance policies which, not containing a significant insurance risk, represent financial contracts and are not within the application of IFRS No. 4.

The other financial liabilities are composed of the reinsurance deposits (Euro 123.5 million), the subordinated liabilities (Euro 152.5 million) and bank payables (Euro 23.3 million).

Non-Life division technical reserves

(amounts in Euro millions)

Up to 1 year	**2,630.4**
Between 1 and 5 years	1,997.6
From 6 to 10 years	624.4
Due after 10 years	259.8
TOTAL	**5,512.2**

Life technical reserves and financial liabilities relating to investment contracts

(amounts in Euro millions)

Up to 1 year	**433.2**
Between 1 and 5 years	1,693.3
From 6 to 10 years	995.6
Due after 10 years	567.9
TOTAL	**3,690.0**

Other financial liabilities

(amounts in Euro millions)

Up to 1 year	**146.9**
Between 1 and 5 years	**-**
From 6 to 10 years	101.6
Due after 10 years	50.8
TOTAL	**299.3**

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity require, as a consequence, that the utilisation of derivative financial instruments are regulated in accordance with ISVAP Regulation No. 36/2011.

At December 31, 2011, the derivative financial operations open were:

- nominal contract of Euro 50 million of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives the Euribor rate at 6 months.
- nominal contract of Euro 100 million of an Interest Rate Swap with the counterparty Mediobanca expiring on July 14, 2018. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 2.35% and receives the Euribor rate at 6 months;
- combined options (put purchase – call sell) on 4,800,543 Unicredit shares, with average strike of Euro 7.9743. These options generated a gain of Euro 7.4 million;
- combined options (put purchase – call sell) on 6,817,390 Generali shares, with average strike of Euro 11.7082. These options were revalued in the accounts for Euro 1.3 million;
- combined options (put purchase – call sell) on 9,376,040 Banca Popolare di Milano shares, with average strike of Euro 0.2623. These options were written down at year-end for Euro 0.4 million.

These operations were undertaken in accordance with the Board of Directors’ resolution of May 14, 2011 concerning investments and utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed. For each hedging operation, the relative “Hedging Relationship Documentation” was prepared in accordance with the above-mentioned resolution and also in compliance with international accounting standards.

The principal derivative finance operations in the year relate to:

- in February, Milano Assicurazioni signed a BTP Spread Swap with Mediobanca on a notional Euro 15 million with maturity of December 15, 2011. This operation, undertaken to hedge the credit spread above a predetermined level, was closed in March with an unwind operation, which resulted in the recording of a charge to the income statement of Euro 0.4 million;

- in March, the Range Accrual Swap opened with Banca IMI on a notional of Euro 3.75 million and maturity of October 28, 2020 was closed through an unwind position;

- in March, the Range Accrual Swap opened with Banca IMI on a notional of Euro 2.5 million and maturity of May 7, 2020 was closed through an unwind position;

- in March, the Range Accrual Swap opened with BNP Paribas on a notional of Euro 5 million and maturity of April 1, 2020 was closed through an unwind position and the recording of income in the income statement of Euro 0.4 million;

- in May, the Credit Default Swap contracts with Morgan Stanley agreed on a nominal Euro 9.35 million and maturity on March 20, 2013, was closed through an unwind operation on recording in the income statement of charges of Euro 0.1 million;

- in May, the Credit Default Swap contracts with Merrill Lynch agreed on a nominal Euro 4.41 million and maturity on March 20, 2014, was closed through an unwind operation on recording in the income statement of charges of Euro 0.1 million;

- in the third quarter of the year combined put and call options hedging securities in portfolio were closed. In particular, the options closed related to 375,000 Mediobanca shares and, taking into account the unitary average strike price of Euro 7.28, a gain was recorded in the income statement of Euro 0.5 million;

- in October 4,320,000 call options on Generali shares matured which Milano Assicurazioni had sold to various counterparties with an average strike price of Euro 13.06. On maturity, the counterparties abandoned the options and Milano Assicurazioni realised a gain of Euro 0.5 million, equal to the amount of the premium received on the sale of the options.

The Group does not have derivative contracts on currencies as the exposure to exchange risk is immaterial.

PART F – Amounts, timing and level of uncertainty in the cash flows relating to insurance contracts

The following information is required by paragraphs 38 and 39 of IFRS 4.

NON-LIFE DIVISION

Introduction

The objective of this sector, in line with the strategies of the Fondiaria-Sai group, is the development of the portfolio in all the non-life classes in a balanced and technically profitable manner.
In particular, the risk elements in the management of the non-life sector relates to the subscription risk (insufficient premiums to cover claims and expenses) and the reserve risk (insufficient claims reserves to meet commitments assumed with policyholders).

The underwriting method of the risk differs from sector to sector, depending on the mass of risks, corporate risks and special risks. The mass risks, such as those of the Motor TPL, Land Vehicles and all those relating to the person (Injury and Health), households (Homes and Civil Responsibilities) and small businesses (commerce, self employed) represent approx. 90% of the total premiums underwritten. These risks are covered with standard conditions which are determined by the central technical offices of the Fondiaria-Sai Group in accordance with existing regulations, insurance Market experience and specific experience of the Group.

Motor TPL

In the Motor TPL class, the important mass of the statistical data held permits a sophisticated “personalised” tariff elaboration which takes into account a large number of risk factors both subjective and objective, with particular attention on the amendments introduced by direct indemnity based on the characteristics of the insured vehicle.
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 corrective interventions in a timely manner against any modifications of the technical trends.
Similar attention is given for the most loyal Customers through incentive initiatives not only at existing contract levels, but also, with initiatives focused on the acquisition of new niche markets.

Land vehicles

In the Land Vehicle sector, the tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of vehicle insured, in addition to the guarantees provided. The TPL guarantee is on the other hand a tariff based on the Bonus Malus class together with 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.

Non Motor division

Also for the Non-Motor sectors, for the mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience matured in relation to the portfolio acquired, which is sufficiently large and stable to permit the fixing of guarantees and prices suitable to the various risk types.
In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of a medical history questionnaire which permits tariffs based on the conditions of the policyholder.

In general, for the mass risks and in any case all the risks where regulatory conditions and standard tariffs exist, the underwriting is made with adequate agency networks IT procedures and equipment. Within the standard parameters, the commercial networks may avail of a tariff flexibility which is monitored centrally. In the case in which the needs of a specific Customer require a change in the standard conditions, any concession of an exception is valued and authorised by the Technical Structure of the Group.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured: the agency networks have an independent underwriting limit by value and type of risk; above these values and types, the underwriting of risks are assisted by a Technical network adequately trained case-by-case in valuing the risks and fixing the conditions.

For the more complex larger cases for both size and guarantees requested, the underwriting of the risks is reserved to the centralised specialised technical structures of the Group.

In some classes, such as bonds, transport, aviation, pecuniary losses and civil responsibility, the intervention of the specialised structure is continual and sometimes exclusive.

Bonds

With particular reference to the Bond Class, the analysis of the risks is made in advance and careful selection undertaken with a double examination:

- from an objective viewpoint, to examine the nature and specific characteristics of the original report which resulted in the request for the surety guarantee. This has the purpose in the first place of ascribing the operations under examination to categories of risks within the class on the basis of the regulations and provisions; secondly, particular attention is given to the verification of the features of the bond contract which must always respect the principle of access with regard to the principle obligation;
- under the subjective profile, the examination consists of the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterparty.

