Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA IGNAZIO GARDELLA, 2 - 20149 MILAN - ITALY
SHARE CAPITAL: EURO 67,378,924 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES – SECTION I NO.1.00014
PARENT COMPANY OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO REGISTER OF INSURANCE GROUPS NO.008

90th year of business

Consolidated financial report as at 31 December 2011

Board of Directors' meeting
of 13 March 2012

(Translation from the Italian original which remains the definitive version)

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BOARD OF DIRECTORS

Luigi GUATRI	Honorary President
Giorgio Roberto COSTA	Chairman
Andrea ACUTIS	Executive Deputy Chairman
Carlo ACUTIS	Executive Deputy Chairman
Roberto GUARENA	Managing Director
Adriana ACUTIS BISCARETTI di RUFFIA	Director
Francesco BAGGI SISINI	Independent director
Marco BRIGNONE	Independent director
Bernd GIERL *	Independent director
Luciano GOBBI	Independent director
Arnaud HELLOUIN de MENIBUS	Director
Pietro Carlo MARSANI	Independent director
Giorgio MARSIAJ	Independent director
Lodovico PASSERIN d'ENTREVES	Independent director
Luca PAVERI FONTANA	Director
Robert RICCI	Independent director
Giuseppe SPADAFORA	Independent director
Mario RAVASIO	Secretary

BOARD OF STATUTORY AUDITORS

Sergio VASCONI	President
Giovanni MARITANO	Standing statutory auditor
Corrado VERSINO	Standing statutory auditor
Marina MOTTURA	Substitute statutory auditor

GENERAL MANAGEMENT

Cesare CALDARELLI	General Manager
Mario RAVASIO	Joint General Manager
Enrico CORAZZA	Central Manager
Piero Angelo PARAZZINI	Central Manager
Enzo VIGHI	Central Manager

* Coopted by the Board of Directors meeting held on 16 February 2012

APPOINTMENTS AND REMUNERATION COMMITTEE

Luca PAVERI FONTANA	Non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Lodovico PASSERIN d'ENTREVES	Independent non-executive member

INTERNAL CONTROL COMMITTEE

Pietro Carlo MARSANI	Independent non-executive president
Luciano GOBBI	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Executive member
Giorgio Roberto COSTA	Non-executive member
Luciano GOBBI	Independent non-executive member
Roberto GUARENA	Executive member
Luca PAVERI FONTANA	Non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Executive member
Francesco BAGGI SISINI	Independent non-executive member
Giorgio Roberto COSTA	Non-executive member
Roberto GUARENA	Executive member
Arnaud HELLOUIN de MENIBUS	Non-executive member
Luca PAVERI FONTANA	Non-executive member

INDEPENDENT AUDITOR

BDO S.p.A.

Format and content

As required by Article 3 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union (EC regulation no.1606/2002). IFRSs include all revised international accounting standards (IASs), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly called the Standing Interpretations Committee (SIC).

The present set of year-end financial statements is also presented in compliance with the formats defined by ISVAP Regulation no. 13 of 2007 July (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and accounting schedules), and includes additional detailed tables as necessary to complete disclosure as required by IFRSs or useful for better understanding of the year-end financial statements.
The accounting schedules required by the ISVAP in terms of minimum disclosure content are shown in the specific chapter "Appendices to Consolidated Financial Statements," which is an integral part of the present set of year-end financial statements.

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code) and in CONSOB memorandum no. 6064293 of 28 July 2006.

The accounting and classification policies used to prepare year-end financial statements are detailed in the explanatory notes to accounts.

All amounts in this document are shown in thousands of Euro, unless otherwise indicated.

Other relevant information

The Vittoria Assicurazioni Group was officially registered with the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008).
The Vittoria Assicurazioni Group operates in the insurance sector solely through its parent company and, as part of its strategy to streamline its risk/reward profile, has made some of its investments in the real estate sector (trading, development, and real estate brokering and property management services) through Vittoria Immobiliare S.p.A. and other equity holdings, and in the private equity sector through Luxembourg-based companies.
Certain Group companies provide services primarily in support of insurance activities.

Yafa S.p.A., with registered office in Turin, Italy, controls Vittoria Assicurazioni through the chain of investors comprised of Yafa Holding B.V. and Vittoria Capital N.V., with registered offices in Amsterdam, The Netherlands, and administration offices in Italy.
The parent companies do not engage in management and coordination of the Group, insofar as they merely serve as financial holding companies.

Directors’ report

Economic and insurance scenario

The last part of 2011 brought a considerable deterioration in the global economic scenario, to the extent that the International Monetary Fund (IMF) recently issued an update of the growth estimates, which are much lower than those published in September.
These estimates indicate that while the world economy grew by 3.8% in 2011, the forecast for the current year is 3.3% (as against the previous estimate of 4%); however, a recovery of the economy is forecast in 2013, though at a slower rate (3.9% as against the previous estimate of 4.5%).

The US economy has undergone a slowdown of the economic recovery which began some time ago, due to the mediocre performance of the labour market and the modest level of confidence by businesses which has led to a reduction in domestic demand.
Despite signs of improvement on the financial markets, the real estate market continues to have an adverse effect on families’ wealth in view of the continued decline in house prices.
As regards monetary policy, the Federal Open Market Committee announced on 25 January 2012 that the target for the official rate on Federal Funds would remain unchanged, in the 0-0.25% range, and continued to forecast economic conditions which, despite signs of improvement, justify this particularly low level of interest rates until at least mid-2013.
For all these reasons the IMF estimates that the growth rate of the US economy during the current year will be very similar to that of 2011 (1.8%), with an increase next year.

As regards the eurozone, in the fourth quarter of 2011 the sovereign debt crisis, which until then had mainly affected peripheral member states, also spread to the major European economies.
Consequently, to regain international trust in the solvency of their respective bonds, almost all the countries in the zone have passed tax austerity measures of exceptional scope, with inevitable adverse repercussions on the real economy, especially on private consumption and companies’ investments.
The eurozone grew by 1.6% in 2011, while the IMF’s forecast for 2012 is a decline of 0.5%.
As regards monetary policy, the European Central Bank, at its meeting held on 9 February 2012, announced that it intended to maintain official interest rates on principal refinancing operations at 1%, confirming that the prospects for the economy remain uncertain, and that a recovery of growth is not expected until the end of 2012.

The Italian situation, as confirmed by the preliminary ISTAT data, again shows a basically unfavourable economic trend.
The good performance recorded by agriculture was offset by the poor trend of industry, while the service sector remained basically stationary.
According to the ISTAT survey, the climate of confidence has further deteriorated, especially in the case of consumers, who see their ability to save increasingly threatened, partly due to the numerous tax hikes introduced by the new government, which faced a particularly delicate situation.
This difficult situation was confirmed by the trend of the spread between returns on Italian and German government bonds which, after reaching high levels in the last few months, has only recently returned to more normal values.

As regards the financial market data recorded in 2011, despite a moderately favourable start, the bond market was subsequently affected by the sovereign debt crisis, which was especially acute in the second half of the year, leading to a negative performance on the whole (-5.65%, FTSE Italy Govt Performance index).

The same applies to the stock market which, after an initial rise, gradually fell, to -25.20% (FTSE MIB index).
The trend of the European currency was marked by continued weakening against the main world currencies.

As regards the Italian insurance market, premiums (on the basis of Italian accounting standards) as at 30 September 2011 (the last available data) show the following variations since the same period of the preceding year, compared with those of Vittoria Assicurazioni (source: ISVAP):

	Variation	
Industry	Market 30/09/11 compared with 30/09/10	Vittoria Assicurazioni 31/12/11 compared with 31/12/10
Life Sectors	-18.7%	-11.2%
Non-life sectors	+2.8%	+20.1%
of which compulsory third-party vehicle insurance	+5.6%	+27.5%

During the 2011 financial year the national real estate market continued to show signs of weakness as regards prices, which fell slightly compared with 2010, and above all as regards sales volumes (-6%) which, after a temporary interruption in 2010, resumed the downward trend that began in 2007.
The macroeconomic and financial context is still penalising: uncertainty about the economic prospects was accompanied, especially in the second half of the year, by an extremely prudent policy by banks in granting home purchase loans, and by growing interest rates, associated with worsening perceptions of the Italian system risk.
Operators expect to see stable or slightly lower prices in 2012. However, the gradual improvement in conditions on the financial markets, especially the level of the BTP-Bund spread, can reasonably be expected to improve the terms of bank loans for real estate operations, with benefits for the industry.

On the basis of the strategy established by the Finance Committee and the Real Estate Committee, the Group has directed the vast majority of its investments towards low-risk bonds, and has set quantitative limits on investments in the real estate sector, where promotional operations are currently preferred.

Summary of Group key performance indicators

€/million

SPECIFIC SEGMENT RESULTS	31/12/2011	31/12/2010	Δ %
Non Life business			
Gross Premiums written - direct Non Life business	809.9	674.2	20.1
(1) - Loss Ratio (retained)	71.3%	71.5%	-0.2
(2) - Combined Ratio (retained)	97.3%	97.6%	-0.3
(3) - Expense Ratio (retained)	24.5%	24.2%	0.3
Non Life business pre-tax result	52.9	30.7	72.4
Life business			
Gross Premiums written - direct Life business	125.8	141.7	-11.3
(4) - Annual Premium Equivalent (APE)	16.8	18.4	-8.7
Segregated fund performance: Rendimento Mensile	4.13%	4.04%	0.1
Segregated fund performance: Valore Crescente	4.92%	4.93%	0.0
Segregated funds portfolios	628.8	633.2	-0.7
Index/Unit - linked and Pension funds portfolios	64.2	77.7	-17.4
Life business pre-tax result	9.0	11.5	-21.8
Total Agencies	344	318	8.2
Average of employees	539	510	5.7
Real Estate business			
Sales	25.0	71.8	-65.1
Trading and development margin	5.5	16.1	-65.8
Real Estate business pre-tax result	-4.4	7.6	n.s.

CONSOLIDATED RESULTS	31/12/2011	31/12/2010	Δ %
Net gains on investments *	60.9	62.2	-2.1
Pre-tax result	57.6	46.0	25.1
Consolidated profit (loss)	37.6	27.7	35.7
Group profit (loss)	37.2	27.1	37.6
Equity attributable to the shareholders of the parent	333.6	354.8	-6.0
Equity attributable to the shareholders of the parent except unrealised capital gains	372.9	347.4	7.3

* after gains on investments where policyholders bear the risk

Legend

(1) **Loss Ratio – retained business:** is the ratio of current year claims to current year gross written premiums;

(2) **Combined Ratio – retained business:** is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year gross premiums written;

(3) **Expense Ratio – retained business:** is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;

(4) **APE:** Annual Premium Equivalent, is a measure of the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business.

Technical data are determined in accordance with Italian accounting principles.

Performance of the Vittoria Assicurazioni Group

The Vittoria Assicurazioni Group is entering its 90^{th} year of business, and this coincides with another milestone in the life of the Group: in April this year, the Parent Company relocated its legal and administrative offices to the new building in the Portello district of Milan.
This substantial investment was made possible by prudent business management as well as the results registered in recent years and confirmed in this year.
Group net profit was €37,225 thousand, compared with €27,051 thousand in 2010 (+37.6).

Profit from the insurance segment, before tax and intersegment eliminations, was €58,459 thousand (€45,754 thousand at 31/12/2010, up 27.8%).

Premiums written for the year totalled €936,059 thousand (€815,995 thousand at 31 December 2010), representing an increase of 14.7%. This performance reflected the increased activities of the agency network as well as the strengthening of the sales structure as the five-year plan was implemented.

The real estate segment made a negative contribution to the Group result of €-2,055 thousand, compared with a profit of €2.463 thousand at 31 December 2010, due to the slowdown in sales in the real estate market. The reduction in sales (-65,1%) similarly impacted on the profit margin of notarial deeds of sale signed in 2011 which registered €5,501 thousand, vs. €16,087 thousand in the previous year (-65,8%). The steady margins confirm the Group policy of maintaining unchanged the sale prices.

Total investments of €2,186,037 thousand (+2.0% compared with 31 December 2010) comprised €64,249 thousand (-17.3%) in investments with risk borne by policyholders and €2,121,788 thousand (+2.7%) in investments with risk borne by the Group.

Net income from investments with risk borne by the Group amounted to €60,924 thousand, compared with €62,211 thousand in the previous year (-2.1%).

Group shareholders' equity totalled €333,625 thousand, down 6.0% on the €354,837 thousand recorded at 31 December 2010. The decrease reflects changes in profits/(losses) on financial assets available for sale.
The decrease was entirely due to latent net capital losses on securities available for sale posted at 31 December 2011. Note that the balance between latent capital gains and capital losses increased from €-71.762 thousand at 31 December 2011 to €+35,250 thousand at 12 March 2012.

The following table shows the contributions of the Group's various businesses to net profit.

Reclassified Profit and Loss by business segment			(€/000)
	31/12/11	31/12/10	Δ%
Non life business - Gross Insurance Result (excluding investments result)	18,822	14,185	32.7
Non life business - Gross Investments Result (excluding Yam and Private Equity)	30,613	20,030	52.8
Life business - Gross Insurance Result (including Investments Result)	9,024	11,539	(21.8)
Gross Insurance business Result	58,459	45,754	27.8
Consolidation adjustments: dividends and interests from Real estate business	(2,193)	(3,059)	(28.3)
Real estate business: taxes	(20,461)	(14,694)	39.2
Insurance business net contribution to Profit attributable to parent company shareholders	35,805	28,001	38.7
Gains on property trading	5,501	16,087	(65.8)
Real estate service revenues	2,480	2,129	16.5
Real estate business net costs	(12,372)	(10,607)	16.6
Gross Real estate business Result	(4,391)	7,609	(32.7)
Taxes and minority interests	798	(4,589)	n.s.
Net Real estate business Result	(3,593)	3,020	n.s.
Net profit attributable to Life business Policyholders	2,171	(925)	n.s.
Tax on profit attributable to Life business Policyholders	(633)	368	n.s.
Real estate business net contribution to Profit attributable to parent company shareholde	(2,055)	2,463	0.0
Yam Invest net contribution to Profit attributable to parent company shareholders	446	(1,003)	n.s.
Private equity net contribution to Profit attributable to parent company shareholders	2,978	(2,558)	n.s.
Service business net contribution to Profit attributable to parent company shareholders	51	148	(65.5)
Net Profit attributable to parent company shareholders	37,225	27,051	37.6

At 31 December 2011 the Parent Company registered net profit – based on Italian GAAPs – of €35,329 thousand (compared with €29,256 thousand in 2010). This result was achieved without making use of the powers granted under the "anti-crisis decree" (Decree-Law no. 185/2008, converted by Law no. 2/2009 as subsequently amended).

The companies that make up the Group are listed in the chapter “Explanatory notes” – Table A) Scope of Consolidation.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to €61,883 thousand (€42,193 thousand as at 31/12/2010). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2011 amounted to €937,566 thousand (+14.7% vs. premiums of €817,539 thousand in 2010), of which €936,059 thousand for insurance premiums written and €1,507 thousand for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to €125,766 thousand, with a +11.3% YoY decrease.

Revenues for investment contracts (life policies of a financial nature) fell from €1,544 thousand to €1,507 thousand (-2.4%) due to the Parent Company's policy to privilege sale of insurance policies, partly in light of the turbulence dominating financial markets.

Direct Non-Life (i.e. property & casualty) insurance premiums amounted to €809,904 thousand against €674,173 thousand in 2010 (+20.1%)

Specifically:

- Motor: €605,804 thousand, compared with €482,992 thousand in 2010 (+25.4%)
- Non-marine: €185,620 thousand, compared with €169,969,thousand in 2010 (+9.2%)
- Specialty categories[1]: €118,480 thousand, compared with €21,212,thousand in 2010 (-12.9%)

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 8.9%, unchanged compared to 2010. This fact is to be valued in light of the higher costs stemming from the implementation of the five-year plan that calls for development and reinforcement of the in-house organisation set up to support the expected increase in agency and sub-agency sales networks.

Following adoption of the equity method for measuring associate companies, the Group's interest in their profits totals €6,524 thousand (€547 thousand last year), which is offset by costs of €3,273 thousand (€4,896 thousand last year), recognised on the income statement under "income from equity investments in subsidiaries, associate companies, and joint ventures" and "expenses from equity investments in subsidiaries, associate companies, and joint ventures".
These results, which are recognised principally by business segment in the Non-life Business section on the Income Statement, are mainly connected with the results of real estate and private equity companies.

[1] marine & transport, aviation, credit & suretyship

Real Estate Business

The profit in the real estate business, before taxes and inter-segment eliminations, amounted to €4,391 thousand (against a loss of €7,609 thousand as at 31 December 2010) and featured contributions to the income statement that, before inter-segment eliminations, included:

- trading income on properties and development for a total of €5,501 thousand (€16,087 thousand in 2010);

- real estate brokerage and management service revenues of €1,506 thousand, administrative, contractual and technical service revenues of €973 thousand and rental income of €242 thousand for a total of €2,722 thousand (€2,129 thousand in 2010);

- interest expenses of €3,286 thousand (€2,851 in 2010);

- profits on the volume of sales of €25,035 thousand (€72,126 thousand in 2010).

The net debt of the real estate business was €244,853 thousand (€232,912 thousand at 31 December 2010); the increase in mainly due to the financing of the work in progress, net of the sales made during the year.

Service Business

This segment showed a profit, before tax and minority interest, of €147 thousand (€255 thousand at 31 December 2010).

Revenues for services rendered and commissions received by Group companies, before elimination of inter-company services, totalled €6,220 thousand (€3,909 thousand at 31 December 2010).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled €333,625 thousand (-6.0%) and minority interests amounted to €24,730 thousand (-5.3%), € 354,837 and € 26,108 thousand respectively at 31 December 2010.

The parent company continues its activity focusing on the targets defined in the five-years plan (2009-2013), summarised as follows:

- increasing its market share, strictly monitoring technical results;
- maintaining in the medium term its achieved capitalisation ratio by means of cash flow.

Stategic plans for the next years allow the company to keep unchanged the shareholders' remuneration policy.

Proposed dividend per share

The board of directors of the parent company submits the following allocation of the year's earnings, equal to 35,329,268 euro, as follows:

To Legal Reserve	Euro	796,296
To Available Reserve	Euro	23,078,555
To Shareholders	Euro	11,454,417

corresponding to a dividend of Euro 0.17 for each of the 67,378,924 shares constituting the share capital (dividend unchanged compared to 2010).

After approval by shareholders, dividend distribution will be recognised in the 2012 statutory accounts.

Insurance business

Review of performance

Premiums as up to 31 December 2011 amounted to €936,059 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2011 AND 2010
DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2011	Year 2010	YoY change %	% of total book 2011	% of total book 2010
Domestic direct business					
Life business					
I Whole- and term life	92,473	107,019	-13.6	9.9	13.1
IV Health (long-term care)	365	333	9.6	0.1	0.0
V Capitalisation	32,928	34,394	-4.3	3.5	4.2
Total Life business	125,766	141,746	-11.3	13.5	17.4
Non-Life business					
Total non-marine lines (exc. specialty and motor)	185,620	169,969	9.2	19.7	20.8
Total specialty lines	18,480	21,212	-12.9	2.0	2.6
Total motor lines	605,804	482,992	25.4	64.8	59.2
Total Non-Life business	809,904	674,173	20.1	86.5	82.6
Total direct business	935,670	815,919	14.7	100.0	100.0
Domestic indirect business					
Life business	263	1	n.s.	0.0	0.0
Non-Life business	126	75	68.0	0.0	0.0
Total indirect business	389	76	411.8	0.0	0.1
Grand Total	936,059	815,995	14.7	100.0	100.0

Revenues from index- and unit-linked contracts and from Vittoria Formula Lavoro open-ended pension fund, not qualified as premiums as defined by IFRS 4, amounted to €1,507 thousand (€1,544thousand in 2010).

The direct operating parent company operates in France on the basis of the freedom-to-provide-service provisions.

Life business

Insurance and investment contracts in the Life business

The products currently offered by the parent company cover all insurance business lines, from savings ("revaluable" policies* relating to segregated accounts), to protection (policies covering risks of death, disability, and non-self-sufficiency (i.e. long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). The product range also includes unit-linked financial policies. The lines marketed include policies that envisage the possibility of converting the benefit accrued into an annuity. Conversion takes place at the conditions in force when the option is exercised. The types of tariffs used are those for endowment, whole-life and term-life policies, on both an annual and single-premium basis, and fixed term policies, plus group tariffs for whole/term life and/or disability policies. Contractual terms are updated constantly and are in line with those commonly offered by the market.

Premiums

Direct insurance business premiums recognised for the period totalled €125,766 thousand, split as follows:

(€/000)

	Year 2011	Year 2010	YoY change %	% of total book 2011	% of total book 2010
Recurring premiums	42,320	42,538	-0.5	33.7	30.0
Annual premiums	83,446	99,208	-15.9	66.3	70.0
Total Life business	**125,766**	**141,746**	**-11.3**	**100.0**	**100.0**

In 2011 the funds relating to separately managed businesses achieved the following returns:

(in thousands of euros)

	Rate of return 2011	Total Assets 2011	Rate of return 2010	Total Assets 2010
Vittoria Rendimento Mensile	4.1%	419,909	4.0%	386,884
Vittoria Valore Crescente	4.9%	197,998	4.9%	220,752
Vittoria Liquinvest	4.3%	6,813	4.4%	6,782
Vittoria Previdenza	4.1%	4,030	4.0%	3,053

The rate of return allocated to policyholders complies with the specific contractual terms stipulated. As done in previous years, in 2011 acquisition commissions on long-term policies and incentives paid to agents for new business were deferred, i.e. capitalised, and amortised within the total limit of associated loading of premiums, depending on the contracts' duration and in any case over a period not exceeding 10 years.

* For non-Italian readers: with the Italian "revaluable" policy, which is of the endowment type, the insurance company, at the end of each year, grants a bonus that is credited to mathematical reserves and depends on the performance of an investment portfolio. This bonus is determined in such a way that total interest credited to the insured is equal to a given percentage of the annual return of the reference portfolio and in any case does not fall below the minimum interest rate guaranteed. The "revaluable" policy is therefore of the participating type.

Claims, accrued capital sums & annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities, and surrenders as at 31 December 2011, compared with data for the same period in the previous year.

(in thousands of euros)

	31/12/2011	31/12/2010
Claims	21,588	21,502
Accrued capital sums & annuities	75,637	87,270
Surrenders	37,986	33,114
Total	135,212	141,886

Reinsurance

Outward reinsurance

In the Life business, the main treaties in place, which relate to Class 1 (whole/term life), are as follows:

- Excess of risk premium
- Pure office premiums – treaties set up in 1996 and 1997.

In 2111 ceded premiums amounted to €1,269 thousand vs. €1,823 thousand in 2010.

Inward reinsurance

Underwriting of inward business picked up more decisively during the year. New contracts were signed.

Non-Life business

Underwriting results were positive, and were better than the previous year's thanks to a careful review of risks in portfolio and a prudent risk underwriting policy.
Below a description is provided of the main businesses.

NON-MARINE BUSINESSES

Overall, Non-Marine businesses' premiums grew significantly, thanks also to the increase in the number of agencies active in Italy, to the development policy implemented vis-à-vis Motor-only customers and to the increase in the number of customers.
More specifically, individual lines of business featured the following technical results:

Accident: the business featured further development in premium growth compared with the previous year. The underwriting result of direct business showed improvement, thanks also to a decrease in serious incidents.

Health: the business featured a lower rate of growth for premiums compared with the previous year, mainly due to the current portfolio revision under way and action taken on certain agreements. The underwriting result was down compared with the previous year, also due to the necessary time required to complete the above revision.

Fire and natural events: this business saw an increase in premiums written and showed an improved underwriting result of the direct business, despite an increase in serious incidents.

Other asset damage: premiums, which include cover of the risks of theft and burglary, hail, damage to electronic equipment and technological damage fell from the comparable amount in 2010, due the lower number of new business in the hail sector. Underwriting results came in lower than the previous year due to negative weather effects on the hail business.

General TPL: premiums grew. The underwriting result was worse, mainly due to the losses related to professional liability (especially with respect to accountants and doctors) determined by the increasingly punitive stance adopted by courts. The portfolio is undergoing a substantial revision.

Legal protection: premiums of this business grew significantly d the underwriting result was better than in the previous year.

SPECIALTY BUSINESSES

Specialty businesses showed premium growth of +12.9% (+47.6 in the previous year) with an underwriting result showing deterioration compared with the previous years. Specifically:

Credit: the category comprises risks relating to Salary-Backed Loans for which the right of recourse against the insured has been retained, in accordance with ISVAP 29/2009.
The 22.0% decrease in written premiums was due solely to the decrease in the salary-backed loan market. The radical reorganization carried out by the Bank of Italy, including through the coming into force of the new Consumer Code designed to give greater transparency and to decrease the amount of costs borne by borrowers, led to the exit from the market of those companies that could not adapt to the new regulatory landscape. The 130 financial companies/banks operating in the sector in 2009 fell to 40, with a reduction in the number and amount of loans and the resulting demand for guarantees.
The business had a negative underwriting result due to the combined effect of the calculation of the provision for unearned premiums (which is evenly spread over the life of the contracts) and the losses, which tend to decrease (in both the amount and the frequency) with the age of the contract.

Bond insurance: premiums written increased by +1.6% (vs. +10.0% in the previous year). The limited increase in 2011 was due to trends in the Italian and world economies, which in 2011 came under substantial pressure and fell drastically. Performance in the bond insurance business is closely related to that of the general economy; some phenomena that were particularly pronounced in the year just ended had a significant impact on bond insurance, including the credit crunch (lack of financing for private projects), stability pact (which prevents the launch of new tenders for public works), amendments to specific rules on the right to offset different taxes (reducing demand for guarantees on tax refunds).
Despite the negative trend of the economy, with the resulting increase in bankruptcies in the various industries, the underwriting result was positive, and was slightly up on the previous year.

Watercraft (sea, lake and river) hulls and railway rolling stock: premiums were largely stable while the underwriting result improved on the previous year.

Goods in transit: premiums written decreased; the underwriting result was still slightly negative but showed a substantial improvement from last year.

MOTOR BUSINESS

Motor businesses showed a premium growth with a positive technical result.
Specifically:

Motor vehicle and watercraft (sea, lake and river) TPL: premiums written grew significantly, better than the previous year thanks to the inauguration of new agencies, strengthening of sales network and development of "Affinity Groups" and number of new clients acquisitions.
Selective underwriting, price policies and proper management of claims settlement made it possible to maintain a positive technical result, improved compared with the previous year.

Land motor vehicle hulls: premiums written grew significantly, better than the previous year. Contributors to the result were adoption of an underwriting policy particularly attentive to linking ancillary cover to Motor TPL and further development of Affinity Groups.

Assistance: premiums grew significantly with a positive technical result, improved compared with the previous year.

Premiums

Premiums written for direct business in 2011 amounted to €809,904 thousand (vs. €674,173 thousand in 2010), with growth of 20.1% YoY.

Claims

Reported claims

The following chart, concerning reported claims, has been prepared using data from positions opened during 2011. Data are compared with those for 2010:

(€/000)

	31/12/2011		31/12/2010		Change %	
	number	total cost	number	total cost	number	total cost
Total non-marine businesses	48,757	103,001	62,224	100,705	-21.6	2.3
Total Special businesses	1,154	8,078	865	6,703	33.4	20.5
Total motor businesses	161,764	406,187	137,424	361,791	17.7	12.3
Total non-life businesses	**211,675**	**517,266**	**200,513**	**469,199**	**5.6**	**10.2**

As regards Motor TPL reported claims, the following table shows data by claim handling type:

(€/000)

		31/12/11		31/12/10	
Branch	Claim handling Type	Number	Total cost	Number	Total cost
Motor TPL - land	K-for-K - liable	69,336	144,737	62,016	129,949
Motor TPL - land	K-for-K - originator	79,244	193,133	73,813	175,439
Motor TPL - land	Non K-for-K claims	29,861	159,585	27,086	150,236
Motor TPL - watercraft	Non K-for-K claims	42	224	43	146
Total Motor T.P.L. claims handled		178,483	497,680	162,958	455,771

Claims settlement speed

The following table shows claims settlement speed based on the number of reported claims, net of claims eliminated without payout, split by present and aged claims for the main lines of insurance business.

(percentages)

	current generation		previous generations	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Accident insurance	52.91	49.35	70.43	68.78
Health insurance	84.55	85.84	58.76	64.47
Motor vehicle hulls	83.82	82.65	83.47	81.51
Fire and natural events	80.04	79.53	78.67	79.29
Miscellaneous damages - theft	84.05	81.64	88.15	88.67
Third-party motor liability	72.64	69.89	70.35	66.07
Third-party general liability	64.80	60.65	36.89	33.97

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

(€/000)

	Claims paid 31/12/2011			Claims recovered from reinsurers	Claims paid 31/12/2010			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
Total non-marine businesses	37,325	47,686	85,011	5,815	44,735	44,818	89,553	-5.1
Total Special businesses	1,187	5,058	6,246	2,605	2,110	9,237	11,347	-45.0
Total motor businesses	182,877	182,608	365,485	4,262	150,416	143,029	293,445	24.6
Total non-life businesses	221,389	235,352	456,742	12,682	197,261	197,084	394,345	15.8

The cost includes the amount incurred in 2011 for the contribution to the guarantee fund for road-accident victims. This totalled €11,915 thousand vs. €9,156 thousand in 2010.

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.
The table below shows estimated costs of claims in the year when they were generated, from 2002 to 2011, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.
Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31 December of the year of observation
- Accrued provisions for open claims, as at 31 December of the year of observation
- Estimate of IBNR (incurred but not reported) claims of the event year as at 31 December of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund.

Claims cost trend

This table shows the gross data; therefore, it does not report the amounts recovered and to be recovered from policyholders and third parties for recoupment, deductibles and, only in the Land Vehicle TPL line, claims settlements.

(€/000)

Year of event	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Cumulative claims cost											
At the end of year of event	197,899	230,661	285,648	293,743	301,294	324,196	349,709	403,347	440,586	520,561	3,347,645
1 year later	204,538	224,140	277,707	290,305	295,518	317,409	355,348	399,053	445,632		
2 years later	205,692	225,790	279,666	288,538	298,207	307,669	355,595	405,416			
3 years later	208,698	228,957	284,965	285,947	296,476	306,379	354,902				
4 years later	212,065	232,209	289,927	285,404	298,569	308,216					
5 years later	213,329	235,610	290,829	285,722	300,489						
6 years later	216,981	239,503	291,145	286,619							
7 years later	216,002	241,503	295,332								
8 years later	216,710	242,304									
9 years later	217,577										
Cumulative calims cost at 31 December 2011	217,577	242,304	295,332	286,619	300,489	308,216	354,902	405,416	445,632	520,561	3,377,048
Total cumulative claims paid in 2011	205,065	227,184	269,135	272,955	280,325	283,161	310,057	324,251	324,691	210,933	2,707,758
Claims paid in 2011	2,550	2,922	9,355	4,697	8,623	12,359	17,055	40,867	135,331	210,933	444,690
Claims reserve at 31 December 2011	12,511	15,120	26,198	13,664	20,164	25,055	44,845	81,165	120,941	309,628	669,290

Reinsurance

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.

The main treaties in place are the following:

Non-life business	**Type of treaty**
Accident	Excess claims
Motor vehicle Hulls	Excess claims
Marine Hulls	Excess claims
Cargo (goods in transit)	Excess claims
Fire and natural events	Excess claims
Miscellaneous damage	Pure premium for hail, multi-risk
	Pure premium for engineering risks
	Pure premium for ten year guarantees
Motor TPL	Excess claims
General TPL	Excess claims
Suretyship	Pure premium
Legal protection	Pure premium
Assistance	Pure premium

Ceded premiums in 2011 amounted to €26,510 thousand (€35,822 thousand at 31 December 2010).

Inward reinsurance

Underwriting of inward business picked up more decisively in 2011. New contracts were signed.

Insurance risk management and analysis

Insurance risk management

Objectives

The Group's insurance business is managed according to the following objectives:

- Diversification of types of insurance cover offered;
- Careful and correct pricing of policies;
- Diversification of risks based on customer segmentation (households, individuals, professionals, small business operators, SMEs and large companies) giving preference to net retention of personal-line and SME risks, without however neglecting larger companies whose policies are covered by adequate reinsurance;
- Diversification of sales channels (agents, bancassurance agreements, and brokers);
- Selective risk underwriting policy and continuous monitoring of risk trends;
- Organisation of an agency network capable of timely and professional response to customer needs
- Strengthening of the affinity-group approach
- Enhancement of customer loyalty via the sale of integrated products and services;
- Increase of Non-Life market share, dedicating special attention to the non-motor segment, and increase of Life new-business growth rates;
- Consolidation of acquired portfolio;
- Consolidation of technical profitability and further improvement of the combined ratio, which shows the degree of coverage of charges relating to claims, sales costs and overhead costs in the non-life business;
- Constant updating of the New Age system, taking changes in headquarters and agency management processes into account, in order to monitor the insurance book, risk concentration and adequacy of claims settlement speed on an ongoing basis, paying special attention to changes in the insurance market.

Policies

The Group intends to pursue the above objectives by applying the following policies:

- Strengthening of the agency network throughout Italy, thus ensuring diversification of risk by geographical area and at the same time paying the utmost attention to areas with anomalous claims rate trends;
- Reinforcement of the agency network in terms of continuous training for both agents and their staff;
- Creation of transparent products for policyholders;
- Incentive campaigns for agents to assure the ideal mix of types of cover marketed
- Use of outward reinsurance pursuing a policy of technical balance in mass risks and protection against peak and catastrophe claims;
- Limitation of costs, above all thanks to use of the new integrated headquarters/agency operating system, which permits improvement of the combined ratio;
- Presence of dedicated non-life actuaries, separate from those of the life business, thus permitting not only correct risk pricing (adjustment to the expected claims rate) but also development of customised tariffs with innovative content. The greatest degree of customisation has been achieved in the Motor TPL line with the parent company's lead product. The corporate sector, which includes large companies, has always featured pricing based on policyholder reliability and risk levels to be underwritten.

In order to permit control of risks underwritten, agents work according to a level of independence that is constantly monitored and updated, with limits defined based on the type of cover and entity of risk. Beyond these limits, only headquarters personnel have the power to sign policies.

Financial and actuarial assumptions for Life insurance products

The assumptions used for valuation of the products sold, as regards both their financial and demographic aspects, are applied taking regulatory constraints into account (e.g., maximum limits for financial cover) and the latest information on demographic trends (e.g., mortality and/or survivorship) and portfolio trends (e.g. cancellations and surrenders, etc.).

When a new product is being created, certain assumptions are adopted (first-order technical bases) which, compatibly with the factors just mentioned, are initially screened, during development of appropriate actuarial valuations, using profit-testing techniques. The latter require the adoption of assumptions other than those previously defined as first-order assumptions. These further assumptions relate to:

- Macro-economic assumptions: trends in market interest rates, inflation, cash flow discount rates, etc.;
- Second-order assumptions: mortality and expected portfolio trends, and assets' rate of return, etc.;
- Business assumptions: levels of commercial and administrative costs and expenses.

As part of such valuations, sensitivity analyses are performed of how the result varies according to changes in the above assumptions.
A similar procedure is applied when moving from the ex ante valuation to the ex post valuation carried out on the entire portfolio in order to check the evaluations made when designing the product.

Insurance risk analysis

In this section we describe the insurance risks to which the Group is exposed. These are classified in three main categories, i.e. credit risk, concentration risk, and catastrophe cover (earthquakes, hail, flight, and floods).

<u>Credit risk</u>

As regards credit risk, we highlight the fact that the parent company makes use of premier reinsurers. The following table shows the balance sheet transactions in place as at reporting date, by Standard & Poor's rating.

(in thousands of euros)

S&P Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA+	-14	563	549	1.4%
AA	-69	424	355	0.9%
AA-	-12,701	35,324	22,623	55.8%
A+	585	990	1,575	3.9%
A1*	10	-4	6	0.0%
A	-17,275	26,432	9,157	22.6%
A2*	379	-	379	0.9%
A-	-2,354	4,155	1,801	4.4%
B	157	3	160	0.4%
Unrated	-283	4,223	3,940	9.7%
Total	-31,565	72,110	40,545	100.0%

* = provided by Moody's

Concentration risk

In order to neutralise concentration risk, the Vittoria Group distributes its non-life and life products throughout Italy using a multi-channel sales approach.
Based on the analysis of premiums as at 31 December 2011, non-life business accounts for approximately 86% of total Group premiums, with 65% of this percentage referring to motor lines.
This concentration of premiums in these lines means that group profitability is largely dependent on the frequency and average cost of claims and on efficient tariff management.
The risks of this concentration may make the Group more vulnerable to changes in the regulatory framework and in market trends. They may occasionally translate into increases in indemnities payable to policyholders. These risks are mitigated by enhancing the loyalty of policyholders featuring more "virtuous" behaviour (i.e. not reporting claims) through accentuated tariff customisation. This aims to normalise the entity of claims whilst also reducing portfolio volatility.

Earthquake exposure

Reinsurance covers put in place to mitigate exposure to earthquake risks have been calculated using the main tools available on the market. Calculation is based on the maximum probable loss on the fire and other property damage lines (technological risk sector), in turn calculated over a 250-year return period, which is the one most widely used in the Italian market.
The protection purchased far exceeds the requirement shown for the worst-case scenario.

Hail exposure

Once again, in the case of this risk, cover acquired for exposure to the risks present in the land vehicle hull line is fully greater than the amount of the worst claim that has ever occurred in this line.

Flood exposure

Exposure to this catastrophic risk has again been calculated based on an assessment model used by other market operators. The capacity purchased, as in the case of the earthquake risk, far exceeds the worst-case requirement assumed in the model.

Commercial organisation

In order to make our sales network more compliant to the sector law, next to the frequent professional updating courses, during 2011, was established the new figure that is the management inspector who has controlling and correction duties of daily management and brokerage activities related to the sales network.
Development activity took the concrete form of the inauguration of 30 new Agencies and reorganisation of another 26, while 4 Agencies have been closed. As at 31 December 2011 the parent company was nationally present with 343 General Agencies (317 as at 31 December 2010) and 585 professional Sub-Agencies (551 as at 31 December 2010), joined by a further 1 Agency with a special life insurance mandate already existing as at 31 December 2010.
The training activities are going on for the primary sales network (General Agencies) and for "second level" operators as sales clerk (producers and sub-agents). In addition, new training sessions were launched for agency employees.
In addition to the courses provided directly by external provider, and the special course provided at "Accademia Vittoria", the new master program in Complex Non-marine Risks began, to provide technical training to general agents, with the objective to improve risk selection and to explore the forces underlying risk underwriting by companies.

Products

The Company is committed to creating new products and in revising existing ones. In particular, the activity performed during the year can be illustrated as follows:

New products

Life Branch

A new product was launched within the Investment Line, “Vittoria Crescita Continua”, a single-premium whole-life policy.

Non-life branch

Within the non-marine business, 4 new products were launched:
- Arte Basic: this policy is for proprietors of art whose value is not particularly high;
- All Risks Solar Energy: this was established for the various types of plant producing alternative energy;
- Decennial posthumous insurance in the form of all risks: this policy covers claims that might arise in a period of up to ten years from the service rendered or the activity completed;
- “Multiple-risk for agricultural companies”: policy for the coverage of agricultural activities and the processing of products, including livestock farming and agritourism activities.