Both the elements, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through Specialised Companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity has the purpose of quantifying a total “underwriting limit” with the party, within precise and contained limits to the individual Technical areas; above these limits, the cases are presented to the internal boards of the classes, represented by the “”Credit Committee”.

The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to but not exceeding the limits of the underwriting agreed.

Risk Management Activity in the non-life sector and coverage of the catastrophic exposures

Within the Risk Management activities, the processes adopted to optimise the control of the exposures to catastrophic risks are reported.
Particular attention is given to the risk concentrations on some classes, utilising, in accordance with the specific characteristics, appropriate calculation methods.

The Fire Class is that which, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this purpose concentration valuations are made on a geographic, seismic and also a hydrogeological basis.
The exposure concentrations by seismic area are updated during the year and subsequently re-modelled once a year principally utilising the two universal products adopted by the international markets: RMS RiskLink DLM and EQECAT WorldCAT, but analysing also that reported by a third tool, i.e. AIR II.

The 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 concerns, in that the risks are protected based on the year of subscription.
The potential risk concentration following the bankruptcy of a single policyholder in the Bonds class is protected thanks to a claims excess programme, which guarantees all the acceptances made during the 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 segment.

The portfolio of the Group can be considered stable, not subject to significant fluctuations such as to impact on future projections, also due to the significant size of the Motor class.
The motor products were recently reviewed in order to unify at a Group level and represent more closely the Market offer. The Motor TPL sector for its characteristics does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, geographically distributed in a uniform measure throughout the country, are such to be able to absorb such events without significant repercussions 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 catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the fire class.

In the Non-Motor Non-Life Sector, the Group operates in all sectors with the sole exception of the credit class which is underwritten irregularly.

Co-insurance

As for the rest of the market, the Group utilises co-insurance - that is the division of the risks with other insurance companies, both for commercial reasons at local level and to limit exposure in the case of large risks.

Also during 2011, the maintenance of the Group policies, already realised in the previous years, confirmed the maintenance of the separation of the portfolio, with a prevalence of risks assumed in Exclusive Delegation. In fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.

With reference to the Bond Class, also in 2011 the policy relating to the underwriting of risks On Behalf of Others is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

Claims outlook

With reference to the second component of the insured risk of the Non-Life Sector, or rather the reserve risk, this relates to the uncertainty relating to the utilisation of the claims reserve.

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to claims of the Civil Responsibility classes.
The tables below are compiled from official data from forms provided to the Supervision Authority (modules 29 and attachment 1 and module 29).
Each data present on the “triangle” represents the photocopy of the cost of generation at December 31 of the year of occurrence, represented by the sum of the following components:

- cumulative claims paid from the year of occurrence at December 31 of the year of observation.
- claims reserves at December 31 of the year of observation.
- estimate of the late claims of the year of occurrence at December 31 of the year of observation.

The “Estimated final cost”, the “Payments made” and the “Reserve amount” refer to the most recent year of observation.
It is considered appropriate to represent the evolution of the claims for only the civil responsibility classes (motor and general civil responsibility) in that they are the most representative classes of the Group.

The General TPL class in particular is characterised by a slow reversal and a high number of late claims. This causes difficulty in the determination of the generation cost, especially in the first years of observation.

CLASSES 10 + 12

(in Euro thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated costs											
At the end of the year	1,278,515	1,447,032	1,549,795	1,621,784	1,622,942	1,521,471	1,467,317	1,535,173	1,467,070	1,336,874	„
After one year	1,294,931	1,406,337	1,490,432	1,583,324	1,633,005	1,460,379	1,507,936	1,569,303	1,607,094	-	„
After two years	1,357,787	1,434,196	1,491,762	1,587,367	1,696,152	1,521,657	1,593,610	1,686,370	-	-	„
After three years	1,358,329	1,433,925	1,476,821	1,631,165	1,705,280	1,580,235	1,671,884	-	-	-	„
After four years	1,377,627	1,457,385	1,497,619	1,660,460	1,779,806	1,645,747	-	-	-	-	„
After five years	1,381,281	1,473,203	1,514,997	1,705,565	1,807,213	-	-	-	-	-	„
After six years	1,391,195	1,498,919	1,556,300	1,723,718	-	-	-	-	-	-	„
After seven years	1,413,135	1,513,636	1,557,499	-	-	-	-	-	-	-	„
After eight years	1,432,681	1,530,235	-	-	-	-	-	-	-	-	„
After nine years	1,442,277	-	-	-	-	-	-	-	-	-	„
Est. final costs	**1,442,277**	**1,530,235**	**1,557,499**	**1,723,718**	**1,807,213**	**1,645,747**	**1,671,884**	**1,686,370**	**1,607,094**	**1,336,874**	**16,008,913**
Payments	**1,388,329**	**1,457,610**	**1,478,239**	**1,596,867**	**1,622,991**	**1,442,176**	**1,410,327**	**1,363,429**	**1,120,783**	**526,404**	**13,407,156**
Amount to reserve	**53,948**	**72,625**	**79,259**	**126,852**	**184,222**	**203,571**	**261,557**	**3222,941**	**486,311**	**810,470**	**2,601,757**

CLASS 13

(in Euro thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated costs											
At the end of the year	115,458	134,154	141,534	142,455	165,859	161,772	181,595	188,069	212,892	199,442	„
After one year	113,860	127,895	141,052	149,205	160,121	164,384	165,963	184,007	211,834	-	„
After two years	116,285	129,552	151,765	153,791	168,226	165,934	181,024	199,756	-	-	„
After three years	114,086	133,594	155,833	154,644	169,622	172,537	198,316	-	-	-	„
After four years	117,652	137,249	158,056	154,452	173,758	177,857	-	-	-	-	,
After five years	120,771	139,938	154,981	158,174	183,404	-	-	-	-	-	,
After six years	121,910	138,894	159,285	165,399	-	-	-	-	-	-	,
After seven years	121,656	142,653	168,206	-	-	-	-	-	-	-	,
After eight years	123,851	142,834	-	-	-	-	-	-	-	-	,
After nine years	127,352	-	-	-	-	-	-	-	-	-	,
Est. final costs	**127,352**	**142,834**	**168,206**	**165,399**	**183,404**	**177,857**	**198,316**	**199,756**	**211,834**	**199,442**	**1,774,401**
Payments	**95,672**	**106,773**	**117,113**	**103,634**	**113,226**	**99,385**	**98,958**	**82,714**	**66,325**	**22,484**	**907,284**
Amount to reserve	**31,680**	**36,061**	**51,094**	**61,765**	**70,178**	**78,472**	**99,358**	**117,042**	**145,509**	**175,958**	**867,117**

NOTE:

- each amount of the triangle is comprised of:
  cumulated payment of the year of occurrence
  (of the year of occurrence of the year of observation)
  + reserved relating to the year of occurrence on claims reported
  in the year of occurrence
  + reserved relating to the year of occurrence on late claims
  in the year of occurrence
- the "estimated final cost" is that of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "amount to reserve" is the reserve relating to the year of occurrence in the last year of observation

The claims for which our policyholders were civilly responsible (claims not included under direct indemnity and card debtor claims), still open at December 31, 2011 and the relative percentages on the claims reported are shown in the table below:

Generation	Claims Reported	Number of claims open	% on reported claims
2003	476,614	1,026	0.2%
2004	480,823	1,348	0.3%
2005	492,676	2,337	0.5%
2006	490,697	3,441	0.7%
2007	472,985	4,607	1.0%
2008	443,317	8,912	2.0%
2009	438,514	15,734	3.6%
2010	412,406	22,956	5.6%
2011	338,743	70,876	20.9%

(total number of other delegations and expressed as share of co-insurance)

Verification of the liabilities

The premium reserve for risks in course is made, in accordance with ISVAP Regulation No. 16 of March 4, 2008, to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.
The valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year.