Revised Products

Life Branch

During the year all the products in the Life catalogue were upgraded and adapted to the new regulations issued by Isvap, Covip and Consob.

Non-life insurance

Non-marine business:
Products for households, artisans, professionals and companies were upgraded, introducing new local rates.

Motor insurance:
New motor rates were introduced starting 1 January 2011 and a new rate devoted to family members of persons belonging to affinity groups. Moreover, a partnership was signed to provide road assistance services.

Overhead costs

Overhead costs – direct business

In 2011 the total amount of insurance overhead costs (Non-Life and Life) – consisting of personnel costs and various other costs, plus depreciation of tangible assets and amortisation of intangible assets – rose to €83,065 thousand vs. €73,104 thousand in 2010, increasing by 13.6%.
Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where "Other costs" consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

(€/000)

ANALYSIS OF COSTS	31/12/2011	31/12/2010	Change
Personnel expenses	41,329	38,335	7.8%
Other costs	29,050	27,089	7.2%
Amortisation/Depreciation	12,686	7,680	65.2%
Total cost by nature	83,065	73,104	13.6%

Operating costs

The following table shows the total amount of insurance operating costs (Life and Non-Life), as shown in the income statement, by activity.

(€/000)

	31/12/2011	31/12/2010	Change
Gross commissions and other acquisition costs	179,725	156,888	14.6%
Profit participation and other commissions received from reinsurers	-7,986	-8,935	-10.6%
Investment management costs	843	681	23.8%
Other administrative costs	25,923	21,756	19.2%
Total	198,505	170,390	16.5%

Real estate business

The Group's real estate business includes trading and development, brokerage, and management of own and third-party property.
Below, we highlight the key operating results of the group companies.

Trading and development

The following companies operate in this segment:

Vittoria Immobiliare SpA – Milan
87.24% direct equity interest
This company operates in real-estate development and trading, both directly and via special-purpose real-estate companies. Revenues from the sale of property in 2011 amounted to €10,052 thousand. Closing inventory totalled €24,317 thousand.

Immobiliare Bilancia Srl - Milan
100% direct equity interest
This company is active in real-estate trading and development. Revenues from the sale of property in 2011 amounted to €224 thousand. Closing inventory totalled €25,661 thousand.

Immobiliare Bilancia Prima Srl – Milan
100% direct equity interest
The company owns a site in the municipality of Parma, for which the development project is now underway. Closing inventory amounted to €10,453 thousand.

Immobiliare Bilancia Seconda Srl - Milan
100% direct equity interest
This company is active in real-estate trading. Closing inventory totalled €605 thousand.

Acacia 2000 Srl – Milan
65% indirect equity interest via Immobiliare S.p.A.
The company is active in property development. Closing inventory amounted to €182,422 thousand and consist of a buildable area for residential use in the Portello zone of Milan, named "Residenze Parco Vittoria".

Forum Mondadori Residenze Srl. – Milan
100% direct equity interest
The Company owns a building complex in Milan, at via Adamello 10, intended for office use. Closing inventory totalled €9,596 thousand.

Cadorna Real Estate Srl – Milan
100% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is active in the trading (after restructuring and refurbishment) of buildings located in Corso Cairoli in Turin. Revenues from the sale of property in 2011 amounted to €14,759 thousand.
Closing inventories at the end of 2011 amounted to €6,269 thousand.

VRG Domus Srl. - Turin
51% indirect equity interest via Vittoria Immobiliare S.p.A.
During 2011 the company continued development of its "Spina 1" real-estate operation in Turin. Closing inventory totalled €1,074 thousand.

Vaimm Sviluppo Srl – Milan
100% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is active in trading (after restructuring and refurbishment of buildings). The closing inventory of the building units located in Genoa in Piazza De Ferrari, Via Orefici and Via Conservatori del Mare amounted to €58,562 thousand.

Valsalaria Srl – Rome
51% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is managing a real-estate project in the municipality of Rome. Closing inventory amounted to €5,644 thousand.

Total closing inventories of the above described companies amounted to €393,281 thousand, made-up as follows:

	€/000
- Land:	10,067
- Real estate operations under completion:	338,585
- Real estate operations already completed:	44,629

Real Estate Brokerage Activities

In this segment the following companies are active:

Interimmobili Srl - Rome
80% indirect equity interest via Vittoria Immobiliare S.p.A.
In its real-estate brokerage activities, the company achieved commission revenue of €2,314 thousand, before infragroup eliminations. In 2011 the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by Group companies and premier institutional investors, social security & pension agencies, and building companies.
Project management contracts acquired by Interimmobili with Group companies generated revenues of €1,631 thousand.

Vittoria Service Srl – Milan
70% direct equity interest and 30% indirect via Vittoria Immobiliare S.p.A.
The company achieved service revenues of €40 thousand, before infragroup eliminations.

Property management

Gestimmobili Srl, based in Milan, is the company active in this segment, i.e. in the administrative and technical management of property assets. Revenues achieved for this activity in 2011 totalled €936 thousand (€1,285 thousand in 2011).

Overhead costs

Overhead costs for the real estate business are as shown in the table below:

(€/000)

ANALYSIS OF COSTS	31/12/2011	31/12/2010	Change
Personnel expenses	3,685	3,875	-4.9%
Other costs	4,179	3,714	12.5%
Amortisation/Depreciation	418	424	-1.4%
Total cost by nature	8,282	8,013	3.4%

Personnel and G&A costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Service business

This segment showed a gross profit in the period, as shown in the income statement by business and business line, of €147 thousand (€255 thousand in 2010).
Revenues for services rendered in 2011 by Group companies, before elimination of infra-group services, amounted to €6,220 thousand. These revenues included €5,699 thousand for commissions and services rendered to the direct operating parent company.

Overhead costs

The following table shows overhead costs for the service business, before intersegment eliminations:

(€/000)

ANALYSIS OF COSTS	31/12/2011	31/12/2010	Change
Personnel expenses	1,045	645	62.0%
Other costs	1,280	1,010	26.7%
Amortisation/Depreciation	23	8	187.5%
Total cost by nature	2,348	1,663	41.2%

Change is due to personnel hiring done by Aspevi Roma in 3Q10.
Personnel and G&A costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of €2,186,037 thousand with an increase of +2.0% vs. 31/12/2010.
The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2011	31/12/2010	Change
A	Investments in subsidiaries and associates and interests in joint ventures	104,479	102,616	1.8%
B	Held to maturity investments	98,047	96,334	1.8%
	Loans and receivables	37,987	43,778	-13.2%
	- Reinsurance deposits	225	249	
	- Other loans and receivables	37,762	43,529	
C	Financial assets available for sale	1,273,622	1,265,971	0.6%
	- Equity investments	34,106	43,509	
	- OEIC units	6,142	10,282	
	- Bonds and other fixed-interest securities	1,233,374	1,212,180	
	Financial assets at fair value through profit or loss	67,036	83,361	-19.6%
D	Financial assets held for trading	2,787	5,672	-50.9%
	- Bonds and other fixed-interest securities held for trading	2,787	5,672	
E	Financial assets at fair value through profit or loss	64,249	77,689	-17.3%
	- Investments where policyholders bear the risk	64,249	77,689	
	Cash and cash equivalents	87,117	93,797	-7.1%
F	Property	517,749	458,293	13.0%
	Property under construction	302,145	275,425	
	Property held for trading	91,136	92,587	
	Owner-occupied property	124,468	90,281	
	TOTAL INVESTMENTS	2,186,037	2,144,150	2.0%
	of which			
	investments where the Group bears the risk	2,121,788	2,066,461	2.7%
	investments where policyholders bear the risk	64,249	77,689	-17.3%

The following table shows the breakdown of investments, cash & cash equivalents, and property by business segment.

(€/000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Investments in subsidiaries	81,537	194,981	-	-	-	-	-81,537	-194,981	-	-
Investments in associates	102,679	100,468	2,745	3,640	77	69	-1,022	-1,561	104,479	102,616
Held to maturity investments	98,047	96,334	-	-	-	-	-	-	98,047	96,334
Reinsurance deposits	225	249	-	-	-	-	-	-	225	249
Other loans and receivables	20,682	27,672	17,130	15,907	-	-	-50	-50	37,762	43,529
Financial assets available for sale										
Equity investments	33,882	43,284	174	175	50	50	-	-	34,106	43,509
OEIC units	6,142	10,282	-	-	-	-	-	-	6,142	10,282
Bonds and other fixed-interest securities	1,233,374	1,212,180	-	-	-	-	-	-	1,233,374	1,212,180
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	64,249	77,689	-	-	-	-	-	-	64,249	77,689
Financial assets held for trading: Bonds and other fixed-interest securities	2,787	5,672	-	-	-	-	-	-	2,787	5,672
Cash and cash equivalents	69,349	60,605	15,699	30,453	2,069	2,739	-	-	87,117	93,797
Property under construction	68,679	-	233,466	252,100	-	-	-	23,325	302,145	275,425
Property held for trading	-	-	91,136	92,587	-	-	-	-	91,136	92,587
Owner-occupied property	105,356	10,623	19,112	63,624	-	-	-	16,034	124,468	90,281
Total	1,886,988	1,840,039	379,462	458,486	2,196	2,858	-82,609	-157,233	2,186,037	2,144,150

The units of O.I.C.R. (collective investment undertakings) consist of investments in harmonised European mutual funds.

Investments with risk borne by Group

Investments with risks borne by the Group totalled €2,121,788 thousand (€2,066,461 thousand as at 31 December 2010).

The following transactions took place during 2011:

A) Investments in subsidiaries, associates, and joint ventures:

The main associate and joint-venture companies' performance is described below:

Yam Invest N.V. Group – The Netherlands
Direct equity interest: 18.75%.
Yam Invest N.V. Group is a joint venture that is a strategic investment, with the function of monitoring, developing and managing initiatives in the real estate and services sectors in the European market.
As up to 31 December 2011 it showed a total net profit of €8,044 thousand, of which Vittoria Assicurazioni's share was €1,508 thousand.

Laumor Partners (S.a.r.l.) Sicar - Luxembourg
Direct equity interest: 21.87%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2011 its shareholders' equity totalled €33,728 thousand, including the €9,065 thousand profit for the year.

White (S.a.r.l.) Sicar - Luxembourg
Direct equity interest: 20.13%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2011 its shareholders' equity totalled €16,109 thousand, including the €2,276 thousand loss for the year.

Gima (S.A.) Sicar - Luxembourg
Direct equity interest: 23.35%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2011 its shareholders' equity totalled €64,216 thousand, including the €10,964 thousand profit for the year.

S.In.T. S.p.A. - Italy
Direct equity interest: 48,19%
This associate company creates and manages customer loyalty and sales network incentive programmes, relational marketing, communication, and promotion.
Its draft balance sheet at 31 December 2011 shows equity of €5,122 thousand, including €63 thousand in net loss for the year.

Sivim S.r.l. – Italy
Equity interest: 49.50% via Vittoria Immobiliare S.p.A.
This associate is a property company.
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €146 thousand, including €14 thousand net profit for the year.

Yarpa S.p.A. - Italy
Direct equity interest: 25.90%
Yarpa S.p.A. acts as a holding company and holds a portfolio of long-lasting equity investments. It owns 100% of Yarpa Consulting S.r.l., a company active in advisory and financial consulting services, and 100% of Yarpa Investimenti SGR S.p.A., a company active in the management of closed investment and real estate funds. In addition, in December 2009 it set up YLF SpA, a company wholly owned, created to manage private equity investments in the Italian market on a joint-venture basis with LBO France.

Rovimmobiliare S.r.l. – Italy
Equity interest: 50.00% via Vittoria Immobiliare S.p.A.
This associate is a property company owner of a building in Livorno.
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €641 thousand, net of the €-371 thousand net loss for the year.

Mosaico S.p.A. – Italy
Equity interest: 25.00% via Vittoria Immobiliare S.p.A.
This associate is a property company involved in a development project at Collegno (TO).
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €227 thousand, net of the €-46 thousand net loss for the year.

Pama & Partners S.r.l. – Italy
Equity interest: 25.00% via Vittoria Immobiliare S.p.A.
This associate is a property company and is managing a development project in Genoa.
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €1,495 thousand, net of the €-46 thousand net loss for the year.

VP Sviluppo 2015 S.r.l. – Italy
Equity interest: 40.00% via Vittoria Immobiliare S.p.A.
This associate is managing a development project in Peschiera Borromeo (Milan).
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €1,273 thousand, net of the €-143 thousand net loss for the year.

VZ Real Estate S.r.l. – Italy
Equity interest: 49.00% via Vittoria Immobiliare S.p.A.
This associate is managing a refurbishment operation in Via Don Gnocchi in Milan.
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €14 thousand, net of the €-93 thousand net loss for the year.

Fiori di S. Bovio S.r.l. – Italy
Equity interest: 40.00% via Vittoria Immobiliare S.p.A
This associate is a property company involved in a development project in Peschiera Borromeo (Milan).
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €41 thousand, net of the €-32 thousand net loss for the year.

Valsalaria A.11 S.r.l. – Italy
Equity interest: 40.00% via Vittoria Immobiliare S.p.A
This associate is a property company, owner of lands in Rome (Villa Spada area).
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €194 thousand, net of the €-9 thousand net loss for the year.

Consorzio Movincom S.c.r.l. – Italy
Direct equity interest of 0.962% and 38.8% via Aspevi Roma S.r.I.
The associate is a company dedicated to the development of payment systems using the mobile phone. Its draft balance sheet at 31 December 2011 shows shareholders' equity of €108 thousand, net of the €2 thousand net profit for the year.

Spefin Finanziaria S.p.A. - Italy
Equity interest: 21.00% via Vittoria Service S.r.I.
The associate operates as a non-banking intermediary in personal loans (20% salary-assignment loans), focusing on the public administration and state-owned sectors.

Le Api S.r.l. – Italy
Equity interest: 30.00% via Interbilancia S.r.I.
The associate is a service company.
Its draft balance sheet at 31 December 2011 shows shareholders' equity of €119 thousand, net of the €27 thousand net profit for the year.

B) Investments held to maturity:
- redemption of bonds for €206 thousand.

C) Financial assets available for sale:
- redemption of bonds for €176,210 thousand;
- purchase of European government bonds denominated in Euro for €423,415thousand;
- sale of European government bonds denominated in Euro for €148,895 thousand, realising gains of €12,658 thousand;
- impairment of all Greek bonds equal to €5.996 thousand due to alignment to fair value at year end (20% of nominal value);
- sale of units in the hedge fund BCM Market Neutral Fund Plc previously written-down during the year by €1.381 thousand; collection of €3.130 thousand caused further losses of €489 thousand;
- sale of 3,500,000 ordinary Camfin shares for €792 thousand, generating capital gains of €504 thousand; exercise of the warrant underwriting 5,611,413 shares paying €1,291 thousand;
- Medinvest International S.C.A.: impairment of €1,098 thousand to account for a reduction of this company's equity;
- Gruppo GPA S.p.A.: impairment of €1.359 thousand to reflect the value of expected cash-flows; underwriting of shares of the BCC Vomano for €50 thousand and BCC Inzago for €46 thousand;
- receipt of €155 thousand as partial payment from the process of liquidating the Swissair bond, in default, booked as a capital gain;
- liquidation of a closed-end real estate fund, receiving €188 thousand and recognising a capital loss of €5 thousand

D) Financial assets held for trading:
- losses of €6 thousand recognised for expiry of the unexercised Mediobanca warrant;
- exercise of warrant Cam Finanziaria S.p.A. increasing participating value by €834 thousand;
- Acquisitions coming from surrenders and non-signature of policies (pursuant to Article 41, paragraph 2 of Italian Legislative Decree no. 209 of 7 September 2005) = €416 thousand
- Repayment of corporate bonds for €2,484 thousand realising a capital gain of €88 thousand.

F) Investments in property

As at 31 December 2011, real estate assets totalled €517,749 thousand (+13.0% vs. 31 December 2010).

The following table shows the breakdown and the changes occurring in the period:

(€/000)

	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2010	275,425	92,587	90,281	458,293
Purchase and capitalised interests paid				
- MILAN - Portello Area (via Acacia 2000 S.r.l.)	24,440	-	-	24,440
- MILAN - Portello Area (via Vittoria Assicurazioni S.p.A.)	11,453	-	13,170	24,623
- PARMA (via Immobiliare Bilancia Prima S.r.l.)	157	-	-	157
- SAN DONATO MILANESE (MI) - (via Immobiliare Bilancia S.r.l.)	6,832	-	-	6,832
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)	221	-	-	221
- ROME (via Valsalaria S.r.l.)	253	-	-	253
- TURIN - Villar Focchiardo Street - (via Vittoria Immobiliare S.p.A.)	24	-	-	24
- TURIN - Barbaroux Str. - (via Vittoria Immobiliare S.p.A.)	-	1,422	-	1,422
- GENOA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	5,081	-	5,081
- MILAN - Adamello Str. (via Forum Mondadori Residenze S.r.l.)	-	139	-	139
- GENOA - Venezia Street (via Immobiliare Bilancia S.r.l.)	-	226	-	
- TURIN - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	1,344	-	1,344
- FLORENCE - Viale Michelangelo (via Immobiliare Bilancia S.r.l.)	-	2,885	-	2,885
- TURIN - Maria Vittoria Str. - (via Vittoria Properties S.r.l.)	-	-	14,543	14,543
- Miscellaneous	2	-	50	52
Total purchase and capitalised interests paid	43,381	11,096	27,763	82,241
Sales:				
- MILAN -Gattamelata Str. (via Vittoria Immobiliare S.p.A.)	-	-	(310)	(310)
- TURIN - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	(14,759)	-	(14,759)
- TURIN - Villarfocchiardo (via Vittoria Immobiliare S.r.l.)	(1,511)	-	-	(1,511)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	(680)	(350)	-	(1,030)
- ROMA - former Aurora (via Vittoria Immobiliare S.p.A.)	-	960		(960)
- MILAN - San Donato Milanese (via Vittoria Immobiliare S.p.A.)	(6,551)	-	-	(6,551)
- Miscellaneous	(15)	(224)	-	(239)
Total sales	(8,757)	(16,293) -	310.00	(25,360)
Reclassification to Owner-occupied property	(9,625)	-	9,625	-
Depreciations	-	-	(2,925)	(2,925)
Recognised gains	1,721	3,746	34	5,501
Balance as at 31/12/2011	302,145	91,136	124,468	517,749

Increase of owner-occupied property of Vittoria Assicurazioni S.p.A. relates to the capitalisation of VAT on costs paid for Vittoria Assicurazioni headquarter for €10,842 thousand.
Reclassification of €9,625 thousand is due to the reallocation of shared expenses on buildings of the Portello area project.

To facilitate comprehension of the amounts shown in the table, note that, by excluding minority interests and owner-occupied property, the Group's aggregate exposure to property market risks is €314.2 million (+7.9% from the corresponding value of € 291.3 million at 31 December 2010).

Investments benefiting Life policyholders who bear related risk and those arising from pension fund management *(section E of earlier table)*

As at 31 December 2011 these investments amounted to €64,249 thousand, with a decrease of -17.3% YoY. Of this amount, €53,847 thousand related to unit- and index-linked policies and €10,402 thousand to the open-ended pension fund Vittoria Formula Lavoro.
There was total net loss of €-5,474 thousand (€6,188 thousand as at 31December 2010).

Financial liabilities

The following table shows the breakdown of financial liabilities relating to contracts for which policyholders bear investment risk and of other financial liabilities, highlighting subordinated liabilities.

(€/000)

FINANCIAL LIABILITIES	31/12/2011	31/12/2010	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	64,249	77,689	-17.3%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	53,847	67,059	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	10,402	10,630	
Othe financial liabilities	290,432	302,825	-4.1%
- Reinsurance deposits	24,418	27,662	
- Payables to banks	252,791	255,421	
- Other financial payables	7,808	7,978	
- Other financial liabilities	5,415	11,457	
- Subordinated liabilities	-	307	
TOTAL FINANCIAL LIABILITIES	354,681	380,514	-6.8%

The following table shows the breakdown of financial liabilities by business segment.