The ratio includes net damages for claims of the current generation including the direct and settlement expenses, both externally and internally, as well as the claims reserves at the year-end for the current generation claims, which also include the quota attributable to direct expenses and settlement expenses.

The denominator of the ratio represents the premiums for the period excluding the premiums issued from the acquisition commissions paid, in order to make the calculation based on elements (reserve premiums pro-rata in and out and premiums written) technically uniform in their content.

The procedure for the determination is as follows:
- The claims ratio to premiums in the current year is determined in accordance with the procedures indicated;
- This ratio is valued in accordance with the values assumed in the previous years and verifies the existence of objective elements which may provide significant variables in the immediate future on the value in terms of greater frequency of claims or higher average costs;
- Where this ratio is above 100%, the excess of the reserve is applied for the premium fraction as well as the premium instalments which will be made on the relative contracts.

It is also considered that the current method in the determination of the claims reserves in accordance with the last cost criteria are methodologically appropriate to represent the future cash flows in the contract portfolio in force.

LIFE DIVISION

In the individual policy segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in the “stand alone” form, through annual premium and single premium products with constant capital or decreasing, and in accessory form to other types of policies.
For the tariffs of these products, the Group utilises specific tariff forms determined through official ISTAT statistics on the mortality of the Italian population, adapted on the basis of the mortality history of the portfolio of the policyholders.

The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or not.
The amount insured is underwritten on the basis of fixed and standard rules, the so-called “underwriting grid”. This grid is structured on the basis of a different step-up of capital insured for which there are different types of events of a health nature in accordance with the “International Guidelines” in the medical field.
There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the 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.
It is also noted that for amounts above a certain threshold, the underwriting of the risk is subject to the presence of explicit acceptance by the 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 trend of the technical performance on the portfolio confirms that historically applied in terms of personalisation of the statistical base adopted compared to the general ISTAT.
The longevity risk is currently marginal - typically related to the portfolio relative to annuities - due to the non significant presence of this type of contract in the portfolio.

In the Corporate sector, the typical risks insured by the insurer are those relating 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 utilised for this type of contract, a 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 of insurance cover made based on the needs of single individuals in order to exclude the origin of all forms of anti selection of the risk are excluded methodologically.
This fundamental rule is supplemented by further limitations relating to the determination of the capital and amount insured.

The amount insured is underwritten based on standard variable rules (insurance grid) based on 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 above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.
It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is reserved in relation 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.
The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company - means the recurring monitoring of the trend both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.

The trend of the technical performance on the portfolio confirms that historically applied in terms of personalisation of 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 present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated base statistics and a careful evaluation of constant guaranteed financial returns monitored on the markets.
The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by the sales network, with an increase related to the salaries.
The portfolio related to the management of the liquidity of the companies is realised through specific financial securitisation policies of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of the services.

In relation to this, particular attention is dedicated to the concentration of the commitments on the individual counterparties in order to avoid negative impacts on the company accounts in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.
This element is circumvented with an internal regulation which requires on the one hand, a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related and on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of the insurance risks in the Life sector

The portfolio of the Group can be classified in three uniform macro-groups for technical characteristics and the product offered:
- the risk products, whose offer consists of products protecting the individual or his family guaranteeing a certain economic level against unexpected events;
- the pure investment product to meet greater requests for solutions for treasury needs of small and medium size enterprises as alternative investment opportunities proposed by the financial market;
- the savings products for the medium-long term period, also with a view to pensions.

In relation to the traditional products, within the first category are included all the contracts which have an important risk component in the case of death, as for the temporary death case and for mixed insurance; in the second case, the contracts which have a strong financial component such as the securitisation and for the third, greater annuity contracts and deferred capital.

In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to the Oicr basket and equity or stock exchange indices.
A Life contract is classified as insurance if the insurance risk is significant, that is if an event insured can induce the insured to pay significant additional services; "additional services" are intended as the amounts paid in the case of the occurrence of events which exceed those that would be paid in which the event insured did not occur.
A contract of the Life Division is considered an insurance contract if:
- the services are above, conventionally and with a certain continuance, the level of 5% of the amount payable in the case in which the event does not occur;
- it is an annuity right;
- it contains an option of conversion in guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.
The classification was made at tariff level; consequently there are in existence certain insurance products (for example covering death), certain financial products (for example securitisation) and in addition, residually, products for which, in order for their classification, it is necessary to make evaluations at individual contract level.

Verification of the liabilities

In order to evaluate the adequacy and the sufficiency of the reserves recorded in the accounts with the local GAAP criteria, Milano Assicurazioni adopted a model capable of making a LAT (Liability Adequacy Test), which generates annual projected cash flows. The model operates at single policy level and separately for the portfolio of the traditional policies and those of the index-linked policies.
The test was carried out only on the portfolio of the Parent Company, for all of its divisions, and on Liguria Vita.

Relating to traditional policies, the portfolio was divided into uniform groups according to the technical characteristics of the product (securitisation contracts, risk and savings and pension).

The following table provides a breakdown of the portfolio based on the above classification.

Milano Assicurazioni – Number of policies written at December 31, 2011*

Capital.	Risk	Savings & pension	Total
16,058	95,713	101,754	213,525

(*) for the collective portfolio a record was considered for each person insured

Liguria Vita – Number of policies written at December 31, 2011*

Capital.	Risk	Savings & pension	Total
2,293	9,466	7,620	19,379

(*) for the collective portfolio a record was considered for each person insured

The tariffs modelled for the purposes of the LAT calculation covered almost all of the portfolio of the traditional contracts within IFRS 4 at the time of evaluation. In particular, for the Parent Company, a reserve was calculated of Euro 3,021,975 thousand against a total portfolio of Euro 3,263,354 thousand (92.6%); while for Liguria Vita a reserve was calculated of Euro 100,757 thousand against a total portfolio of Euro 109,975 thousand (91.6%); the results obtained in the portfolio considered, in accordance with the methods described below, were proportionally extended to the entire portfolio.

For the index-linked contracts classified as insurance contracts (IFRS 4), given the different characteristics with the traditional products, it was not possible to utilise the same model. Therefore a simplified approach was utilised, comparing, directly by tariff, the current value of the future cash flows with the reserves recorded in the accounts.

From the viewpoint of the development of the calculations, for both the traditional product and the index-linked product, the model is based on the development of the future cash flows which will be generated from the contracts. For each policy the projected cash flows are annually generated which takes into account the demographic assumptions, mortality and expenses in accordance with the second order so as to value on an annual basis, the economic gains for the calculation of the needs, assuming that they are settled on maturity or at the end of the deferral of the capital paid.
In order to calculate future premiums, in relation to the specificity of each tariff, only the policies which at the valuation date were paid were considered.