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	53,847	67,059	-	-	-	-	-	-	53,847	67,059
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	10,402	10,630	-	-	-	-	-	-	10,402	10,630
Reinsurance deposits	24,418	27,662	-	-	-	-	-	-	24,418	27,662
Payables to banks	-	-	252,743	255,387	48	34	-	-	252,791	255,421
Other financial payables	-	-	7,808	7,978	-	-	-	-	7,808	7,978
Other financial liabilities	5,415	11,457	-	-	-	-	-	-	5,415	11,457
Subordinated liabilities	-	307	-	-	-	-	-	-	-	307
Total	94,082	117,115	260,551	263,365	48	34	-	-	354,681	380,514

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

Gains and losses on investments

The following table shows the breakdown as at 31 December 2011 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders.

(€/000)

Gains and losses on investments		Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2011 total net gains/(losses)	31/12/2010 total net gains/(losses)
Investments		69,195	-17,815	51,380	54,630
From:					
b	investments in subsidiaries and associates and interests in joint ventures	4,135	-884	3,251	-4,349
c	held to maturity investments	4,402	-	4,402	4,290
d	loans and receivables	800	-1	799	935
e	financial assets available for sale	58,856	-10,597	48,259	47,287
f	financial assets held for trading	122	21	143	279
g	financial assets at fair value through profit or loss	880	-6,354	-5,474	6,188
Other receivables		714	-	714	529
Cash and cash equivalents		1,895	-	1,895	735
Financial liabilities		-4,489	5,474	985	-10,157
From:					
b	financial liabilities at fair value through profit or loss	-	5,474	5,474	-6,188
c	other financial liabilities	-4,489	-	-4,489	-3,969
Total gains and losses on financial instruments		67,315	-12,341	54,974	45,737
Real estate business					
From:					
a	Gains on property trading	5,501	-	5,501	16,087
b	Rent income on owner-occupied property and property held for trading	449	-	449	387
Total real estate business		5,950	-	5,950	16,474
Total gains and losses on investments		73,265	-12,341	60,924	62,211

Net gains with risk borne by the Group amounted to €60,211 thousand, with a -2.1% decrease 2010.

As up to 31 December 2011 the weighted average return on “Bonds and other fixed-income securities” was 4.2% as compared with 4.0% in 2010.

The following table shows the breakdown of investment gains and losses by business segment.

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	143	279	-	-	-	-	-	-	143	279
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	6,875	-450	-1,439	-849	8	9	-2,193	-3,059	3,251	-4,349
Gains or losses on other financial instruments and investment property	53,701	51,776	-2,119	-1,971	-2	2	-	-	51,580	49,807
Gains on property trading	-	-	5,501	16,087	-	-	-	-	5,501	16,087
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and pro	206	210	243	260	-	-	-	-83	449	387
Total	60,925	51,815	2,186	13,527	6	11	-2,193	-3,142	60,924	62,211

Investment and financial risk management & analysis policies

Financial risk management

The financial risk management system is designed to assure the Group's capital soundness via monitoring of the risks inherent in asset portfolios due to adverse market conditions. In this perspective, specific investment policies have been designed – as illustrated in the earlier section "Investments – Cash & cash equivalents – Property" – and special procedures adopted.

Investment policies: objectives

The Group's financial assets are managed according to the following objectives:

A) Life and Non-Life investments with risk borne by the Group

- Assure the Group's capital soundness by means of a policy of limitation of potential portfolio loss risk following adverse changes in interest rates, equity prices, and exchange rates
- Limit credit risk by giving preference to investments in issuers with high ratings
- Assure adequate investment diversification, also prudently taking opportunities arising in the real estate sector
- For the Life segment, assure a stable return higher than the technical rate envisaged by contracts in force, optimising management of expected cash flows consistently with insurance liabilities
- For the Non-Life segment, assure both a stable return in line with the forecasts factored into product tariffs and positive cash flows also able to address scenarios featuring any significant increase in claims cost and settlement speed
- Monitor the securities portfolio duration in relation to liabilities' duration
- Give preference to continuity of returns rather than to achievement of high returns in limited periods of time
- Protect investments' value from exchange-rate fluctuations also via use of financial derivatives.

B) Life investments with risk borne by policyholders

- Manage investments benefiting policyholders who bear related risk (index- and unit-linked policies) and those relating to pension-fund management according to the objectives envisaged by relevant policies and by pension funds' regulations, with the constraint of total transparency vis-à-vis policy holders and in compliance with specific legal regulations
- Define investments' level of protection against exchange-rate fluctuations also via use of financial derivatives.

Procedures

In order to keep its exposure to financial risks under control, the Group has equipped itself with a structured system of procedures and activities. These assure regular reporting able to monitor:

- The market value of assets and their consequent potential losses vs. carrying value
- Trends of macroeconomic and market variables
- For bond portfolios, issuers' rating of the issuers and analysis of sensitivity to interest-rate risk
- Compliance with the investment limits defined by the Board of Directors
- Overall exposure to the same issuer.

The Group also performs ALM (asset-liability management) analyses, the main objective of which, in a medium-term perspective, is to:

- Provide joint dynamic projections of cash flows and of other asset and liability features in order to show any income-statement and/or financial mismatching ;
- Provide an indication – for asset portfolios backing life insurance contracts - of the expected trends in asset portfolios' rates of returns compared with contractual minimum returns
- Identify the variables (financial, actuarial and commercial) that may have a greater negative impact on results by performing specific stress tests and scenario analyses.

The results of the above activities and reports are regularly reviewed by the Finance Committee. This committee has been set up within the Board of Directors and has been delegated to supervise the securities portfolio's performance and to define investment strategies within the limits established by the Board in investment policies.

Financial risk analysis

In this chapter we describe the risks to which the Group is exposed in relation to financial markets' movements. These risks are grouped in the three main categories, i.e. market risk, liquidity risk, and credit risk.
The chapter does not discuss the Group's investments in instruments designated at fair value going through profit and loss (index- and unit-linked policies – pension funds) because these are strictly connected with related liabilities.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, broken down by investment type (debt securities, equity securities and CIU units). It also provides indications concerning financial risk exposure and uncertainties of flows.

(€/000)

Investment nature	Amount 31/12/2011	% of breakdown	Amount 31/12/2010	% of breakdown
DEBT SECURITIES	1,334,208	97.1%	1,313,342	95.9%
Listed treasury bonds:	1,255,521	91.4%	1,232,961	90.1%
Fixed-interest rate	1,059,044	77.1%	953,361	69.7%
Variable interest rate	196,477	14.3%	279,600	20.4%
Unlisted treasury bonds:	1,972	0.1%	2,152	0.2%
Variable interest rate	1,972	0.1%	2,152	0.2%
Listed corporate bonds:	58,541	4.3%	60,838	4.4%
Fixed-interest rate	44,850	3.3%	46,326	3.4%
Variable interest rate	13,691	1.0%	14,512	1.1%
Unlisted corporate bonds:	2,049	0.1%	2,017	0.1%
Fixed-interest rate	2,049	0.1%	2,017	0.1%
Bonds of supranational issuers:	16,125	1.2%	15,374	1.1%
Fixed-interest rate	16,125	1.2%	15,374	1.1%
of which				
Total fixed-interest securities	1,122,068	84.1%	1,017,078	77.4%
Total variable-interest securities	212,140	15.9%	296,264	22.6%
Total debt securities	1,334,208	100.0%	1,313,342	100.0%
of which				
Total listed securities	1,330,187	99.7%	1,309,173	99.7%
Total unlisted securities	4,021	0.3%	4,169	0.3%
Total debt securities	1,334,208	100.0%	1,313,342	100.0%
EQUITY INSTRUMENTS	34,106	2.5%	43,509	3.2%
listed shares	12,451	0.9%	18,812	1.4%
unlisted equity instruments	21,655	1.6%	24,697	1.8%
DERIVATIVES	-	0.0%	844	0.1%
Non-hedging derivatives	-	0.0%	844	0.1%
OEIC UNITS	6,142	0.4%	10,282	0.8%
TOTAL	1,374,456	100.0%	1,367,976	100.0%

The fixed-income securities portfolio has a duration of 3.5 years.

Market risk

Market risk consists of interest-rate risk, price risk and exchange-rate risk.
Debt securities are exposed to **interest-rate risk**.
The interest-rate risk on fair value is the risk of a financial instrument's value varying due to changes in market interest rates.
A decrease in interest rates would cause an increase in the fair value of such securities, whereas an increase in rates would decrease their fair value.
The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The carrying value of fixed-interest debt securities exposed to interest-rate risk on fair value totalled €1,122,068 thousand (84.1% of the bond portfolio with investment risk borne by the Group), of which €1,048,852 classified as available for sale.
The following table illustrates the quantitative impacts on the fair value of these latter assets of a hypothetical parallel variation in the interest rate curve of ±100 basis points (bp).

	(€ '000)
Fixed-interest securities at fair value	Amount
Carrying amount as at 31/12/2011	1,108,540 (1)
Change	
100 BP increase	-39,601
100 BP decrease	42,484

(1) of which Euro 478,944 thousand allocated to the separately-managed life business.

The carrying value of floating-rate debt securities exposed to interest-rate risk on cash flows totalled €212,140 thousand (15.9% of the bond portfolio with investment risk borne by the Group). In order to indicate the sensitivity of floating-rate securities' cash flows, we point out that a 100-bp positive or negative change in interest rates would respectively cause higher or lower interest receivable of €2,205 thousand and €1,875 thousand.

Life insurance contracts envisage a guaranteed minimum rate of interest and feature a direct link between investments and benefits to be paid to policyholders.
This direct link between obligations to policyholders and investments of assets associated with benefits is governed by means of the integrated asset-liability management (ALM) model mentioned earlier.

More specifically, the Group manages interest-rate risk by matching asset and liability cash flows and by maintaining a balance between liabilities' duration and that of the investment portfolio directly related to such liabilities.
Duration is an indicator of the sensitivity of asset and liability fair value to changes in interest rates.

To complete disclosure, the following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate.

Fixed - interest securities		(€/000)
Maturity	Amount	% of breakdown
< 1 year	178,664	15.9%
1<X<2	192,090	17.1%
2<X<3	79,030	7.0%
3<X<4	85,494	7.6%
4<X<5	96,508	8.6%
5<X<10	448,187	39.9%
more	42,095	3.9%
Total	1,122,068	100.0%

Variable - interest securities			(€/000)
Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	27,330	12.9%
Constant mat. Swap	Euroswap 30Y	6,748	3.2%
variabile	3 months tresury bonds	1,972	0.9%
Variable	6 months tresury bonds	165,374	78.0%
Variable	other	10,716	5.0%
Total		212,140	100.0%

The contractual rate refixing date for most of these securities is in the first half of the year.

As regards interest-rate risk, it is pointed out, lastly, that the Group holds floating-rate financial liabilities, mainly consisting of real estate companies' bank borrowings, totalling €228,600 thousand.
In order to indicate their sensitivity, taking into account the hedging operation set up by VAIMM Sviluppo Srl and Acacia 2000 Srl it is noted that a 100-bp increase would increase interest expense by €1,616 thousand. Vice versa, a 100-bp decrease would reduce interest expense by €1,616 thousand.

Equity securities are exposed to price risk, i.e., the possibility of their fair value varying as a result of changes arising both from factors specific to the individual instrument or issuer and those affecting all instruments traded on the market
If the listed shares classified as "Available-for-sale financial assets" had suffered a 10% loss as at 30.06.2011, equity attributable to parent company shareholders would have decreased by €1,245 thousand.

The Group is not exposed to foreign exchange risk since, as at 31.12.2011, nearly all investments for which it bears the risk were expressed in euro, observing the principle of consistency with technical reserves.

Liquidity risk

The group is daily required to execute payments arising from insurance and investment contracts.

The liquidity risk is the risk that available funds may not be sufficient to meet obligations. It is constantly monitored by means of the integrated ALM procedure.

This risk may also arise as a result of inability to sell a financial asset fast at an amount close to its fair value.

This is less probable when the financial assets are listed in active markets. The greater the weight is of financial assets listed in active and regulated markets, the less likely it is that this will happen

As at 31.12.2011 financial assets listed in a regulated market accounted for over 98% of financial assets owned.

The following table shows the financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/11	31/12/10
< 1 year	136,317	137,816
1 < X < 3	18,930	10,237
3 < X < 5	24,845	-
5 < X < 10	64,248	-
more	110,341	232,461
Total	354,681	380,514

Credit risk

In applying its investment policy, the Group limits its exposure to credit risk by investing in highly rated issuers.

As can be seen in the table below, as at 31.12.2011 nearly all bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)		Amounts	% of breakdown
AAA		124,394	9.3%
AA+ / AA-		54,062	4.1%
A+ / A-		6,115	0.5%
BBB+ / BBB-		1,145,628	85.9%
	Total investment grade	1,330,199	99.8%
Non investment grade		4,009	0.2%
Total		1,334,208	100.0%

Information concerning remuneration policy (pursuant to Article 123-ter of Italian Legislative Decree, No. 58/1998)

Information concerning remuneration policy of members of the administrative body and board of control, general director and strategically accountable managers are shown in the Report on remuneration published in accordance with Art. 123-ter of Italian Legislative Decree, No. 58/1998.

Information concerning adherence to codes of conduct

The annual report on adherence to codes of conduct required by art.123/2 of T.U.F. has been prepared according to the format published by Borsa Italiana SpA on February 2010 and can be consulted on the "Governance" section of company's website: www.vittoriaassicurazioni.com.

Infra-group and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.
This section presents financial and business transactions occurring during as up to 31 December 2011 with group companies, excluding those with companies consolidated on a 100% line-by-line basis.
The following table summarises the most significant economic and financial dealings with Group companies not included in the scope of consolidation and with directors, statutory auditors, and managers with strategic responsibilities.

(€/000)

Related parties	Other receivables	Loans	Commitments for subscription of private equity investments	Financial liabilities	Intangible asseits	Revenues	Costs
Parents	-	-	-	-	-	-	-
Associates	432	22,131	5,415	-	889	822	2,242
Fees:							
Directors	-	-	-	-	-	-	2,075
Statutory auditors	-	-	-	-	-	-	267
Managers with strategic responsibility	-	-	-	-	-	-	1,935
Total	432	22,131	5,415	-	889	822	6,519

Transactions and relationships with subsidiaries

The Parent Company has confirmed, for the three-year period 2011-2013, that it has opted for the national tax consolidation scheme (Article 117 *et seq* of Italian Presidential Decree 917 of 22 December 1986) in relation to the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia Seconda S.r.l., Immobiliare Bilancia Terza S.r.l. and Acacia 2000 S.r.l..

For the three-year period 2009-2011 the national tax consolidation option was renewed in relation to Vittoria Immobiliare S.p.A., Gestimmobili S.r.l. and Interimmobili S.r.l., and was also exercised in relation to Forum Residenze Mondadori S.r.l. and Interbilancia S.r.l..

In 2011, the Parent Company has included the subsidiaries Vaimm Sviluppo S.r.l. and Vittoria Properties S.r.l. in the scope of consolidation.

Transactions and relationships with parent companies

The Group has no financial or commercial relationships with the direct parent company Vittoria Capital N.V. and the indirect parent company Yafa Holding B.V., The Netherlands.

Relations and transactions with associates and joint ventures

Yam Invest N.V. – Netherlands	18.75% direct equity interest
Laumor Partners (S.a.r.l.) Sicar – Luxembourg	21.87% direct equity interest
White (S.a.r.l.) Sicar – Luxembourg	20.13% direct equity interest
Yarpa S.p.A. – Genoa	25.90% direct equity interest

No commercial or supply relationships were maintained with these associates during the period.

Gima Finance S.A. – Luxembourg
23.35% direct equity interest
Vittoria Assicurazioni has recognised €5,415 thousand under loans to associates and under financial liabilities for the commitment to subscribe to private equity investments through the associate.

S.In.T. S.p.A. – Turin
48.19% direct equity interest
The parent company used the services of S.In.T. S.p.A. for commercial agreements made by the parent company, for an aggregate cost of €1,475 thousand plus VAT.

Mosaico S.p.A. – Turin
25.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of €613 thousand.

Pama & Partners S.r.l. – Genoa
25.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of €500 thousand.

Sivim S.r.l. – Milan
49.50% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate as an interest bearing shareholder loan, which has a balance of €1,426 thousand.

Rovimmobiliare S.r.l. – Rome
50.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of €712 thousand.

VP Sviluppo 2015 S.r.l. – Milan
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of €5,826 thousand.

VZ Real Estate S.r.l. – Turin
49.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of €3,590 thousand.

Fiori di S.Bovio S.r.l. – Milan
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of €1,368 thousand.

Valsalaria A.11 S.r.l. – Rome
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. acquired, together with participating interest, a shareholder loan which has a balance of €3,097 thousand.

Le Api S.r.l. - Milan
30.00% equity interest via Interbilancia S.r.l.
The associate provided the parent company with services for €1,351 thousand plus VAT.

Spefin Finanziaria S.p.A. - Rome
21.00% equity interest via Vittoria Service S.r.l.
The parent company granted the associate an interest bearing loan, which has a balance of €5,000 thousand.

Consorzio Movincom S.c.r.l. – Turin
Direct equity interest of 0.962% and of 38.8% via Aspevi Roma S.r.l.
The associated billed the parent company for fees of €30 thousand plus VAT.

Human resources

As is spelt out in the Company's Code of Business Ethics, the Vittoria Assicurazioni Group safeguards and enhances the value of its human resources, while assuring respect individuals' moral and professional dignity.

We pursue this objective via:

- Assessment of candidacies based on the match between requirements and the professional profiles to acquired. The priority for identification of resources is internal recruitment, to aid professional growth. When in-house candidacies consistent with the profile sought cannot be identified, external market recruitment processes are activated to hire particularly qualified people in terms of their academic background and/or professional experience acquired in the sector.
- Commitment to providing training appropriate to the role covered by each person, consistently with the Company's objectives and strategies. The Vittoria Assicurazioni Group in fact believes that human resources play a key role in the value creation process and, because of this, it pays special attention to planning training and development activities.
- Preference for forms of flexibility in organising work, respecting individual/family and company needs.
- Prevention of all forms of discrimination.
- Adoption of a reward system based on assignment of personal or group targets to specific professional figures
- Constant commitment to achieving workplaces and units that not only comply with legal safety standards, to protect the health of those using them, but are also pleasant places in which to be.

Performance in the early months of FY 2012 and expected business progress

No significant events occurred after the reporting period.