The recognition of services and premiums, where in accordance with a minimum guaranteed return and for the discounting of the cash flows, utilise a market risk free curve at the reference date.
For the contracts with specific assets, the discount rate was taken from the effective return of the assets to cover the reserves, taking into account the credit risk related to the individual securities comprised in the basket. The credit risk is valued based on the probability of default assigned by Standard & Poor.
In the estimate of the amounts paid following the redemption by clients of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific conditions of each tariff are considered.

The valuation of future commissions payable to the network based on the premiums collected, or where established, the assets managed, reference is made to the loading corresponding to the amounts collected and the current commercial agreements in force.

The discounting of the future cash flows described above permitted the determination of the commitments of the Company in accordance with the "best estimate" basis at the moment of the valuation. This amount is defined in the "LAT Reserve" 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.

In particular:
- Revaluation of services: according to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: 2.35%. The parameter is utilised, within the valuation, as an increased rate of the expenses of the management of the contracts, and is considered, over the long-term period, sufficiently prudent.

- Discount rate: risk free curve at the valuation date, except where specified above, as detailed below:
-

Year	EuroSwap+1.50%
1	2.914%
2	2.710%
3	2.945%
4	3.595%
5	4.015%
6	4.338%
7	4.601%
8	4.647%
9	4.726%
10	4.818%
11	4.957%
12	5.027%
13	4.681%
14	4.784%
15	4.889%
16	4.260%
17	4.272%
18	4.284%
19	4.297%
20	4.310%
21	3.824%
22	3.790%
23	3.756%
24	3.722%
25	3.687%
26	3.623%
27	3.585%
28	3.548%
29	3.510%
30	3.471%

- Mortality: mortality indices taken from the tables SIM/SIF 2002, reduced by 40%.
- Management expenses: the costs which will be incurred for the management of the existing portfolio were calculated based on the following table which considers the recent experience of the company:

Milano Assicurazioni	Annual management expenses by policy
Individual single premium	€ 28
Individual annual & recur. premium	€ 65
Collective (per person)	€ 28

Liguria Vita	Annual management expenses by policy
Individual single premium	€ 50
Individual annual & recur. premium	€ 50
Collective (per person)	€ 50
Index	€ 25

- Lapses: in relation to the redemptions and, in general, the termination of contracts, elimination frequencies were adopted taken from direct experience of the Company based on duration periods and broken down by tariff category, shown in the table below.

Duration	Indiv. Annual & recur. premiums	Indiv. Single premiums	Collective	Index linked
0	2.03%	0.37%	1.07%	2.500%
1	6.68%	5.14%	5.73%	2.500%
2	9.16%	8.02%	8.44%	2.500%
3	9.83%	7.32%	8.35%	2.500%
4	9.31%	7.03%	8.24%	2.500%
5	9.78%	6.40%	8.70%	2.500%
6	9.08%	7.42%	8.86%	2.500%
7	5.89%	6.64%	5.91%	-
8	5.50%	6.37%	5.51%	-
9	5.01%	3.71%	4.99%	-
10	4.65%	3.12%	4.62%	-
11	4.64%	4.40%	4.63%	-
12	4.06%	2.52%	4.03%	-
13	3.65%	2.86%	3.64%	-
14	3.18%	2.71%	3.17%	-
15	2.95%	2.04%	2.93%	-
16	2.81%	1.93%	2.79%	-
17	2.63%	2.70%	2.63%	-
18	2.20%	1.85%	2.19%	-
19 or more	1.42%	0.60%	1.41%	-

Results - Traditional Portfolio

The application of the model for the valuation of the LAT (Liability Adequacy Test) provided, for the groupings described above, the results shown below comparing them with the reserves in the accounts and in particular the actuarial reserves, the future expenses reserves, the additional reserves for interest guarantee and decreased by the commissions to be amortised.

LAT valuation at 31/12/2011 (in thousands of Euro)

Milano Ass.ni	Capital.	Risk	Savings & pension	Total
LAT Res.	537,452	509,910	1,920,165	2,967,567
Tot. per Accounts	571,213	596,850	2,136,502	3,304,565
Balanced Res.	*567,384*	*588,687*	*2,107,283*	*3,263,354*
Additional Res.	*155*	*7,680*	*27,492*	*35,327*
Expenses Res.	*3,675*	*2,828*	*10,122*	*16,625*
DAC	*-*	*2,345*	*8,396*	*10,741*

Liguria Vita	Capital.	Risk	Savings & pension	Total
LAT Res.	15,777	15,721	68,432	99,930
Tot. per Accounts	17,358	18,618	75,401	111,377
Balanced Res.	*16,977*	*18,416*	*74,582*	*109,975*
Additional Res.	*-*	*21*	*83*	*104*
Expenses Res.	*381*	*182*	*735*	*1,298*
DAC	*-*	*-*	*-*	*-*

LAT Valuation - Index Linked Policies

For the valuation of Index Linked policies classified as “insurance” (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the accounts in relation to the risks underwritten and to the future expenses.

LAT valuation at 31/12/2011 (in thousands of Euro)

Milano Ass.ni	Index Linked
LAT Res.	128,728
Tot. per Accounts	129,507
Class D Res.	*128,091*
Additional Res.	*373*
Expenses Res.	*1,043*

Liguria Vita	Index Linked
LAT Res.	5,252
Tot. per Accounts	5,282
Class D Res.	*5,213*
Additional Res.	-
Expenses Res.	*68*

Guarantee return reserve

With reference to the commitments underwritten with the policyholders, the breakdown of the reserves shows approx. 59.7% (Euro 2,137.0 million) relate to policies with guaranteed returns between 1% and 3%, while approx. 33.4% (Euro 1,195.1 million) relate to policies with guaranteed return between 3% and 4%. The reserves relating to contracts with interest rate guarantee on maturity amounted to Euro 130 million. The reserves related to specific assets amount to Euro 117.5 million.

Insurance reserves of the life segment: guarantee return (*)

(in Euro millions)	Milano Ass.ni	Liguria Vita	Tot. Group
Reserves with guaranteed annual interest rate	3,231.6	100.9	3,332.5
of which:			
from 0% to 1%	0.4		0.4
between 1% and 3%	2,045.1	91.9	2,137.0
between 3% and 4%	1,186.1	9.0	1,195.1
Reserves related to specific assets	108.5	9.0	117.5
Reserves with guaranteed interest rate on maturity	130.0		130.0
Of which			
Class C	1.9		1.9
Class D	128.1		128.1
	3,470.1	**109.9**	**3,580.0**
TOTAL	**3,730.0**		

(*) including technical reserves for which the investment risk is supported by the policyholder.

PART G - Information on business combinations

In 2011 no business combinations took place.

PART H - Transactions with related parties

Reported below are the transactions with related parties, pursuant to Consob Resolution No. 17221 of March 12, 2010, amended with resolution No. 17389 of June 23, 2010 which adopted the “Regulation on related party transactions” pursuant to Article 2391 *bis* of the Civil Code, as well as Articles 113*ter*, 114, 115 and 154 *ter* of Legislative Decree 58/98.

They principally relate to:
- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the Fondiaria-SAI Group of the cost of the general services at group level;
- credit and debit balances deriving from the involvement in the Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets		Liabilities		Revenues		Costs	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Parent Company	,165,577	173,151	,,48,092,	51,925	,27,374,	16,944	,22,834	19,876
Associate/Group companies	,,525,455	568,614	,,139,925	146,772	,,191,940,	202,251	,325,023,,	252,876
Other related parties	,223,991,	156,593	3,093	6,871	10,691	11,085	53,203,	11,488

The assets of the consolidated financial statements include:

- Euro 73.6 million of payments on account in previous years in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome, of which Euro 72.6 million paid to “Avvenimenti e sviluppo Alberghiero s.r.l.”.
  The amount recorded is net of write downs of Euro 29.9 million made based on updated expert valuation reports on the building under construction, which report a property value of approx. Euro 82 million. It is reported that the changed economic-financial environment (increase in discount rate and difficulty in obtaining sustainable profitability), the difficulty in accessing credit by real estate operators and the significant slowdown in the demand (significant drop in sales) saw the valuers adopt a more conservative valuation approach compared to previous years. We recall that this operation, undertaken in 2003, included the sale to “Avvenimenti e Sviluppo Alberghiero S.r.l.” of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. As

the shareholders of Avvenimenti e Sviluppo Alberghiero S.r.l deems it to be a related party of Milano Assicurazioni, in addition to the parent company Fondiaria-SAI, fairness and legal opinions from expert advisors were obtained for this operation. The fairness opinions confirmed the appropriateness of the sales prices of the areas and the purchase price of the buildings under construction. In 2011 no further payments was made as the work was suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000. At December 31, 2011 the residual commitment amounts to Euro 8.3 million.

- Euro 58.3 million of payments concerning the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola), of which Euro 57.1 million concerning the company "IM.CO. S.p.A.. The amount is net of a write-down of Euro 12.6 million, made based on an updated valuation report on the building under construction, which highlights a property value of approx. Euro 88 million and takes into account the deterioration of the outlook for the real estate sector, as indicated above.
  With reference to this operation, it is recalled that, with deed of December 22, 2005, Milano Assicurazioni sold to IM.CO. at the price of Euro 28.8 million, plus VAT, the above-mentioned land and with subsequent deed of November 15, 2006, following the obtaining by the promised seller of the Construction Permit, Milano Assicurazioni acquired from IM.CO., at the price of Euro 93.7 million, plus VAT, full ownership of all future buildings 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.
  The operation was, prior to its completion, examined and approved, in accordance with the corporate governance principles adopted by the company, by the Board of Directors in the meetings of October 20, 2005 and November 10, 2005.

  In the execution of the works, whose completion was originally scheduled for April 30, 2008, the parties by common agreement approved some changes which regard to the qualitative aspects of the complex. To implement the changes, it was necessary to agree with the selling parties an extension of the delivery deadline, approved by the Board of Directors' meeting of February 18, 2009, which also took into account the suspension of the administrative procedures.
  Due to a further suspension of works imposed by the judicial authorities – which concluded, by order of the Re-examination Court, with the declaration of the full compliance of the procedure adopted by the City Council Administration – in 2010 the parties signed an agreement on the possibility to optimise the project taking into account the inclusion of the rezoned urban area "Porta Nuova" which adds significant value to the project.
  It was therefore necessary to amend the architectural characteristics of the building in order to allow maximum flexibility of the internal spaces and therefore to create a building which can facilitate a wide range of possible tenants, in line with market developments.
  With Private Modifying Agreement of March 8, 2011 and – once the property deed became effective – with subsequent Amending Deed of August 2, 2011, the parties agreed that the above-stated amendments would result in charges of Euro 5.4 million, an amount

which includes also the charges and claims between the parties in the period before the halting of building as well as the consequent delayed completion of the building as a result of the new project, with the scheduled completion date postponed to 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 taxes.

As IM.CO. is considered a related party of the Company, the operation is considered by Milano Assicurazioni in accordance with the adopted regulations issued by CONSOB and subject therefore to specific procedures: therefore the independent expert Scenari Immobiliari provided a report which confirms the correctness of the overall price of Euro 99.1 million. The Raynaud & Partners Law Firm was also requested to provide a legal opinion, which issued a positive opinion concerning the above-stated deed. The above decision was approved by the Board of Directors' meeting of Milano Assicurazioni on February 23, 2011.
In 2011, Euro 13.6 million was capitalised for the advancement of work in addition to Euro 4 million paid on the signing of the Private Modifying Agreement. The residual commitment at December 31, 2011 amounts to Euro 29.7 million.

In relation to the above-mentioned real estate project Milano Assicurazioni will only become owner of the buildings once the work is completed and approved. As described above, the Company has already made payments on account based on the advancement of the works.

These types of contracts expose the companies of the Group, where the selling counterparties (IM.CO. and Avvenimenti e Sviluppo Alberghiero, subsidiaries of Sinergia Holding di Partecipazioni S.p.A. and related parties of Milano Assicurazioni) are unable to comply with their obligations, to the risk of losing their right to the delivery of the assets subject to these contracts, remaining debtor of the sums paid on account, as these real estate projects under development do not have guarantees.

The valuation of the real estate projects and developments were made on the basis that the counterparty related party of the Sinergia Holding di Partecipazioni Group continue to operate on a going concern basis, also in consideration of the debt renegotiation of the Sinergia Group with its banks creditors. Consequently, in the absence of the conditions outlined above, the full recovery of the investment may not be possible for Milano Assicurazioni, except in accordance with the application of judicial protection.

However, the write-downs made on the above mentioned projects, as indicating a valuation lower than the sum of the amounts paid on account in relation to the state of advancement of the works, already constitute a protection considered adequate compared to the risks illustrated above.

Finally, we report that the above-mentioned related parties have recently requested the Company for the payment of further sums against changes to the original plans. It is considered that these requests, for which the necessary examinations are taking place, are not founded and for the moment are therefore rejected.

PART I – Subsequent events after the year end

Integration project with the Unipol Group

On January 29, 2012 the Company was informed of the agreement reached on the same day between Premafin Finanziaria S.p.A. (Premafin) and Unipol Gruppo Finanziario S.p.A. (UGF), which establishes, among other issues, the integration of Premafin, Fondiaria SAI, Milano Assicurazioni and Unipol Assicurazioni.

Therefore, the Board of Directors of the Company approved, for its part, the preliminary activity– still ongoing – concerning an analysis of the integration project, with the assistance of financial and legal advisers. Given the composition of the Board of Directors of the Company (which provides for a majority of independent directors), it was not necessary to appoint an adviser on behalf of the independent directors.
The Board of Directors did not make any evaluation on such activities, even of a preliminary nature, in relation to the integration operation, which is in any case subject to the conditions contained in the above-mentioned agreement.

Based on the preliminary evaluations carried out, with the support of the advisers, 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.

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 development of the operation, with particular attention to the conditions on which the completion of the agreement signed on January 29, 2012 between the Premafin and UGF is based.

Restructuring of the securities issued by Greece

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

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

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

Complaint pursuant to Article 2408 of the civil code by the Board of Statutory Auditors of Fondiaria-SAI and relative Report

On March 19, 2012, at the Shareholders' Meeting of the parent company Fondiaria-SAI, the Board of Statutory Auditors of the company presented its report pursuant to Article 2408 of the civil code in relation to the complaint made by a shareholder; this report was published on the internet site of the parent company and subsequently transmitted to the directors and statutory auditors of Milano Assicurazioni.