The Board of Directors

Milan, 13 March 2012

Consolidated financial statements as at 31December 2011

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2011
BALANCE SHEET - ASSETS

(€/000)

		Note	31/12/2011	31/12/2010
1	INTANGIBLE ASSETS		38,959	36,411
1.1	Goodwill	1	1,795	1,795
1.2	Other intangible assets	2	37,164	34,616
2	PROPERTY, PLANT AND EQUIPMENT		528,102	467,593
2.1	Property	2	517,749	458,293
2.2	Other items of property, plant and equipment	2	10,353	9,300
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	73,215	73,579
4	INVESTMENTS		1,581,171	1,592,060
4.1	Investment property		0	0
4.2	Investments in subsidiaries and associates and interests in joint ve	4	104,479	102,616
4.3	Held to maturity investments	5	98,047	96,334
4.4	Loans and receivables	5	37,987	43,778
4.5	Financial assets available for sale	5	1,273,622	1,265,971
4.6	Financial assets at fair value through profit or loss	5	67,036	83,361
5	OTHER RECEIVABLES		248,638	225,700
5.1	Receivables relating to direct insurance	6	208,114	180,731
5.2	Receivables relating to reinsurance business	7	3,818	3,638
5.3	Other receivables	8	36,706	41,331
6	OTHER ASSETS		83,671	63,847
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	9	8,335	7,170
6.3	Deferred tax assets	10	43,101	28,785
6.4	Current tax assets	11	24,946	21,742
6.5	Other assets	12	7,289	6,150
7	CASH AND CASH EQUIVALENTS	13	87,117	93,797
	TOTAL ASSETS		2,640,873	2,552,987

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BALANCE SHEET - EQUITY AND LIABILITIES

(€/000)

		Note	31/12/2011	31/12/2010
1	EQUITY		358,355	380,945
1.1	attributable to the shareholders of the parent		333,625	354,837
1.1.1	Share capital	14	67,379	67,379
1.1.2	Other equity instruments	14	0	23
1.1.3	Equity-related reserves	14	33,874	33,874
1.1.4	Income-related and other reserves	14	234,506	218,888
1.1.5	(Treasury shares)	14	0	0
1.1.6	Translation reserve	14	-115	148
1.1.7	Fair value reserve	14	-39,314	7,368
1.1.8	Other gains or losses recognised directly in equity	14	70	106
1.1.9	Profit for the year attributable to the shareholders of the parent		37,225	27,051
1.2	attributable to minority interests	14	24,730	26,108
1.2.1	Share capital and reserves attributable to minority interests		24,336	25,445
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		394	663
2	PROVISIONS	15	2,828	2,772
3	TECHNICAL RESERVES	16	1,762,011	1,653,851
4	FINANCIAL LIABILITIES		354,681	380,514
4.1	Financial liabilities at fair value through profit or loss	17	64,249	77,689
4.2	Other financial liabilities	17	290,432	302,825
5	PAYABLES		103,429	78,861
5.1	Payables arising from direct insurance business	18	10,733	8,342
5.2	Payables arising from reinsurance business	19	11,190	9,041
5.3	Other sums payable	20	81,506	61,478
6	OTHER LIABILITIES		59,569	56,044
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	21	16,717	26,628
6.3	Current tax liabilities	22	12,924	943
6.4	Other liabilities	23	29,928	28,473
	TOTAL EQUITY AND LIABILITIES		2,640,873	2,552,987

(€/000)

INCOME (LOSS) STATEMENT		Note	31/12/2011	31/12/2010
1.1	Net premiums		863,566	732,692
1.1.1	*Gross premiums*	24	890,450	767,508
1.1.2	*Ceded premiums*	24	26,884	34,816
1.2	Commission income	25	1,064	839
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	143	279
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	6,524	547
1.5	Gains on other financial instruments and investment property	26	67,161	46,990
1.5.1	*Interest income*		53,586	50,550
1.5.2	*Other income*		412	837
1.5.3	*Realised gains*		13,163	2,423
1.5.4	*Unrealised gains*		0	100
1.6	Other income	27	16,597	25,476
1	TOTAL REVENUE		955,055	573,576
2.1	Net charges relating to claims		648,588	375,909
2.1.1	*Amounts paid and change in technical reserves*	24	665,486	583,525
2.1.2	*Reinsurers' share*	24	-16,898	-16,867
2.2	Commission expense	28	75	64
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	3,273	4,896
2.4	Losses on other financial instruments and investment property	26	15,581	4,103
2.4.1	*Interest expense*		4,489	3,969
2.4.2	*Other expense*		0	0
2.4.3	*Realised losses*		494	134
2.4.4	*Unrealised losses*		10,598	0
2.5	Operating costs		202,261	175,249
2.5.1	*Commissions and other acquisition costs*	29	166,040	144,468
2.5.2	*Investment management costs*	29	843	681
2.5.3	*Other administrative costs*	29	35,378	30,100
2.6	Other costs	30	27,661	16,730
2	TOTAL COSTS		897,439	767,700
	PROFIT FOR THE YEAR BEFORE TAXATION		57,616	46,043
3	Income taxes	31	19,997	18,329
	PROFIT FOR THE YEAR		37,619	27,714
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT (LOSS)		37,619	27,714
	of which attributable to the shareholders of the parent		37,225	27,051
	of which attibutable to minority interests	14	394	663

Basic EARNINGS per share		0.55	0.40
Diluted EARNINGS per share		0.55	0.40

OTHER COMPREHENSIVE INCOME (LOSS)			31/12/2011	31/12/2010
	CONSOLIDATED PROFIT (LOSS)		37,619	27,714
	Translation reserve		-263	345
	Fair value reserve		-46,682	-18,267
	Hedging reserve		0	0
	Gains or losses on hedging instruments of net investment in foreign operations		0	0
	Reserve for changes in the equity of investees		-36	56
	Intangible asset revaluation reserve		0	0
	Property, plant and equipment revaluation reserve		0	0
	Gains or losses on non-current assets or assets of a disposal group classified as held for sale		0	0
	Other reserves		0	0
	OTHER COMPREHENSIVE INCOME (LOSS) NET OF TAX		-46,981	-17,866
	COMPREHENSIVE INCOME (LOSS)		-9,362	9,848
	of which attributable to the shareholders of the parent		-9,756	9,185
	of which attibutable to minority interests		394	663

Calculation of earnings per share

(in euro)

		31/12/11	31/12/10
Profit for the year attributable to the shareholders of the parent	Euro	37,224,801	27,050,693
Average number of shares	N.	67,378,924	67,378,924
Basic earnings per share	Euro	0.55	0.40
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	0	14,867
Number of potential shares	N.	0	121,076
Adjusted profit for the year attributable to the shareholders of the parent	Euro	37,224,801	27,065,560
Adjusted average number of shares	N.	67,378,924	67,500,000
Diluted earnings per share	Euro	0.55	0.40

Adjustments refer to the number of potential shares arising from the conversion of the convertible subordinated bond issue and the related financial charges.

Statement of changes in equity

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(€/000)

		Balance at 31/12/2009	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2010	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2011
Equity attributable to the shareholders of the parent	Share capital	65,789	0	1,590		0	67,379	0	0		0	67,379
	Other equity instruments	319	0	-296		0	23	0	-23		0	0
	Equity-related reserves	31,412	0	2,462		0	33,874	0	0		0	33,874
	Income-related and other reserves	216,124	-2,975	16,923		-11,184	218,888	0	27,072		-11,454	234,506
	(Treasury shares)	0	0	0		0	0	0	0		0	0
	Profit /(Loss) for the year	16,924	0	10,127		0	27,051	0	10,174		0	37,225
	Other comprehensive income	25,488	0	-13,644	-4,222	0	7,622	0	-52,987	6,006	0	-39,359
	Total attributable to the shareholders of the parent	**356,056**	**-2,975**	**17,162**	**-4,222**	**-11,184**	**354,837**	**0**	**-15,764**	**6,006**	**-11,454**	**333,625**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	27,502	-1,382	-635		-40	25,445	0	663	0	-1,772	24,336
	Profit for the year	-635	0	1,298		0	663	0	-269	0	0	394
	Other comprehensive income	0	0	0		0	0	0	0	0	0	0
	Total attributable to minority interests	**26,867**	**-1,382**	**663**	**0**	**-40**	**26,108**	**0**	**394**	**0**	**-1,772**	**24,730**
Total		382,923	-4,357	17,825	-4,222	-11,224	380,945	0	-15,370	6,006	-13,226	358,355

Reference should be made to Notes to the consolidated interim financial statement for further information.

Cash flow statement – indirect method

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(€/000)

STATEMENT OF SOURCES AND APPLICATION OF FUNDS	31/12/2011	31/12/2010
Profif for the year before taxation	57,616	46,043
Change in non-monetary items	85,819	95,136
Change in non-life premium reserve	44,716	45,673
Change in claims reserve and other non-life technical reserves	88,080	57,349
Change in mathematical reserves and other life technical reserves	-24,272	-2,563
Change in deferred acquisition costs	-1,165	-16
Change in provisions	56	-249
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-6,462	-4,349
Other changes	-15,134	-709
Change in receivables and payables arising from operating activities	1,630	-35,672
Change in receivables and payables relating to direct insurance and reinsurance	-23,023	-24,828
Change in other receivables and payables	24,653	-10,844
Taxes paid	-19,997	-18,329
Net cash flow generated by/used for monetary items from investing and financing activities	2,885	728
Liabilities from financial contracts issued by insurance companies	-13,440	-1,921
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	16,325	2,649
NET CASH FLOW FROM OPERATING ACTIVITIES	127,953	87,906
Net cash flow generated by/used for investment property	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-6,034	1,687
Net cash flow generated by/used for loans and receivables	5,791	-551
Net cash flow generated by/used for held to maturity investments	-1,713	-1,617
Net cash flow generated by/used for financial assets available for sale	-43,736	-19,939
Net cash flow generated by/used for property, plant and equipment	-63,057	-16,471
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-108,749	-36,891
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-11,454	-11,184
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-2,037	4,050
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	-12,393	-16,979
NET CASH FLOW FROM FINANCING ACTIVITIES	-25,884	-24,113
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	93,797	66,895
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-6,680	26,902
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	87,117	93,797

Accounting policies

General basis of presentation

Statement of IFRS compliance

The consolidated financial statements have been prepared in compliance with the international accounting and financial reporting standards (IASs/IFRSs) issued by the IASB and endorsed by the European Union as per EU regulation 1606 of 19 July 2002 and Italian Legislative Decrees 38/2005 and 209/2005.

The Group has not applied IFRSs before the year when they actually came into force.

The Group prepared its first set of IFRS-compliant year-end financial statements in FY2005. As permitted by IFRS 1 ("First-Time Adoption of International Financial Reporting Standards"), for preparation of the opening balance sheet as at 1 January 2004, the Group elected to apply a number of optional exemptions. For information on exemptions, reference should be made to the "Accounting Policies" section of the Consolidated Annual Report & Accounts for the year ending on 31 December 2005.

Basis of accounting

The basic criterion is historical cost, modified for fair-value measurement of available-for-sale financial assets and of financial assets or liabilities recognised at fair value in the income statement.

The consolidated financial statements have been prepared on a going concern basis.

Use of estimates

Application of IFRSs for the preparation of financial statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions and funds.

The technical reserves evaluation is performed by the parent company's actuaries support and it is subjected to an examination by external actuaries.

More specifically, for items estimated and whose carrying value is significantly affected by the assumptions, information is given in the detailed notes on the item concerned about the nature of such assumptions or any other uncertainties.

Where significant, and in any case when required by IFRSs, indications are given of the sensitivity of carrying amounts to the fundamental methods, assumptions and estimates used to calculate them, together with the reasons for such sensitivity.
The estimates are reviewed regularly. The effects of each and any change are immediately recognised in the income statement or, in the case of financial assets available for sale, in equity.

Scope of consolidation

Subsidiaries

Subsidiaries are companies over which the Group has permanent, as opposed to temporary, control. Control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of a company so as to benefit from its activities. Subsidiaries' financial statements are included in the consolidated financial statements as from the date that control commences until the date when such control ceases. Control is presumed to exist when Vittoria Assicurazioni SpA has, directly or through its subsidiaries, the majority of votes in ordinary shareholders' meetings.
Subsidiaries performing activities different from those of the direct operating parent company are also included in the scope of consolidation.

Associates and Joint Ventures

Associate companies are not controlled by the Group but the Group exercises significant influence over their financial and operating policies. Significant influence is presumed to exist when the investor company owns, directly or indirectly through subsidiaries, at least 20% of voting rights. The consolidated financial statements include the Group's share of associates' gains and losses on an equity-accounted basis as from the date when significant influence commences until the date when the said significant influence ceases. When the Group's share of the associate's losses exceeds the carrying value of the investment, the latter is written down to zero and no share of any further losses is recognised, except to the extent that the Group has the obligation to answer for such losses.
Joint Ventures are accounted for using the same accounting principle described above.

Business combinations

Business combinations are the union of separate entities or businesses in a single entity which is required to prepare financial statements.
The acquirer therefore recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their respective fair value as at acquisition date. The acquiree also recognises goodwill which is regularly tested for impairment.

Consolidation method

1) The financial statements of all consolidated companies are prepared as at 31 December of the financial year concerned.
2) Figures shown in consolidated financial statements have been taken from individual companies' financial statements, duly restated to assure consistency of presentation and modified solely to align investee companies' accounting policies with those of the direct operating parent company.
3) Minority interests in subsidiaries are included in the specific liability and income statement captions of the consolidated financial statements.
4) The accounting currency used to prepare consolidated financial statements is the euro.
5) Acquisitions of subsidiaries are recognised using the purchase method whereby the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value as at acquisition date, which is the date on which consideration is paid.

   Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.
   The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.

6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

   Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.

7) Infragroup balances and transactions, including revenue, costs, and dividends, are eliminated in full. Gains or losses stemming from infragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also eliminated in full. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.

8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate, the parent company stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that the parent company has incurred legal or constructive obligations or made payments on behalf of the associate. Should the associate subsequently make a profit, the parent company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

   After it has recognised the associate's losses, the parent company applies the rule of IAS 39 to see whether it is necessary to recognise further losses due to impairment of the net interest (and net investment) in the associate.

Segment reporting

Primary segment reporting (business segments)

The income statement and balance sheet items relating to insurance contracts (as defined by IFRS 4), are allocated to the Life insurance business segment (which, very briefly, includes all contracts envisaging payment of a premium against the payment of benefits if the policyholder dies or survives) or to the Non-life business segment (which includes all other insurance contracts).
The Life insurance segment also includes all income statement and balance sheet items relating to investment contracts.
The Real Estate segment includes all income statement and balance sheet items relating to trading, development, and related services.
The Services segment includes the income statement balance sheet items relating to services rendered, mainly to the direct operating parent company.
The share of investments and profits or losses of associates that operate in more than one segment is classified in the segment where the investment in the associate is held.

The assets, liabilities, costs, and revenues attributed to each business segment are shown in the tables provided in the section "Appendices to Consolidated Financial Statements", prepared as per the formats recommended in ISVAP ordinance no. 7 of 13 July 2007.

Secondary segment reporting (geographical segments)

For the purposes of secondary segment reporting, we highlight the fact that:

- The main revenues (premiums and profits on real estate trading, development, and services) by geographical customer segment, as well as figures on deferred costs are mainly summed by Italian macro-region (i.e. North, Centre and South);
- Allocation of assets by geographical segment, i.e. based on assets' geographical location, has led to identification of three areas: Italy, Rest of Europe and Rest of World. This presentation permits effective representation of diversification of investments in securities.

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment

Based on the definition given IFRS 4, insurance contracts provide for the transfer of a significant insurance risk, other than a financial risk, by the policyholder to the contract issuer and compensation for the policyholder for damage arising from a specified uncertain future event. Pending completion by the International Accounting Standards Board (IASB) of the so-called "Phase II" of its insurance contract project, IFRS 4 has introduced limited improvements to the recognition and measurement of items relating to insurance contracts, substantially providing for continued application of most of the local GAAPs currently in force.

Based on analysis of the insurance policies in our portfolio, all non-life contracts are covered by IFRS 4. As regards the life business:

<u>Insurance contracts</u>

For contracts for which the insurance risk is rated as significant, current Italian accounting standards are applied (Italian GAAPs). In the case of insurance contracts with discretionary profit participation features, insurance liabilities are supplemented based on shadow accounting.

<u>Financial contracts with discretionary profit participation features</u>

Contracts of a financial nature that, although not having a significant insurance risk, envisage discretionary profit participation (policies linked to separately managed businesses), as allowed by IFRS, have been measured and recognised applying the same criteria as those envisaged for the insurance contracts mentioned above, with consistent recognition of the reserve based on shadow accounting. Capital-redemptions, for example, come into this category.

<u>Investment contracts</u>

Contracts of a financial nature that have neither a significant insurance risk nor discretionary profit participation features are accounted for according to the rules of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue).

Life contracts of the Class III type (index- and unit-linked) and Class VI type (pension funds) come within the scope of this treatment and are therefore accounted for as summarised below:

- Financial assets and liabilities relating to such contracts are measured at fair value through profit or loss;

- Revenue for fixed contract-issue costs incurred by the policyholder is recognised in full in profit in the year when the contract is acquired;
- Up-front loading and acquisition commissions paid to brokers and agents as at contract acquisition date are recognised respectively as other liabilities and other assets, as they relate to deferred income and prepaid costs concerning long-term services charged to profit or loss in line with the costs incurred over policies' actual or estimated term;
- Estimation of policies' term takes into account policyholders' propensity to require settlement based on the company's historical experience and, for new products, assessments made during new-product development work;
- Profit or loss items that occur annually, such as management fee income and commissions paid, together with portfolio management costs, are directly expensed in the year when they are generated.

Balance Sheet

ASSETS

Intangible assets

▪ Goodwill

Initial recognition of goodwill is described in the Consolidation Method section.

Goodwill arising from purchase of line of business is subject to impairment test, as follows:

i) Goodwill is allocated to the CGU (Cash Generating Unit) represented by the new business generated by the sales network acquired;

ii) Goodwill carrying amount is compared with its recoverable amount, that in absence of a specific fair value estimate, is equal to its value in use.

iii) Value in use is determined on the following assumptions:

iii.1 new business assumptions (volumes and profitability) taken in consideration in the budget and in the 4/5 years strategic plan;

iii.2. projection of the expected cash inflows and outflows related to this new business (collection of premiums, payments for settlements, acquisition costs and handling expenses);

iii.3. discounting of the above cash flows on the basis of a rate, gross of taxes, that reflects an adequate risk premium (7.50% for projections at 31 December).

▪ Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:

- It is likely that their use will generate future economic benefits;

- The Group has control or has the power to obtain these benefits;

- Assets' cost can be measured reliably.

Assets are measured at cost net of amortisation and cumulative impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives.

As required by IFRSs, they are tested for impairment at least annually with recognition as a loss of the excess of carrying value vs. recoverable value. A check is also performed of their residual useful lives.

The group's assets have finite useful lives.

Other intangible assets recognised after acquisition of a company are recognised separately from goodwill if their fair value can be measured reliably.

Vif (Value In Force) is amortized on the effective life basis of the acquired contracts, given that Life business portfolio's end.

Property, plant, and equipment

▪ Owner-occupied property

Property for own use is stated at cost less depreciation and cumulative impairment losses.

This includes costs directly attributable to bringing the asset to the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are directly expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and if they increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Depreciation is applied on a straight-line basis over the property's estimated useful life of between 30 and 50 years.

As land has an indefinite useful life, it is not depreciated. Given this, land and buildings are recognised separately even when they are acquired together.

As required by IAS 36, buildings are tested for impairment at least annually with recognition of any excess of their carrying value over their recoverable value as a loss.

▪ Property held for trading - Property under construction

The item includes property under construction and that acquired for trading purposes by group companies.

The profit arising from property sales, purchases and promotion (which in real estate companies' statutory financial statements is the balance between sales revenue, purchases, improvement costs and changes in inventory) is reclassified to "Other income".

Until completion of buildings' construction, the Group's real estate companies capitalise all directly allocable improvement costs, including interest expense connected with financing of the initiative.

<u>Property held for trading or with specific features defined by the constructor</u>

Those properties held for trading are recognised at the lowest between cost and net realisable value based on market trends. This lower value is not maintained in subsequent years if the reasons for write-down cease to exist. The amount of the write-down of inventory to net realisable value is recognised as a cost in the year as is its possible adjustment.

<u>Property under construction with specific features defined by the customer</u>

Property investments not intended for long-term use by the company, consisting of buildings under construction, are measured using the percent-completion method. This method is only applied to building units for which preliminary sales agreements have been signed. The related margins are recognised in the income statement according to construction completion status.

Design and construction costs incurred are linked to related expected total costs to determine the percentage of completion as at balance sheet date.

Margins on contracts are calculated by applying this percentage to the expected total margins.

Any expected losses on long-term contracts are immediately recognised as an expense.

Down payments received for properties under construction are posted as a reduction of year-end inventory carrying value.

- Other items of property, plant, and equipment

Plant and equipment, publicly registered movable assets, furniture and fittings, and office machinery are stated at purchase or purchase cost less depreciation and cumulative impairment losses.

Cost includes costs directly attributable borne to bring the asset to the location and the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and increase the future economic benefits of the assets to which they refer. All other costs are expensed.
Leasehold improvements are classified as an item of property, plant and equipment. If they can be separated from the asset to which they relate, they are recognised in the relevant category depending on the nature of the cost incurred. Otherwise, they are classified in a stand-alone category. The depreciation period is equal to the shortest between the item’s remaining useful life and the residual term of the lease contract.

Depreciation is calculated on a straight-line basis over the asset’s estimated useful life.

Assets are tested for any impairment at least annually with the recognition of any excess of their carrying value over their recoverable value as a loss. A check is also performed of the consistency of their residual useful life.

Reinsurers’ share of technical reserves

Reinsurers’ obligations arising from reinsurance treaties governed by IFRS 4 are recognised in this item.
Reinsurers’ share of technical reserves is recognised consistently with the criteria applicable to the underlying direct insurance contracts. It is adjusted to expected recoverable value at each financial reporting date.

Investments

<u>Initial recognition and subsequent measurement</u>

All financial assets are initially recognised at fair value.

Transaction costs are expensed for financial assets measured at fair value through profit or loss or included in initial recognition if related to other financial assets.

After initial recognition, financial instruments designated as available for sale and those designated at fair value through profit or loss are measured at fair value. Financial instruments held to maturity and loans and receivables are instead measured at amortised cost.

For securities traded in regulated markets, fair value is calculated based on the closing stock exchange price as at balance sheet date.

If a market valuation is not available for the investment, its fair value is measured on the basis of the current market value of other substantially similar financial instruments or by using appropriate valuation techniques. Such techniques include use of recent transactions, discounted cash flow analysis or models able to provide reliable estimates of prices practised in current market deals. If fair value cannot be measured reliably, the financial asset is measured at cost, adjusted for any impairment losses.

For CIUs (collective investment undertakings), fair value is the published unit value.

The fair value of non-interest bearing loans and of those featuring interest at other than market rates is estimated as the present value of all discounted inflows using the prevalent market rate for a similar instrument.

Recognition date

Purchases and sales of financial assets are recognised on transaction date.

Impairment

At each reporting date financial assets designated as available for sale and those designated as held to maturity are subject to an impairment test. Financial instruments designated as held for trading and those designated at fair value through profit or loss are not subject to such a test, as their changes in fair value are already charged to profit and loss.

Impairment indicators

Depending on investment in equities or bonds, the following factors are assessed when determining an impairment of a financial asset:

1. Bonds

   1.1. Government Bonds

   State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating.

   Corporate Bonds

   State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating or significant financial troubles.

In addition, it is pointed out that our impairment procedure establishes that downgraded debt securities are not subjected to impairment if they are accompanied by guarantees or protective mechanisms instituted by supranational entities, by other sovereign countries or by other issuers with high credit ratings, such as to have a positive effect on the ability to repay at maturity, thus making the change of rating less significant.

2. Equities and strategic investments

Investments are to be impaired in case of a prolonged or significant decline, *i.e.*:

   2.1. a decline for a continuative period of 36 months, or;

   2.2. a decline in the value of an investment higher than 40% at the reporting date.

Apart from the above indicators, the need of an impairment is assessed when signals indicating a permanent loss occur.

Investments are classified as follows:

- ## Investments in subsidiaries, associates, and joint ventures

This item includes equity investments that are not consolidated on a line-by-line basis, measured using the equity method or at cost.
Immaterial investments in subsidiaries or associates are measured at cost, adjusted for any impairment losses.

Investments in subsidiaries are eliminated during the consolidation process.

Impairment tests of the carrying value of goodwill regarding the cost paid to acquire equity investments in excess of the value of the related share held are done in one of the following manners:

a) by comparing carrying value of the investment with the value as appraised by an independent party, taking account of any premiums or discounts based on the percentage of voting rights held;

or:

b.i) an appropriate rate of return on the equity investment is determined based on the risk-free rate of return plus an appropriate risk premium;
b.ii) the minimum expected return on the investment is calculated using this rate of return on the investment;
b.iii) this minimum expected return is then compared with the actual return (as well as with the expected future returns based on budgets and long-term plans), typically in the form of dividends received and expected;
b.iv) in the event this return is insufficient to remunerate goodwill, the carrying value of goodwill is adjusted to a value that is appropriate for the expected future returns.

- ## Held-to-maturity investments

The assets classified as held-to-maturity are cash instruments (i.e. not derivatives) with fixed or determinable payments and fixed maturity that the Group effectively intends and is able to hold until maturity.

They do not include assets:

- Designated upon initial recognition as being at fair value going through profit or loss;

- Designated as available for sale;

- That qualify as loans and receivables.

These assets are measured at amortised cost using the effective interest method.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

Gains and losses relating to amortisation and any difference between the carrying amount and consideration received at the time of derecognition are taken to profit or loss.

- ## Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not listed in an active market.

Assets held for trading, designated at fair value through profit or loss or as available for sale, are not classified in this category.

These assets are measured at amortised cost using the effective interest method.

This category includes mortgage loans, loans on life insurance policies, loans granted to employees and agents by the direct operating parent company, and inward reinsurance deposits.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

- Financial assets available for sale

This category comprises assets designated as available for sale or however not classified as:

- Financial assets at fair value going through profit or loss;
- Held-to-maturity investments;
- Loans and receivables.

These assets are measured at their fair value.

Unrealised gains and losses are recognised directly in equity, with the exception of impairment losses and foreign exchange gains and losses. At the time of sale or impairment of the financial asset, the cumulative gains or losses, including those previously recognised in equity, are taken to profit or loss.

Interest pertaining to the year is recognised directly in profit or loss using the effective interest method, which considers the annual portion of amortisation of the trading discount. Dividends are recognised when the shareholders' right to payment arises.

- Financial assets at fair value through profit or loss

This category includes assets held for trading, strategic possession of which aims to obtain a profit in the short term, or that are designated upon initial recognition at fair value through profit or loss.

More specifically, the Group classifies in this category its financial assets hedging investment contracts where the investment risk is borne by the policyholders and those relating to pension fund management.

These assets are measured at their fair value.

Any gains or losses are directly recognised in profit or loss.

Other receivables

This category consists of:

- Receivables relating to direct insurance

  These are receivables due from policyholders for unpaid premiums and from agents, insurance brokers and co-insurance companies. The item also includes amounts to be recovered from policyholders and third parties for claims payments on policies with "no claims bonus" clauses, and for deductibles and subrogations.

  They are stated at nominal value and are adjusted on each financial reporting date to their presumed realisable value, calculated on the basis of historic trends of collections by individual business line.

- Receivables relating to reinsurance

  These are receivables due from reinsurers or insurers for reinsurance transactions. They are recognised at nominal value and thereafter are measured at presumed realisable value on each financial reporting date.

- Sundry receivables

  These are receivables relating neither to insurance nor tax. They include down payments to third parties. They are recognised at nominal value and thereafter measured at presumed realisable value on each financial reporting date.

Other assets

This category consists of:

- ### Deferred acquisition costs

In compliance with IFRS 4, this item includes acquisition costs paid in advance upon signature of long-term contracts and amortised over contract duration.
As required by IFRS 4, such costs are accounted for in accordance with local GAAPs.

Non-life business: acquisition costs on long-term contracts, with specific reference to acquisition commissions, are capitalised and amortised in three years from the year when they occurred. Based on contract duration and regulations governing the applicability of commission charges, this amortisation period can be considered to be economically consistent.

Life business: acquisition costs relating to new contracts, for the part not outwardly reinsured, is capitalised within the limits of related loading and amortised on a straight-line basis over the term of the underlying contracts within the 10-year limit established by ISVAP circular no. 183 dated 3 September 1992. The amortisation period is deemed to be economically consistent.

Residual commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

- ### Current and deferred tax assets

These items include current and deferred tax assets, as defined and governed by IAS 12, including deferred tax assets relating to prepaid taxes on the life business mathematical reserves pursuant to Article 1, point 2, of Italian Decree Law no. 209/2002 as definitively enacted by Article 1 of Law no. 265/2002 and subsequent amendments.
These assets are recognised in line with current tax legislation on an accruals basis.
For items recognised as deferred tax assets, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.
Reference should be made to the accounting policy referring to “Current and deferred taxation” in the Income Statement section.

- ### Other assets

This item includes reinsurance suspense accounts, deferred commission expense on investment contracts, and accrued income and prepayments relating respectively to sundry income and general & administrative expenses.
Reference should be made to what has already been indicated in the earlier section “Insurance and Investment Contracts – definition and accounting treatment”.

Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of availability on demand or in the extremely short term and the absence of collection expenses. They are recognised at their nominal value.

LIABILITIES

Share capital

Ordinary shares are recognised as share capital (subscribed and paid in) at their par value.

Other equity instruments

This item includes instruments representing capital – but not included in share capital – consisting of special share categories and the equity portion of complex financial instruments. More specifically, it includes the equity portion stemming from valuation of the conversion option relating to the convertible subordinated bonds issued by the direct operating parent company.

Equity reserves

This item comprises the share premium reserve.

Earnings-related and other reserves

This item specifically includes:

- Retained earnings or losses carried forward, including the legal reserve;
- The reserve for gains or losses on IFRS first-time adoption;
- Consolidation reserves;
- Reserves for the reclassification of the catastrophe and equalisation reserves recognised under previous accounting standards (i.e. Italian GAAPs), which can no longer be recognised as technical liabilities under IFRS 4;
- Reserves – including the property revaluation reserve - recognised in compliance with the Italian Civil Code or specific Italian laws before adoption of IFRSs;
- Reserves for share-based payment transactions, settled using the company's own equity instruments (IFRS 2).

It also includes any gains or losses due to material errors or to changes in accounting policies or estimates (IAS 8).

Currency reserve

The item includes foreign exchange differences to be allocated to equity pursuant to IAS 21, arising both from foreign currency transactions and from translation into financial statements' presentation currency.

Fair value reserve

This item includes the unrealised gains or losses on investments classified as "Financial assets available for sale". Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.
Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the "Shadow Accounting" section, and of related deferred taxation.

Other gains or losses recognised directly in equity

This item includes the gains or losses recognised directly in equity, with specific reference to the reserve for changes in investees' equity not recognised in their income statements as profit or loss. It also includes any revaluation reserves for property, plant and equipment and intangible assets.

Minority interest

This caption includes the equity instruments and items and related equity reserves attributable to third-party shareholders, collectively defined as Minority Interest.
Any minority interest in the "fair value reserve" is also included.

Provisions

The Group recognises provisions or funds for risks and charges when:

- The Group has a constructive or legal obligation vis-à-vis third parties;
- It is likely that the Group resources will have to be used to meet the obligation;
- The amount of the obligation can be reliably estimated.

Changes in estimates are taken to profit or loss in the period in which the change occurs.

Provisions for charges to be borne made by the real estate companies include the costs of completion for apartments for which a notarial deed has already been signed, based on the principle of cost/revenue matching.

Technical reserves

This item comprises commitments stemming from insurance and inward reinsurance contracts gross of outward reinsurance. Commitments refer both to insurance products and to financial products with discretionary profit participation features.

▪ Premium reserve (Non-Life business)

The non-life premium reserve is calculated on a pro-rata temporis basis for each single contract, based on recognised premiums net of direct acquisition costs and of the fraction of premium pertaining to the period after 31 December of the financial year in question.

The exception to this general rule is calculation of the suretyship reserve, where risk exposure does not decrease according to the time elapsed and the relationship between premiums and potential claims costs does not follow the usual economic and technical criteria. For this specific business line, the premium reserve is calculated applying the ISVAP regulation no. 16/2008.

Where so required by the technical result, the premium reserve is also supplemented by the reserve for risks outstanding, which is set up to cover risks incumbent upon the company after the balance sheet date. It is a technical provision, mandatorily required by Italian Legislative Decree of 7 September 2005 no. 209, article 37, which is made if, and to the extent that, the total amount of the presumed cost of expected claims for in-force policies is estimated to be higher than the unearned premiums reserve plus instalments outstanding net of acquisition costs, for instalment-premium policies.

▪ Claims reserve (Non-Life business)

The claims reserve reflects the prudent valuation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost.

“Ultimate cost” means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).

Assessment of each claim is performed according to the following phases:
- Preparation of inventory estimates for each open position by non-life claims settlement inspectors;
- Analysis and checking of data and review of documentation concerning major claims by corporate management.

Activities performed as part of claims assessment procedures are based on the following general criteria:
- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the dictates of section IV of ISVAP regulation no. 16 of 4 March 2008.

As regards current-generation claims, case documentation is examined at least quarterly to check the claim’s progress and see whether the previous assessment was correct. In addition, the “continuous reserve” operating procedure is applied, which means that, when each partial payment is made or whenever new information is gathered, the claim is reviewed.

The field claims settlement network is supported by the area co-ordinators. The latter check, in terms of merit and method, that corporate house rules are properly applied.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end. Amounts are calculated considering the average cost of the current generation.
The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.
In compliance with IFRS 4, no provision is made for possible unknown future claims.

▪ Reserves for payable amounts (Life business)

The item comprises the direct operating parent company’s obligations to policyholders for settlement of claims, surrenders and, with respect to policies that have matured, for accrued principal and annuities. Consequently, the above amounts are not included in mathematical reserves.

▪ Mathematical reserves (Life business)

The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective “revaluable” benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis.

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of ISVAP in its regulation no. 21 of 28 March 2008 – article no. 50, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

Mathematical reserves are adjusted, when deemed necessary, to factor in the decrease in financial rates of return on assets covering such reserves.

Pursuant to ISVAP regulation no. 21 of 28 March 2008 – article no. 38, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

▪ Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.
  The reserve has been calculated on a non-analytical basis by accruing 10% of gross premiums written for products that do not consider the policyholder's age in premium calculation and contain clauses limiting the company's possibility of terminating the contract, in accordance with comma 1 of the article no. 46 of ISVAP regulation no. 16/2008.

- Profit participation and reversal reserve (Non-Life and Life businesses)
  Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

  Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.

- Reserve for deferred liabilities to policyholders (Life business)

  This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on "Shadow Accounting".

- Reserve for management expenses (Life business)

  This reserve is calculated based on loading for management expenses and on the other technical bases of the tariffs applied.

- Complementary insurance premium reserve (Life business)

  The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.

- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

  This reserve includes any accruals made following the LAT, as better described in the "Liability Adequacy Test" section.

Financial liabilities

▪ Financial liabilities at fair value through profit or loss

The item includes financial liabilities held for trading or designated at fair value through profit or loss. They include liabilities related to investment contracts governed by IAS 39, the fair value of which is calculated according to the asset's fair value of the asset plus the fair value of any guarantees and options existing in the contract (i.e., the financial liabilities relating to investment contracts where the investment risk is borne by policyholders and those relating to pension fund management).
Gains and losses are recognised directly in profit or loss.

▪ Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", including deposits received from reinsurers, debt securities issued, bank borrowings and other financial liabilities other than trade payables.
Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.
Specifically, in the case of bonds convertible into the issuer's shares (compound financial instruments), the instrument's amount is split into the following two components:

- Conversion option, classified as an equity instrument;
- Debt component, classified as a financial liability among subordinated liabilities.

<u>Initial measurement</u>
When the bond loan is issued, the financial liability component is recognised at fair value, discounting expected future cash flows, considering any existing options, at the market rate applicable to a similar financial liability not associated with an equity component (conversion option).
The equity component is calculated as the difference between the fair value of the entire financial instrument (nominal amount of the subordinated bond loan) and the amount calculated separately for the financial liability component.

The costs incurred to issue the convertible bond loan are split proportionally between the two components and are offset against them.

<u>Subsequent measurement</u>

<u>Non-conversion</u>
The financial liability component is recognised at amortised cost using the effective interest method.
The equity component is not subject to changes in its original carrying amount.

<u>Conversion</u>
The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

<u>Reimbursement or call-up</u>
At the time of reimbursement or call-up, the consideration paid and costs related to the transaction are split between the financial liability component and the equity component using criteria similar to those used for the original allocation.
Any related gain or loss is treated according to the accounting standards and policies applicable to the related component, as follows:

- The amount of the gain or loss relating to the liability component is recognised in profit or loss;
- The amount of the consideration relating to the equity component is recognised in equity.

Payables

This category consists of:

- ### Payables arising from direct insurance transactions

The item includes balances not yet settled, indemnities to be paid upon termination of agency contracts, payables arising from the current accounts into which the balances of co-insurance technical results go, guarantee deposits on insurance sureties paid by policyholders and the amount payable to CONSAP (the state-owned public insurance services concessionaire) for the contribution to the guarantee fund for road accident victims.
These payables are recognised at nominal value.

- ### Payables arising from reinsurance transactions

This item includes payables arising from current accounts into which the reinsurance technical result goes, plus reinsurers' share of amounts to be recovered.

These payables are recognised at nominal value.

- ### Other payables

Other payables include accruals made for employee post-employment benefit obligations.
They also include trade payables, including payments on account collected by the real estate companies on signature of preliminary sales agreements, which are recognised at nominal value.

Other liabilities

- ### Current and deferred tax liabilities

These items include current and deferred tax liabilities, as defined and governed by IAS 12.
These liabilities are recognised in accordance with current tax legislation on an accruals basis.
For deferred tax liabilities recognised in accounts, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should also be made to the accounting policy concerning "Current and deferred taxation" in the Income Statement section.

- ### Sundry liabilities

This item includes reinsurance suspense accounts, deferred commission income on investment contracts, accrued liabilities and liabilities relating to defined benefit plans and other long-term employee benefits (medical services and seniority bonuses). Reference should be made to the section on "Employee benefits" for details on the approach to measurement of these items.

Income Statement

REVENUES

Revenue recognition

Revenues are recognised to the extent it is probable that the group will receive economic benefits and their amount can be measured reliably. Revenue is recognised net of discounts, allowances and return sales.

Revenues from services are recognised when the services have been rendered or according to service completion status.

Revenues from construction work in progress are recognised based on progress status (percentage of completion method).

Net premiums

Premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 ("Insurance Contracts).

Premiums, together with ancillary charges, gross of ceded premiums, are recognised as revenue upon maturity, regardless of the date of recording of documents and of actual collection.

With reference to the non-life business, cancellations of individual policies due to events of a technical nature are directly deducted from premiums as long as they were issued in the same year. With respect to the life business, the item includes all cancellations, except for those relating to first yearly instalments issued in previous years.

Recognition of premiums on an accruals basis is implemented for the non-life business via posting to the premiums reserve (see relevant accounting policy), whilst for the life business it is implicit in the calculation of mathematical reserves, complementary insurance premium reserve and other technical reserves.

Ceded and retroceded reinsurance premiums are accounted for as per contractual agreements with reinsurers.

Commission income

This item includes commission income for financial services provided not included in the calculation of a financial instrument's effective interest, as required by IAS 18.

It includes commission income relating to investment contracts not covered by IFRS 4, such as loading (explicit and implicit) and, for those contracts that provide for investment in an internal fund, management fee income and other similar items.

Net gains on financial instruments measured at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and increases or decreases in the fair value of financial assets and liabilities measured at fair value through profit or loss, which include assets and liabilities relating to index-linked and unit-linked investments and to pension fund management.

Income from investments in subsidiaries, associates, and joint ventures

The item comprises income coming from investments in subsidiaries, associates and joint ventures entered in the corresponding asset item. More specifically, it includes the share of profits of the Group's equity-accounted companies.