The Board of Directors of Milano Assicurazioni noted that the above-mentioned complaint and Report of the Board of Statutory Auditors concerned operations and facts, undertaken in the past, which also referred to Milano Assicurazioni.

Therefore, at the meeting of March 23, 2012, the Board of Directors of Milano Assicurazioni, although the complaint pursuant to Article 2408 of the civil code was not directly addressed to the company – decided to undertake specific investigations in parallel with the Board of Statutory Auditors and with the support of financial, real estate and property advisors in order to verify the events, evaluate any effects for Milano Assicurazioni and identify any persons responsible for deeds not in the interest and benefit of the company.

It is however considered that the above matters do not have any impact on the valuation processes adopted in the preparation of the financial statements.

PART L - Other Information

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 Lombardy and Tuscany (relating to the consolidating company Fondiaria-Sai) Regional Tax Authorities - finalised the tax position. The finalisation also involved the parent company Fondiaria-Sai 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 May 16, 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 company, exercising the option to pay through instalments and the instalments were paid on the respective due dates.
The agreement did not relate to the appeal on penalties concerning the non payment of withholding taxes in the year 2005-2008.

The tax charge of Milano Assicurazioni following the finalisation of these disputes for the period 2005-2008 amounted to Euro 34.6 million, in addition to interest (of which Euro 13.1 million concerning the year 2005). In addition to this amount a charge was incurred of Euro 1.2 million for the agreement relating to other assessments received in 2008 concerning a general inspection for the year 2004.
The total charge of Euro 35.8 million compares to a potential assessment risk of over Euro 230 million and was expensed in the income statement for the year 2011 for Euro 11.8 million, while Euro 24 million was already accrued in the previous year.

Agency Network

The following table summarises the contribution and the territorial distribution of the agency networks of the fully consolidated companies:

	31/12/2011	31/12/2010
North	936	1,013
Centre	452	505
South and islands	467	471
Total agencies	**1,855**	**1,989**

Employees

Al 31 dicembre 2011 il numero dei dipendenti della Capogruppo e delle società consolidate risulta pari a n. 1.855 unità, in calo di n. 108 unità rispetto al 31 dicembre 2010. La tabella seguente ne evidenzia la composizione ed il confronto con l'anno precedente.

	31/12/2011	31/12/2010
Executives	18	24
Managers & white collar	1,830	1,932
Building caretakers	7	7
Milano Group Employees	**1,855**	**1,963**

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	2011	2010
US Dollar	1.2939	1.3362
UK Sterling	0.8353	0.86075
Swiss Franc	1.2156	1.2504

Adjusted solvency

The verification of the adjusted solvency at December 31, 2011, pursuant to article 217 of Legislative Decree 209/2005 and made based on the provisions of Isvap regulation No. 18 of March 12, 2008, reports the following situation:

	2011	2010
Amount of the solvency margin requested	785,721	766,293
Total elements to be covered	1,051,593	1,190,000
Excess	**265,872**	**423,707**
Coverage percentage	***133.8%***	***155.3%***

In relation to the calculation, the faculty established by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised. Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union states, allocated as non-current were valued based on the carrying amount in the separate financial statements, with a positive impact on the constituting items of Euro 200,927 thousand, corresponding to an improvement in the solvency ratio of 25.5 percentage points.
Segnaliamo inoltre che l'operazione di aumento di capitale sociale conclusa nel corso dell'esercizio ha inciso positivamente per circa 44 punti percentuali.

* * *

On March 14, 2012, the Board of Directors approved the consolidated financial statements; subsequently, on March 23, 2012, the Board approved some supplementations to the financial statements taking into account – and in order to align disclosure information – requests made by Consob to the parent company Fondiaria-SAI on some matters concerning also Milano Assicurazioni, as well as disclosure relating to the publication on March 19, 2012 of the report of the Board of Statutory Auditors of the parent company Fondiaria-SAI in relation to the complaint made pursuant to Article 2408 of the civil code presented by a shareholder of the company. No other significant event, other than that illustrated above, took place after March 14, 2012.

In addition, there were no positions or transactions deriving from atypical and/or unusual transactions.

Milan, March 14-23, 2012

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of tangible and intangible fixed assets

	At cost	At revalued amount or fair value	Total book value
Investment property	910,693		910,693
Others buildings	47,006		47,006
Other tangible assets	5,344		5,344
Other intangible assets	11,437		11,437

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of the technical reserves - reinsurance amount

	Direct business		Indirect business		Total book value	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**	**31/12/2011**	**31/12/2010**
Non-Life reserves	***245,341***	***329,599***	***1,939***	***2,142***	***247,280***	***331,741***
Unearned premium reserve	53,732	55,969	51		53,783	55,969
Outstanding claims reserve	191,609	273,630	1,888	2,142	193,497	275,772
Other reserves					0	0
Life reserves	***80,531***	***101,514***	***1,120***	***1,397***	***81,651***	***102,911***
Claims outstanding reserve	3,431	4,409			3,431	4,409
Actuarial reserves	77,100	97,105	1,120	1,397	78,220	98,502
Technical reserves where investment risk is borne by policyholders and from pension fund management					0	0
Other reserves					0	0
Technical reserves attributed to reinsurers	***325,872***	***431,113***	***3,059***	***3,539***	***328,931***	***434,652***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of financial assets

	Investments held to maturity		Loans and receivables		AFS financial assets	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**	**31/12/2011**	**31/12/2010**
Equity securities and derivatives valued at cost						
Equity securities at fair value					371,937	593,314
of which listed securities					*307,672*	*544,809*
Debt securities	128,927	121,798	799,122	553,037	5,195,362	5,606,764
of which listed securities	*127,548*	*120,468*	*269,615*	*303,388*	*5,168,581*	*5,567,954*
Fund units					516,907	627,433
Loans and receivables from banks						
Loans and interbank receivables						
Deposits with reinsurers			2,193	2,614		
Financial asset components of insurance contracts						
Other loans and receivables			91,223	104,853		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments			13,000			
Total	**128,927**	**121,798**	**905,538**	**660,504**	**6,084,206**	**6,827,511**

Financial assets at fair value through profit or loss account				Total book value	
Financial assets held for trading		Financial assets designated at fair value recorded through profit or loss			
31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**	**31/12/2011**	**31/12/2010**
				0	0
		157	650	372,094	593,964
		157	*650*	*307,829*	*545,459*
4,878	23,411	160,325	214,262	6,288,614	6,519,272
546	*561*	*150,959*	*204,322*	*5,717,249*	*6,196,693*
		48,618	48,159	565,525	675,592
				0	0
				0	0
				2,193	2,614
				0	0
				91,223	104,853
		28	312	28	312
		9,961		9,961	0
		2,137	1,796	15,137	1,796
4,878	**23,411**	**221,226**	**265,179**	**7,344,775**	**7,898,403**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

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

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Assets in accounts	176,905	231,769	18,110	13,906	195,015	245,675
Inter-group assets*					0	0
Total Assets	**176,905**	**231,769**	**18,110**	**13,906**	**195,015**	**245,675**
Financial liabilities in accounts	43,601	43,694	18,110	13,906	61,711	57,600
Technical reserves in accounts	133,304	188,075			133,304	188,075
Inter-group liabilities*					0	0
Total Liabilities	**176,905**	**231,769**	**18,110**	**13,906**	**195,015**	**245,675**