Income from other financial instruments and investment property

This item includes income from investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly includes interest income on financial instruments measured using the effective interest method, and other investment income - comprising dividends and revenue from third-party use of investment property, gains made on the disposal of financial assets or liabilities or investment property, and increases arising from reversals of impairment losses, and from subsequent measurement of investment property measured at fair value and of financial assets and liabilities.

Other revenue

This item includes:

- Trading profits and revenue for completion status of construction work in progress of the real estate trading and promotion companies, recognised at the time of signature of the notarial deed and using the percentage of completion method, respectively;
- Revenues for the sale of goods and rendering of services other than those of a financial nature and for third-party use of items of property, plant and equipment, intangible assets or other Group assets, as established by IAS 18. In this respect, the real estate brokerage companies recognise commission income upon signature of the preliminary sale agreements;
- Other net technical income relating to insurance contracts;
- Realised profits on and write-backs of property, plant and equipment and intangible assets;
- Foreign exchange gains to be recognised in profit or loss under IAS 21;
- Capital gains on non-current assets or on disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical income relating to insurance contracts includes commissions relating to cancelled premiums included in other technical charges for the non-life and life businesses and income arising from management of the knock-for-knock (i.e. direct settlement) agreement and from ANIA incentives for scrapping damaged vehicles in the non-life business.

COSTS

Claims costs

The overall category comprises – inclusive of settlement costs and excluding recoveries and outward reinsurance – the sums paid during the year for claims, maturities, surrenders and accrued annuities, as well as the amount relating to changes in technical reserves for contracts coming within the scope of IFRS 4 application.

It also includes the portion charged to the income statement of the change in deferred liabilities to policyholders (shadow accounting) as well as any change in the LAT reserve.

Specifically, non-life claims costs include damage compensation paid and direct expenses, plus settlement expenses and charges for contribution to the guarantee fund for road accident victims.

Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue costs in transport and aviation insurance, and fire-fighting costs in fire insurance.

Adjustment expenses include amounts paid to professionals involved, plus personnel expenses, logistics costs, and costs for services and goods of the company departments involved in claims settlement and handling.

The reinsurers' share is calculated in accordance with the provisions of treaties currently in force.

Commission expense

This item includes commission expense on financial services received not included in the calculation of a financial instrument's effective interest, as required by IAS 18. Specifically, it includes commission expense relating to investment contracts not coming within the scope of IFRS 4 application.

Losses on investments in subsidiaries, associates, and joint ventures

The item includes losses on investments in subsidiaries, associates and joint ventures recognised in the corresponding asset item. Specifically, it includes the share of loss for the year of the Group's equity-accounted companies.

Losses on other financial instruments and investment property

This item includes losses and charges on investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly comprises interest expense on financial instruments measured using the effective interest method, other losses on investments and expenses on investment property, such as condominium expenses and maintenance and repair costs that have to be expensed. It also includes capital losses on disposal of financial assets or liabilities or investment property, depreciation charges, impairment losses and losses on the subsequent measurement of investment property measured at fair value and financial assets and liabilities.

Operating costs

This category comprises:

- Commissions and other acquisition costs, including acquisition costs, net of outward reinsurance, relating to insurance contracts.

  In particular, the item includes:

  - Commissions paid on acquisition and renewal, including tacit renewal, of contracts;
  - Extra commissions and commission bonuses;
  - Personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts;
  - Medical check-up costs;
  - Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
  - Commissions paid on the collection of premiums related to long-term contracts.

  Profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded are accounted for on the basis of the relevant contractual agreements.

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.

- Other administrative costs, including G&A costs and personnel expenses that are not allocated to claims costs, insurance contract acquisition costs or investment management costs. Specifically, the item includes G&A costs and personnel expenses incurred for the acquisition and administration of investment contracts as well as G&A costs and personnel expenses relating to non-insurance companies performing financial activities. It also includes charges incurred in connection with the termination of agency agreements for the part not subject to compensation.

  Commissions paid by real estate trading and promotion companies to brokers and agents when the preliminary sales agreements are signed are accounted for as prepayments and recognised in profit or loss when the notarial deeds are signed or according to contracts' completion status, in accordance with the cost/revenue matching principle.

  The costs incurred by brokerage companies are reclassified to prepayments and recognised in profit or loss when the trading companies sign the notarial deeds, if such costs are incurred in relation to sales or purchases commissioned by group companies and not yet executed at balance sheet date.

Other costs

This category includes:

- Costs for the sale of goods and rendering of services other than of a financial nature and the third-party use of items of property, plant and equipment, intangible assets or other group assets, as required by IAS 18;
- Other net technical costs relating to insurance contracts;

- Additional provisions made during the year;
- Foreign exchange losses to be recognised in profit or loss as per IAS 21;
- Realised losses, impairment losses, depreciation charges relating to items of property, plant and equipment not allocated to other account items and amortisation of intangible assets;
- Losses on non-current assets or disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical costs relating to insurance contracts comprise:

  - Premiums cancelled, due to events of a technical nature, relating to single policies issued in previous years (non-life business);
  - Cancellation of first yearly premium instalments issued in previous years (life business);
  - Uncollectable premiums in amounts receivable from policyholders (non-life and life business);
  - Costs relating to goods and services purchased to complement non-life insurance covers;
  - Costs arising from the management of the knock for knock (i.e. direct settlement) agreement.

Current and deferred taxes

Income taxes include all taxes calculated on the basis of the estimated taxable income of each financial year and stated on an accruals basis in compliance with current relations.

Income taxes are taken to profit or loss except for those relating to items that are directly debited or credited to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated - except in the cases expressly envisaged by paragraphs 15 and 20 of IAS 12 - on all temporary differences that arise between the taxable base of an asset or liability and its carrying value in consolidated accounts, to the extent that it is probable that in future sufficient taxable income will be achieved against which to use them.

Deferred tax assets on tax losses and unused tax credits that can be carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are calculated applying the tax rates expected to be applicable - based on the tax rates and tax regulations in force as balance sheet date - in the financial years when the temporary differences will be realised or reversed.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when a legal right to offset them exists.

Additional information

Inward insurance

The effects of inward life reinsurance are recorded on an accruals basis, except for risks retroceded by CIRT (the Italian consortium for impaired life insurance) which, however, are not material.

If there are no specific negative indications, the effects of non-life inward reinsurance are accounted for one year later than the year to which they refer, as the necessary information is not available at balance sheet date. Related financial and balance sheet movements are recorded in the balance sheet under Other assets – Other liabilities in the reinsurance suspense accounts.

Treaties concerning aircraft hulls represent an exception to the above accounting treatment as the space risk business is accounted for on a strict accruals basis.

Indirect business claims reserves generally reflect those reported by the ceding insurer and the direct operating parent company supplements them when they are deemed inadequate with respect to the commitments underwritten.

Retrocession

Retroceded business mainly relates to treaties concerning aircraft hulls (i.e. property).
Items relating retrocession are measured according to the same policies as those applied to inward reinsurance.

Shadow accounting

Paragraph 30 of IFRS 4 allows modification of accounting policies in such a way that an unrealised capital gain or loss on an asset affects measurement of insurance liabilities, related deferred acquisition costs, and of related intangible assets in the same way that a realised capital gain or loss does.
The related adjustment of insurance liabilities (or deferred acquisition costs or intangible assets) is recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.
Similarly, unrealised capital gains or losses on assets, recognised in profit or loss (including impairment losses), lead to a corresponding adjustment through profit or loss of the insurance liability or of other insurance balance sheet items recognised in profit or loss.

The procedure envisages the following steps:

1) Net unrecognised gains as at balance sheet date on the assets measured at fair value are calculated for separately managed businesses;
2) Actual retrocession rates due to policyholders are calculated by splitting the entire portfolio into groups of like policies;
3) The amount of unrecognised net gain pertaining to policyholders is calculated by applying the retrocession rates indicated in point 2) to the unrecognised net gains measured in point 1);
4) If the assets allocated to separately managed businesses partly belong to the “fair value through profit or loss” category and partly to the “available for sale” category, the offsetting amount of the increase in insurance liabilities is split equally between the costs charged to profit or loss and equity reserves.

Furthermore, for the purposes of preparation of consolidated financial statements, the effect of the allocation to separately managed businesses of the investments in the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia Srl has been assessed.

Since dividends paid by such subsidiaries to Vittoria Assicurazioni SpA (or any capital gains recognised in the eventuality of sale of the equity investments) are retroceded to life policyholders in accordance with the relevant insurance contracts, an amount equal to the portion attributable to life policyholders of the subsidiaries’ profits recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to the direct operating parent’s reserves calculated on an actuarial basis.

This accrual is not necessary in individual statutory financial statements because financial income relating to dividends arises at the same time as related costs, in terms of benefits accorded to policyholders.

Liability Adequacy Test (LAT)

As required by IFRS 4, the Group tests its insurance liabilities for adequacy using current estimates of future cash flows deriving from its insurance contracts. If this assessment shows that the carrying value of its insurance liabilities is inadequate, the entire deficit is recognised in the income statement.

If balance sheet liabilities have already undergone liability adequacy testing that meets local GAAPs consistent with IFRSs, IFRS 4 does not require any further checks. If they have not, current estimates of future cash flows must be calculated as envisaged by IAS 37.

Life business

Liability adequacy was tested by comparing technical reserves, less deferred acquisition costs, with the present value of the future cash flows obtained by projecting the expected cash flows generated by the portfolio in force as at assessment date and taking into account assumptions on mortality, surrenders, and expense trends.

Non-life business

Under Italian GAAPs, the claims reserve is measured at ultimate cost. This approach, which forbids the discounting process, means that provisioning is intrinsically higher than the current estimate of expected cash flows.

Based on Italian GAAPs, the premiums reserve is supplemented by the reserve for unexpired risks, if any. This treatment is compliant with paragraph 16 of IFRS 4.

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

Valuation was performed in accordance with IAS 19. Employee benefits and healthcare benefits can be assimilated with “post-employment benefits” of the “defined benefit plan” type, whilst the seniority bonuses can be assimilated with “other long-term benefits” once again of the “defined benefit plan” type.

For these benefits an assessment is made of the amounts that the company has undertaken to pay when certain events occur relating to the employee’s working life and also, in special cases provided for by national collective labour contracts, his or her retirement period. These amounts are discounted using the projected unit credit method to calculate the interval of time that will elapse before actual payment takes place.

As far as post-employment benefits are concerned (currently known as “employee severance indemnities” in Italy), the calculation considers the amount already accruing as at the valuation date and takes future forecast provisions into account. Conversely, in the case of seniority bonuses and healthcare benefits only the future forecast provisions are included in the calculation.

Actuarial valuation of the provision for post-employment benefits, seniority bonuses and healthcare benefits during retirement was performed using the projected unit credit method - also known as the accrued benefit method pro-rated on service. This method requires “the entity to attribute the benefit to the current period (in order to determine current service cost) and to the current and prior periods (in order to determine the present value of defined benefit obligations). The entity attributes the benefit to the periods when the obligation to provide post-employment benefits arises”.
Actuarial valuation was based on assumptions concerning length of service (i.e. exit from the Group) and also economic and financial assumptions. The latter relate to the theoretical lines of remuneration by contractual grade, the interest rate used to discount future employee service costs and the inflation rate based on which provision for post-employment benefits is revalued.

Where possible, the assumptions are based on the direct operating parent company's historical series, supplemented by and projected on the basis of market experience and relevant best practice.

Accrued, deferred, and prepaid items

Accrued income and liabilities recognise revenues and costs pertaining to periods after 31 December of the year being reported and are included in the specific balance sheet item to which they refer.

Prepayments and deferred income reallocate costs and income occurring before 31 December to the financial year to which they pertain. They are respectively posted among Other assets and Other liabilities.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation are capitalised as part of the cost of the asset in question when it is probable that they will generate future economic benefits and if they can be reliably measured.
All other financial expenses are expensed when they are incurred.

Conversion into euro

Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

Notes to the consolidated interim financial statements

The notes to the consolidated interim financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

Notes of a general nature

A) Consolidation scope

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	67,378,924			
Vittoria Immobiliare S.p.A.	Milan	22,000,000	87.24%		
Immobiliare Bilancia S.r.l.	Milan	5,150,000	100.00%		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	100.00%		
Immobiliare Bilancia Seconda S.r.l.	Milan	1,000,000	100.00%		
Immobiliare Bilancia Terza S.r.l.	Milan	100,000	100.00%		
Forum Mondadori Residenze S.r.l.	Milan	1,000,000	100.00%		
Vittoria Properties S.r.l.	Milan	6,000,000	99.00%	1.00%	Vittoria Immobiliare S.p.A.
Interbilancia S.r.l	Milan	80,000	80.00%	20.00%	
Vittoria Service S.r.l.	Milan	100,000	70.00%	30.00%	
Gestimmobili S.r.l.	Milan	104,000		80.00%	Vittoria Immobiliare S.p.A.
Acacia 2000 S.r.l.	Milan	100,000		65.00%	
Interimmobili S.r.l.	Rome	104,000		80.00%	
Cadorna Real Estate S.r.l.	Milan	10,000		100.00%	
V.R.G. Domus S.r.l	Turin	473,660		100.00%	
Vaimm Sviluppo S.r.l.	Milan	2,000,000		100.00%	
Valsalaria S.r.l.	Rome	60,000		51.00%	
Aspevi Milano S.r.l.	Milan	100,000		100.00%	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Milan	50,000		100.00%	
Plurico S.r.l.	Milan	10,000		70.00%	

Changes in % ownership and other changes in 2011

Immobiliare Bilancia Srl

In 2011 Vittoria Assicurazioni SpA, to partial execution of the capital increase resolved by the Shareholders' Meeting on 22 December 2008, paid to Immobiliare Bilancia Srl €10,000 thousand, of which €2,000 thousand for capital and €8,000 thousand for the premium reserve. Thus, at 31 December 2011 the capital of Immobiliare Bilancia Srl amounted to €5,150 thousand.

Lauro 2000 Srl

On 17 October 2011 the merger by incorporation of the wholly owned subsidiary Lauro 2000 Srl in Vittoria Assicurazioni SpA was completed, in accordance with the deed of merger signed on 12 October 2011. As the taking-over company held the whole share capital of the merged company, the share representing the entire share capital of the merged company was cancelled without any share capital increase of Vittoria Assicurazioni SpA.

Forum Mondadori Srl

On 24 March 2011 Vittoria Assicurazioni SpA paid €2,420 thousand into the subsidiary company of wich €220 thousand as capital increase and of €2,200 as share premium reserve.

Vittoria Properties Srl

On 13 December 2011 the Quotaholders' Meeting of Vittoria Properties resolved a capital increase, to be paid in one or more tranches and before 31 December 2013, up to a maximum of €4,000 thousand for capital and €10,000 for the premium reserve.
On 13 December 2011 Vittoria Assicurazioni and Vittoria Immobiliare partially executed the capital increase, each proportionally to its interest owned, paying in €2,000 thousand as capital and €5,000 thousand as premium reserve.

Vaimm Sviluppo Srl

On 1° April 2011 Vittoria Immobiliare SpA paid €3.000 thousand into the subsidiary company of which €500 thousand as capital increase and of €2,500 thousand as share premium reserve.

Plurico Srl

On 13 January 2011 Interbilancia Srl sold a 30% share of Plurico Srl to the "Gruppo Agenti"[1] of Vittoria Assicurazioni.

Aspevi Milano Srl

On 13 January 2011 Interbilancia SpA marked completion of the capital increasing resolved by Quotaholder's Meeting on 24 Febraury 2011, paid €90 thousand into the subsidiary company.
As at 31 December 2011 Aspevi Milano Srl's share capital amounted to €100 thousand.

Cadorna Real Estate Srl

On 19 December 2011 Vittoria Immobiliare SpA bought out the total control of the subsidiary.

[1] Association of intermediaries

VRG Domus Srl

During the third quarter of 2011 Vittoria Immobiliare SpA bought out the total control of VRG Domus Srl. Subsequentely, on 13 December 2011, the Quotaholders' Meeting of VRG Domus Srl resolved as follows:

1. capital reduction due to incurred losses from €1,000 thousand to €474 thousand
2. voluntary capital reduction from €474 thousand to €100 thousand.

Unless opposition by debtors, the capital decrease wil be effective in 2012. At 31 December 2011 the capital VRG Domus Srl amounted to €474 thousand.

B) List of unconsolidated investments valued with the Net Equity method

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Yam Invest N.V. *(joint venture)*	Amsterdam Netherlands	63,083,168	18.75%		
SINT S.p.A.	Turin	5,000,000	48.19%		
Yarpa S.p.A.	Genoa	38,201,600	25.90%		
White (S.a.r.l.) Sicar	Luxembourg	26,060,797	20.13%		
Laumor Partners (S.a.r.l.) Sicar	Luxembourg	25,962,685	21.87%		
Gima (S.A.) Sicar	Luxembourg	55,857,502	23.35%		
Consorzio Movincom S.c.r.l.	Turin	104,000	0.96%	38.80%	Aspevi Roma S.r.l.
Spefin Finanziaria S.p.A.	Rome	2,000,000		21.00%	Vittoria Service S.r.l.
Sivim S.r.l.	Milan	60,000		49.50%	Vittoria Immobiliare S.p.A.
Rovimmobiliare S.r.l	Rome	20,000		50.00%	Vittoria Immobiliare S.p.A.
Mosaico S.p.A.	Turin	500,000		25.00%	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00%	Vittoria Immobiliare S.p.A.
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00%	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		40.00%	Vittoria Immobiliare S.p.A.
VP Sviluppo 2015 S.r.l.	Milan	1,000,000		40.00%	Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l.	Turin	100,000		49.00%	Vittoria Immobiliare S.p.A.
Le Api S.r.l.	Milan	10,400		30.00%	Interbilancia S.r.l.

Changes in % ownership and other changes in 2011

SINT SpA

On 17 Febraury 2011 the extraordinary Shareholders' Meeting of SINT SpA resolved as following:
- free capital increase from €1,000 thousand up to €5,000 thousand thanks to retained earnigs brought forward reserve use;
- capital increase from €2,000 thousand up to 5,000 thousand in three differrent tranche within 31 Decembre 2013, of wich 40% within 2011, 30% within 2012 and 30% witin 2013. On 14 Febraury 2011 Vittoria Assicurazioni SpA subscribed its own share relating to the first tranche by paying in future capital increase of €578 thousand.

Yarpa SpA

In September 2011 Vittoria Assicurazioni SpA, following to the partial execution of the capital increase (14%) resolved by the Shareholders' Meeting on 7 August 2008, paid to Yarpa SpA € 1,043 thousand.

White (Sarl) Sicar

On 2nd December 2011 the liquidation of White Finance SA was completed and Vittoria Assicurazioni SpA, that owned a 32.17% share of the liquidated company, received a 20.13% share of White (Sarl) Sicar.

Laumor Partners (Sarl) Sicar

On 2nd December 2011 the liquidation of Laumor Holdings Sarl was completed and Vittoria Assicurazioni SpA, that owned a 29.00% share of the liquidated company, received a 21.87% share of Laumor Partners (Sarl) Sicar.

Gima (SA) Sicar

On 2nd December 2011 the liquidation of Gima Finance SA was completed and Vittoria Assicurazioni SpA, that owned a 32.13% share of the liquidated company, received a 23.35% share of Gima (SA) Sicar.

Consorzio Movincom Scrl

The Shareholder's Meeting on 28 July 2011 resolved the capital increase due to the entry of the new syndicated shareholders. Further to this transaction, the ownership percentage changed as reported up in the table.

Spefin Finanziaria SpA

On 1 April 2010 Vittoria Service Srl paid €67 thousand into the associate company to cover losses and reconstitute capital, as shown in the company's financial statements as at 31 December 2010.

VP Sviluppo 2015 Srl

On 29 June 2011 the Shareholder's Meeting of VP Sviluppo 2015 Srl, resolved a capital increase up to €1,000 thousand, with a share premium of €400 thousand. At the same time, Vittoria Immobiliare SpA, subscribed its own share of €520 thousand by partially giving up at Shareholders' financing.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the ISVAP ordinance already mentioned earlier – are shown in the specific section "Annexes to Consolidated interim financial statements".