* Assets and liabilities eliminated in consolidation

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of technical reserves

	Direct work	
	31/12/2011	31/12/2010
Non-Life reserves	***5,512,172***	***5,272,924***
Unearned premium reserve	1,146,005	1,191,304
Outstanding claims reserve	4,363,270	4,078,333
Other reserves	2,897	3,287
of which reserves set aside following the liability adequacy test		
Life reserves	***3,540,409***	***3,850,900***
Claims outstanding reserve	43,056	48,869
Actuarial reserves	3,451,986	3,646,803
Technical reserves where investment risk is borne by policyholders and from pension fund management	133,304	188,076
Other reserves	-87,937	-32,848
of which reserves set aside following the liability adequacy test		
of which deferred liabilities to policyholders	*-107,146*	*-54,338*
Total Technical Reserves	***9,052,581***	***9,123,824***

Indirect work		Total book value	
31/12/2011	31/12/2010	31/12/2011	31/12/2010
18,103	***18,619***	***5,530,275***	***5,291,543***
821	758	1,146,826	1,192,062
17,282	17,861	4,380,552	4,096,194
		2,897	3,287
		0	*0*
1,515	***1,893***	***3,541,924***	***3,852,793***
27	17	43,083	48,886
1,488	1,876	3,453,474	3,648,679
		133,304	188,076
		-87,937	-32,848
		0	*0*
		-107,146	*-54,338*
19,618	***20,512***	***9,072,199***	***9,144,336***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of financial liabilities

	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
Equity financial instruments				
Sub-ordinated liabilities				
Liabilities from financial contracts issued by insurance companies deriving			61,711	57,600
From contracts for which the investment risk is borne by policyholders			*43,601*	*43,694*
From the management of pension funds			*18,110*	*13,906*
From other contracts				
Deposits received from reinsurers				
Financial liability components of insurance contracts				
Debt securities issued				
Payables to bank clients				
Interbank payables				
Other loans obtained				
Non-hedging derivatives	207	820		
Hedging derivatives	6,980	1,506		
Other financial liabilities			1,960	1,717
Total	**7,187**	**2,326**	**63,671**	**59,317**

Other financial liabilities		Total book value	
31/12/2011	31/12/2010	31/12/2011	31/12/2010
152,468	151,807	152,468	151,807
		61,711	57,600
		43,601	*43,694*
		18,110	*13,906*
123,519	144,843	123,519	144,843
		207	820
		6,980	1,506
23,352	69,653	25,312	71,370
299,339	**366,303**	**370,197**	**427,946**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of insurance technical reserves

		2011		
		Gross amount	reinsurers' share	Net amount
Non-Life business				
	NET PREMIUMS	3,024,173	-128,702	2,895,471
a	Premiums written	2,978,926	-126,950	2,851,976
b	Change in unearned premium reserve	45,247	-1,752	43,495
	NET CHARGES RELATING TO CLAIMS	-2,668,257	51,848	-2,616,409
a	Amount paid	-2,424,598	66,389	-2,358,209
b	Change in claims reserve	-284,134	-14,541	-298,675
c	Change in recoveries	40,085		40,085
d	Change in other technical reserves	390		390
Life division				
	NET PREMIUMS	396,951	-12,908	384,043
	NET CHARGES RELATING TO CLAIMS	-455,500	9,144	-446,356
a	Sums paid	-701,644	21,744	-679,900
b	Change in reserve for sums to be paid	5,548	-722	4,826
c	Change in actuarial reserve	191,203	-11,878	179,325
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	52,614		52,614
e	Change in other technical reserves	-3,221		-3,221

2010		
Gross amount	reinsurers’ share	Net amount
3,086,159	-135,875	2,950,284
3,103,989	-139,549	2,964,440
-17,830	3,674	-14,156
-2,747,079	53,456	-2,693,623
-2,644,335	74,605	-2,569,730
-158,758	-21,149	-179,907
55,869		55,869
145		145
527,782	-13,213	514,569
-595,428	10,670	-584,758
-589,478	27,080	-562,398
-9,721	2,365	-7,356
-45,028	-18,775	-63,803
39,360		39,360
9,439		9,439

MILANO ASSICURAZIONI S.p.A.
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Financial and investment income and charges

		Interest	Other Income	Other Charges	Profits realised
Result from investments		**245,845**	**53,478**	**-40,938**	**83,881**
a	Deriving from property investments		28,069	-18,525	3,093
b	Deriving from investments in subsidiaries, associates and joint ventures		388	-17,532	
c	Deriving from investments held-to-maturity:	6,986			
d	Deriving from loans and receivables	39,789			451
e	Deriving from AFS financial assets	186,845	23,663	-2,741	78,831
f	Deriving from financial assets held for trading	2,428		-31	89
g	Deriving from financial assets designated at fair value through profit or loss	9,797	1,358	-2,109	1,417
Result of other receivables		**1,441**	**71**		
Result of cash and cash equivalents		**3,082**		**-24**	
Result of financial liabilities		**-11,775**	**0**	**0**	**0**
a	Deriving from financial liabilities held for trading				
b	Deriving from financial liabilities designated at fair value through profit or loss				
c	Deriving from other financial liabilities	-11,775			
Result of payables		**-743**			
Total		**237,850**	**53,549**	**-40,962**	**83,881**

Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income and charges 2011	Total income and charges 2010
		Valuation gains	Write-back of value	Valuation losses	Impairment			
-78,571	**263,695**	**10,572**	**0**	**-38,890**	**-279,180**	**-307,498**	**-43,803**	**-93,487**
	12,637			-27,418	-92,058	**-119,476**	**-106,839**	**36,473**
-17	**-17,161**					**0**	**-17,161**	**-39,628**
	6,986					**0**	**6,986**	**6,765**
-717	**39,523**				-7,091	**-7,091**	**32,432**	**23,176**
-51,638	**234,960**				-180,031	**-180,031**	**54,929**	**-119,041**
	2,486			-161		**-161**	**2,325**	**-12,800**
-26,199	**-15,736**	10,572		-11,311		**-739**	**-16,475**	**11,568**
	1,512					**0**	**1,512**	**806**
	3,058					**0**	**3,058**	**1,146**
0	**-11,775**	**613**	**0**	**-1,590**	**0**	**-977**	**-12,752**	**-12,454**
	0	613		-1,590		**-977**	**-977**	**595**
	0					**0**	**0**	**0**
	-11,775					**0**	**-11,775**	**-13,049**
	-743					**0**	**-743**	**-677**
-78,571	**255,747**	**11,185**	**0**	**-40,480**	**-279,180**	**-308,475**	**-52,728**	**-104,666**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of insurance management expenses

		Non-Life Division		Life Division	
		2011	2010	2011	2010
Gross commissions and other acquisition expenses		-535,286	-569,084	-16,535	-19,900
a	Acquisition commissions	-424,399	-429,303	-7,105	-7,040
b	Other acquisition expenses	-87,550	-93,667	-9,025	-8,349
c	Change in deferred acquisition costs		-19,993	3,265	-391
d	Collection commissions	-23,337	-26,121	-3,670	-4,120
Commissions and profit participation received from reinsurers		41,153	44,258	2,602	3,444
Investment management charges		-4,386	-2,271	-1,135	-1,836
Other administration expenses		-108,430	-112,170	-10,669	-11,275
Total		**-606,949**	**-639,267**	**-25,737**	**-29,567**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of changes in financial assets and liabilities by level 3

	Financial assets			Financial liabilities at fair value through profit or loss	
	AFS financial assets	Financial assets at fair value through the profit or loss account			
		Financial assets held for trading	Financial assets designated at fair value recorded through profit or loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
Beginning balance	**25,520**				
Purchase/Issues					
Sales/Re-purchase					
Reimbursements					
Gains or losses recorded through profit or loss					
Gain or losses in other comprehensive income statement items	14,480				
Transfers to level 3					
Transfers to other levels					
Other changes					
Closing balance	**40,000**	**0**	**0**	**0**	**0**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

In Euro thousands

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
AFS financial assets		5,476,253	6,112,763	543,688	666,243	40,000	25,520	6,059,941	6,804,526
Financial assets at fair value through the profit or loss account	Financial assets held for trading	546	561	4,332	22,850			4,878	23,411
	Financial assets designated at fair value recorded through profit or loss	13,650	17,169	207,576	248,010			221,226	265,179
Total		5,490,449	6,130,493	755,596	937,103	40,000	25,520	6,286,045	7,093,116
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			7,187	2,326			7,187	2,326
	Financial liabilities designated at fair value through profit or loss			63,671	59,317			63,671	59,317
Total		-	-	70,858	61,643	-	-	70,858	61,643

Declaration of the consolidated financial statements

in accordance with article 81 ter of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Milano Assicurazioni) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the conformity in relation to the characteristics of the company and
   - the application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January 1, 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 Milano Assicurazioni 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 as at December 31, 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.

Milano, March 23, 2012

Emanuele Erbetta
(Chief Executive Officer)

Massimo Dalfelli
(Executive responsible for the preparation of the corporate accounting documents)

Independent Auditors' Report of the Consolidated Financial Statements for the year ended December 31, 2011

Relazione della Società di Revisione
al Bilancio Consolidato chiuso al 31/12/2011

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RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27.1.2010, N. 39 E DELL'ART. 102 DEL D.LGS. 7.9.2005, N. 209

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dallo stato patrimoniale, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni di patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative, di Milano Assicurazioni S.p.A. (nel seguito anche la "Capogruppo") e sue controllate ("Gruppo Milano Assicurazioni") chiuso al 31 dicembre 2011. La responsabilità della redazione del bilancio consolidato in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. n. 209/2005, compete agli Amministratori di Milano Assicurazioni S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 5 aprile 2011.

3. A nostro giudizio, il bilancio consolidato di Milano Assicurazioni S.p.A. al 31 dicembre 2011 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. n. 209/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo Milano Assicurazioni per l'esercizio chiuso a tale data.

4. Ai sensi dell'articolo 2497-bis, comma primo, del Codice Civile, la Capogruppo ha indicato di essere soggetta a direzione e coordinamento da parte di Fondiaria – SAI S.p.A. e, pertanto, ha inserito nella nota integrativa i dati essenziali dell'ultimo bilancio di tale società. Il nostro giudizio sul bilancio consolidato di Milano Assicurazioni S.p.A. non si estende a tali dati.

5. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Milano Assicurazioni S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio consolidato del Gruppo Milano Assicurazioni al 31 dicembre 2011.

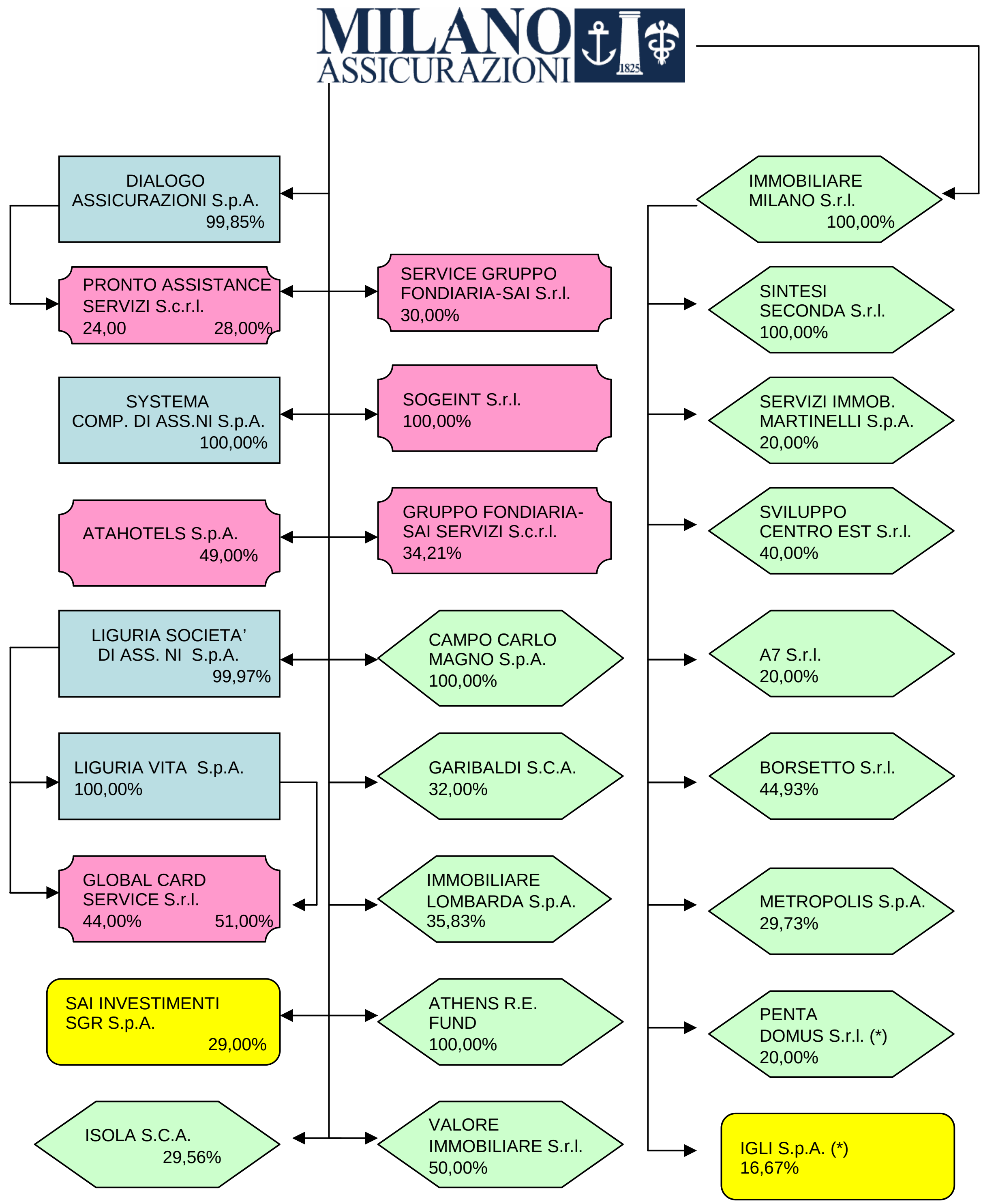
DELOITTE & TOUCHE S.p.A.

Andrea Paiola
Socio

Milano, 30 marzo 2012

Structure of the Group

RAPPRESENTAZIONE GRAFICA DEL GRUPPO AL 31/12/2011



(*) Partecipazioni possedute per la vendita ai sensi dell'IFRS 5