The following tables show the geographical split of total balance sheet assets, deferred costs, and of the main items of revenue.

(€/000)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Debt instruments	1,087,812	990,376	230,271	307,591	16,125	15,374	1,334,208	1,313,342
Equity instruments and OEIC units	28,389	43,743	11,859	10,892	-	-	40,248	54,635
Property (incl. owner-occupied property)	517,749	458,293	-	-	-	-	517,749	458,293
Other assets	748,668	726,718	-	-	-	-	748,668	726,718
Total	2,382,618	2,219,130	242,130	318,483	16,125	15,374	2,640,873	2,552,987

(€/000)

Deferred costs	Italy						Total external deferred costs	
	North		Centre		South and Islands			
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Other property, plant and equipment	10,247	9,150	106	150	-	-	10,353	9,300
Other intangible assets	37,144	34,580	20	36	-	-	37,164	34,616
Owner-occupied property	122,556	88,378	1,281	1,259	631	644	124,468	90,281
Total	169,947	132,108	1,407	1,445	631	644	171,985	134,197

(€/000)

Revenue (gross of intersegment eliminations)	Italy						Europe		Total	
	North		Centre		South and Islands					
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Insurance premiums - direct business	488,789	437,166	313,386	273,490	133,425	105,193	70	70	935,670	815,919
Trading and construction profits	5,451	16,026	50	61	-	-	-	-	5,501	16,087
Services and rent income	6,931	5,474	2,644	976	-	-	-	-	9,575	6,450
Total	501,171	458,666	316,080	274,527	133,425	105,193	70	70	950,746	838,456

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2011	31/12/2010	Change
Goodwill	1,795	1,795	0

The item relates to the goodwill paid for the acquisition of the life business of SACE BT SpA, occurred on 1st July 2009. According to IAS 36, the goodwill has been tested for impairment.

Note 2	31/12/2011	31/12/2010	Change
Other intangible assets	37,164	34,616	2,548
Other items of property, plant and equipment	10,353	9,300	1,053
Property	517,749	458,293	59,456

Other intangible assets

The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2010	65,436	2,311	6,719	74,466
Acquisitions	8,523	716	1,031	10,270
Improvement costs	0	0	-3	-3
Sales	-2,167	0	-46	-2,213
Reclassification of assets under development	2,361	-2,361	50	50
Gross carrying amount at 31/12/2011	74,153	666	7,751	82,570
Accumulated Depreciation at 31/12/2010	36,956	0	2,894	39,850
Depreciation	6,302	0	1,468	7,770
Decrease due to disposals	-2,167	0	-47	-2,214
Accumulated Depreciation at 31/12/2011	41,091	0	4,315	45,406
Net value as at 31/12/2010	28,480	2,311	3,825	34,616
Net value as at 31/12/2011	33,062	666	3,436	37,164

The item "Other intangible assets" mainly refers to:

- long-term costs incurred for the creation of IT applications – called the NewAge system – relating to development of the management system of the direct operating parent company, the claims settlement network, and of the agency network;
- the value of the portfolio acquired in 2009 by SACE BT S.p.A. resulting from the determination of the VIF (Value In Force) at the acquisition date. VIF is amortised along the effective life of the acquired contracts, also taking into account the portfolio cancellation.

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type intangible assets can be summarised as follows:
- Software: between 5 to 10 years;

- Other intangible assets: between 2 to 5 years;

Amortisation of intangible assets is recognised in the income statement under ''Other costs''.

Other items of property, plant, and equipment

The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2010	6,067	15,265	7,980	228	29,540
Acquisitions	279	3,428	431	93	4,231
Improvement costs	-212	0	0	1	-211
Sales	-2,290	-7,511	-1,713	-69	-11,583
Reclassification of assets under development	-50	0	0	0	-50
Gross carrying amount at 31/12/2011	3,794	11,182	6,698	253	21,927
Accumulated Depreciation at 31/12/2010	4,480	10,016	5,566	178	20,240
Depreciation	224	1,165	1,003	40	2,432
Decrease due to disposals	-2,181	-7,156	-1,692	-69	-11,098
Accumulated Depreciation at 31/12/2011	2,523	4,025	4,877	149	11,574
Net value as at 31/12/2010	1,587	5,249	2,414	50	9,300
Net value as at 31/12/2011	1,271	7,157	1,821	104	10,353

Specifically, the estimated useful life of each type of property, plant and equipment can be summarised as follows:

- Furniture, fittings, plant and equipment: between 5 to 10 years;

- Ordinary and electronic office machines: between 3 to 5 years;

- Cars: between 4 to 5 years.

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2011	31/12/2010	Change
Owner-occupied property	124,468	90,281	34,187
Property held for trading	91,136	92,587	-1,451
Property under construction	302,145	275,425	26,720
Total	517,749	458,293	59,456

- Owner-occupied property

The book value of owner-occupied property at 31 December 2011 relates to property owned by the subsidiary Vittoria Properties Srl for €17,771 thousand, property owned by Vittoria Immobiliare SpA, for €1,664 thousand, for €276 thousand to property owned by the subsidiary Acacia 2000 Srl and for €105,356 thousand to property owned by the parent company, of which €94,909 thousand are related to the Vittoria Assicurazioni headquarter.

The following table shows the reconciliation of changes occurring during 2011:

(€/000)

Owner-occupied property	31/12/2010	Acquisitions	Reclassifications	Sales	Depreciation	31/12/2011
Gross carrying amount	92,687	27,763	9,625	-299	0	129,776
Accumulated depreciation	2,406	0	0	-23	2,925	5,308
Carrying amount	90,281	27,763	9,625	-276	-2,925	124,468

Acquisitions include €14,543 thousand related to the property acquired by Vittoria Properties in Turin, Maria Vittoria street and €10,842 thousand for the capitalisation of VAT on costs paid for the Vittoria Assicurazioni headquarter. Reclassification of €9,625 thousand is due to the reallocation of shared expenses on buildings of the Portello area project.

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.
Almost all of this property has been appraised by independent experts. The owner-occupied property current value as at 31 December 2011 is equal to €158,799 thousand.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 2011:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2010	92,587	275,425	368,012
Acquisitions, net of capitalised financial charges	9,800	38,060	47,860
Capitalised financial charges	1,296	5,321	6,617
Reclassification to Owner-occupied properties	0	-9,625	-9,625
Sales	-16,293	-8,757	-25,050
Recognised gains	3,746	1,721	5,467
Carrying amount as at 31/12/2011	91,136	302,145	393,281

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year.

Note 3	31/12/2011	31/12/2010	Change
Reinsurers’ share of technical reserves	73,215	73,579	-364

The following table shows – separately for the Non-Life and Life insurance business – reinsurers’ share of technical reserves:

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Non-life reserves	56,158	51,595	287	382	56,445	51,977
Premium reserve	13,372	12,475	-	1	13,372	12,476
Claims reserve	42,786	39,120	287	381	43,073	39,501
Other reserves	-	-	-	-	-	-
Life reserves	16,770	21,602	-	-	16,770	21,602
Reserve for payable amounts	-	373	-	-	-	373
Mathematical reserves	16,753	21,207	-	-	16,753	21,207
Other reserves	17	22	-	-	17	22
Total reinsurers' share of technical reserves	72,928	73,197	287	382	73,215	73,579

Note 4	31/12/2011	31/12/2010	Change
Investments in subsidiaries and associates and interests in joint-ventures	104,479	102,616	1,863

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2011	31/12/2010
Yam Invest N.V.	66,477	65,269
Laumor Holdings S.a.r.l.	-	8,400
White Finance S.A	-	3,624
Gima Finance S.A.	-	12,671
S.In.T. S.p.A.	4,926	4,744
Yarpa. S.p.A.	5,043	4,797
Laumor Partners (S.a.r.l.) Sicar	7,375	-
White (S.a.r.l.) Sicar	3,243	-
Gima (S.A.) Sicar	14,979	-
VP Sviluppo 2015 S.r.l.	509	47
VZ Real Estate S.r.l.	7	52
Sivim S.r.l.	72	26
Rovimmobiliare S.r.l	321	506
Mosaico S.p.A.	57	190
Pama & Partners S.r.l.	750	762
Le Api S.r.l.	36	28
Consorzio Movincom S.c.r.l.	42	42
Spefin Finanziaria S.p.A.	332	1,148
Fiori di S. Bovio S.r.l.	233	229
Valsalaria A.11 S.r.l.	77	81
Total carrying amount	104,479	102,616

The Group's interest in net income and losses totals €3,965 thousand (with revaluations of €6,354thousand and write-downs for €-2,389 thousand).

The shares of the associated company Mosaico SpA owned by Vittoria Immobiliare have been pledged to Intesa Sanpaolo, as security for the credit lines granted to the associate by the bank.

The change in the line item of €1,863 thousand reflects all investments and divestments made during the period, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

(importi in migliaia di euro)

Carrying amount at 31/12/2010	102,616
Acquisitions and subscriptions	29,395
White Finance S.A	77
Gima Finance S.A.	5,327
S.In.T. S.p.A.	579
Yarpa. S.p.A.	1,042
Laumor Partners (S.a.r.l.) Sicar	5,500
White (S.a.r.l.) Sicar	3,701
Gima (S.A.) Sicar	12,528
VP Sviluppo 2015 S.r.l.	519
Sivim S.r.l.	39
Spefin Finanziaria S.p.A.	67
Fiori di S. Bovio S.r.l.	16
Sales and repayments	-30,316
Laumor Holdings S.a.r.l.	-8,400
White Finance S.A	-3,701
Gima Finance S.A.	-17,998
Laumor Partners (S.a.r.l.) Sicar	-108
Gima (S.A.) Sicar	-109
Change to equity method measurement	3,966
Yam Invest N.V.	1,508
S.In.T. S.p.A.	-397
Yarpa. S.p.A.	-796
Laumor Partners (S.a.r.l.) Sicar	1,983
White (S.a.r.l.) Sicar	-458
Gima (S.A.) Sicar	2,560
VP Sviluppo 2015 S.r.l.	-57
VZ Real Estate S.r.l.	-45
Sivim S.r.l.	7
Rovimmobiliare S.r.l	-185
Mosaico S.p.A.	-84
Pama & Partners S.r.l.	-12
Le Api S.r.l.	8
Spefin Finanziaria S.p.A.	-50
Fiori di S. Bovio S.r.l.	-12
Valsalaria A.11 S.r.l.	-4
Impairment	-882
Other changes	-300
Carrying amount at 31/12/2011	104,479

Note 5	31/12/2011	31/12/2010	Change
Held to maturity investments	98,047	96,334	1,713
Loans and receivables	37,987	43,778	-5,791
Financial assets available for sale	1,273,622	1,265,971	7,651
Financial assets at fair value through profit or loss	67,036	83,361	-16,325

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Financial risk management and analysis".
The table detailing the breakdown of financial assets, compliant with the format with the ISVAP ordinance already mentioned, is shown in the specific section "Annexes to Consolidated interim financial statements".

Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, and shares in CIUs (collective investment undertakings).
In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€/000)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	OEIC units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2010	96,334	43,509	10,282	1,212,180	1,265,971	77,689	5,672	1,445,666
Acquisitions and subscriptions	-	1,387	-	423,426	424,813	17,263	415	442,491
Sales and repayments	-206	-792	-3,812	-325,104	-329,708	-27,502	-2,484	-359,900
Other changes:								
- effective interest adjustments	1,920	-	-	4,171	4,171	-	-	6,091
- fair value adjustments	-	-7,119	-126	-66,323	-73,568	-789	28	-74,329
- impairment loss	-	-3,220	-1,381	-5,996	-10,597	-	-	-10,597
- rate changes	-1	-497	1,179	-8,980	-8,298	-	-	-8,299
- other changes	-	838	-	-	838	-2,412	-844	-2,418
Carrying amount at 31/12/2011	98,047	34,106	6,142	1,233,374	1,273,622	64,249	2,787	1,438,705

Loans and receivables

As at 30 June 2011 loans and receivables totalled €37,987 thousand (€43,778 thousand as at 31 December 2010).
As envisaged in IAS 32 – AG7, the item includes the contra entry for commitments to Gima (SA) Sicar for the payments to be made for financing of the investments that the equity holdings will make in private equity transactions.
The parent company's residual commitment at 31 December 2011 is €5,415 thousand.
The related commitments to the equity holding are recognised under the "Other financial liabilities" discussed in note 17.

In addition to the foregoing, the item is principally comprised of the following:

- loans granted by Vittoria Immobiliare SpA to the indirect associates Mosaico SpA, Sivim Srl, Fiori di San Bovio Srl, Rovimmobiliare Srl, Pama & Partners Srl, Valsalaria A.11 Srl, VP Sviluppo Srl and VZ Real Estate Srl for a total of €17,130 thousand;
- loans granted by the parent company to third parties and secured by mortgages for a total of €5,401 thousand;
- €3,424 thousand in loans against life insurance policies;
- loans granted to employees and agents of the parent company for €1,240 thousand;
- €5,000 thousand in loans granted to the company Spefin Finanziaria SpA;
- reinsurance deposit assets for €225 thousand.

The amount of €9,038 thousand is collectible after 12 months.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

(€/000)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	98,047	93,391
Loans and receivables	37,987	37,987
Financial assets available for sale	1,273,622	1,273,622
Financial assets held for trading	2,787	2,787
Financial assets at fair value through profit or loss	64,249	64,249
Total	1,476,692	1,472,036

To complete the above information, we point out that the fair value of unlisted financial instruments has been calculated on the basis of the market prices or rates of similar instruments or, when these benchmarks are not available, using appropriate measurement techniques. The latter include use of recent transactions and analyses using the discounted cash flow method. For further information concerning to the "fair value hierarchy", please refer to the "Annexes to this Consolidated financial report".

As stock exchange quotation doesn't reflect the net asset value of Mediobanca and that the solidity of the investment is supported by the fact that, compared to the sector to which it belongs to, Mediobanca shares recorded lower losses, the investment has not been impaired in the consolidated financial statement.

Note 6	31/12/2011	31/12/2010	Change
Receivables relating to direct insurance	208,114	180,731	27,383

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2011	31/12/2010
Premiums due from policyholders	67,997	58,970
Receivables due from brokers and agents	77,169	66,145
Receivables due from insurance companies - current accounts	9,657	8,420
Amounts to be recovered from policyholders and third parties	53,291	47,196
Total	208,114	180,731

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 7	31/12/2011	31/12/2010	Change
Receivables relating to reinsurance business	3,818	3,638	180

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts showing the technical result of reinsurance treaties.

Note 8	31/12/2011	31/12/2010	Change
Other receivables	36,706	41,331	-4,625

This item refers to trade receivables and to advances paid to third parties.
The most significant sub-item as up to 31 December 2011 consisted of advance payment of taxes from policyholders for €15,082 and advances of €8,608 thousand paid by the real estate companies.

Note 9	31/12/2011	31/12/2010	Change
Deferred acquisition costs	8,335	7,170	1,165

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2011 €4,572 thousand referred to the life business and €3,763 thousand to the non-life business.

Note 10	31/12/2011	31/12/2010	Change
Deferred tax assets	43,101	28,785	14,316

The item included deferred tax assets pertaining to the direct operating parent company (€39,628 thousand), to the real estate (€2,919 thousand) and to those relating to consolidation adjustments (€554 thousand).

The following table reports the breakdown of the item:

(€/000)

Deferred tax assets	31/12/2011
Provision for bad debts	3,522
Technical reserves (claims)	31,817
Accruals to the provision for charges	579
Adjustments to life insurance liabilities	553
Elimination of intragroup profits	684
Tax benefit for property revaluation	2,838
Anticipated IRES for temporary non-deductibility of interests payable (real estate segment)	1,494
Anticipated IRES for goodwill depreciation	1,614
Other	0
Total	43,101

Note 11	31/12/2011	31/12/2010	Change
Current tax assets	24,946	21,742	3,204

The item includes tax receivables of the direct operating parent company of €11,194 thousand (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling €8,055 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12	31/12/2011	31/12/2010	Change
Other assets	7,289	6,150	1,139

The item includes €104 thousand of deferred commission expenses relating to investment contracts and €6,267 thousand of prepayments, mainly relating to G&A costs.

Note 13	31/12/2011	31/12/2010	Change
Cash and cash equivalents	87,117	93,797	-6,680

The item refers to bank balances of €86,971 thousand and cash amounts of €146 thousand.

Note 14	31/12/2011	31/12/2010	Change
Equity attributable to shareholders of the parent	333,625	354,837	-21,212
Equity attributable to minority interests	24,730	26,108	-1,378

Changes in consolidated equity are detailed in chapter “Statement of Changes in Equity”.

The following table details the breakdown of equity:

(€/000)

BREAKDOWN OF EQUITY	31/12/2011	31/12/2010
Total equity attributable to the shareholders of the parent	333,625	354,837
Share capital	67,379	67,379
Other equity instruments	-	23
Equity-related reserves	33,874	33,874
Income-related and other reserves	234,506	218,888
Translation reserve	-115	148
Fair value reserve	-39,314	7,368
Other gains or losses recognised directly in equity	70	106
Group profit for the year	37,225	27,051
Total equity attributable to minority interests	24,730	26,108
Share capital and reserves attributable to minority interests	24,336	25,445
Minority interests' profit for the year	394	663
Total consolidated equity	358,355	380,945

As at 31 December 2011 the direct operating parent company’s share capital consists of 67,378,924 fully subscribed and paid-up shares with a nominal value of €1.00 each.

The Group does not hold either directly or indirectly any shares of its parent companies.

Dividends paid out by the direct operating parent company, shown in the column “Other transfers” in the statement of changes in equity, totalled €11,184,121 and €11,454,417 respectively for FYs 2010 and 2011.

Below we provide greater detail on the breakdown of equity as at 31 December 2011:

- "Other equity instruments": the item at 31 December 2010 included the equity portion of measurement of the conversion option on the convertible bonds issued in 2001 by the direct operating parent company. At 31 December 2011 the balance is nil due to the early repayment of the bond in January 2011;

- "Equity reserves": the item refers to the direct operating parent company's share premium reserve;

- "Earnings reserves and other reserves": the item consisted of:
  - The direct operating parent company's legal reserve = € 11,107 thousand;
  - Retained earnings = € 221,083 thousand;
  - The reserve for gains or losses on IFRS first-time adoption = 2,315 thousand.

- "Fair value reserve": this item includes the net unrealised losses on the fair value measurement of assets available for sale for €-52,597 thousand, net of the portion attributable to policyholders (shadow accounting) of €13,283 thousand.

More specifically, changes in the "Fair value reserve" (i.e. gains or losses on available-for-sale financial assets") are detailed in the following table:

(€/000)

A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2010	10,175	1,442	8,733
Decrease due to sales	8,259	2,253	6,006
Decrease due to fair value changes	-90,196	-22,860	-67,336
Total change for the period/year	-81,937	-20,607	-61,330
31/12/2011	-71,762	-19,165	-52,597

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2010	2,017	652	1,365
Change in shadow accounting reserve	-24,691	-10,043	-14,648
31/12/2011	-22,674	-9,391	-13,283

Gains or losses on financial assets AFS (€/000)

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2010	8,158	790	7,368
Decrease due to sales	8,259	2,253	6,006
Decrease due to fair value changes	-90,196	-22,860	-67,336
Change in shadow accounting reserve	24,691	10,043	14,648
Total change for the period/year	-57,246	-10,564	-46,682
31/12/2011	-49,088	-9,774	-39,314

The following table, which refers to 31 December 2011, shows the reconciliation of profit and equity shown in the direct operating parent company's individual financial statements with the same items shown in consolidated financial statements.
The IFRS adjustments made to the direct operating parent company's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€/000)

	Portion pertaining to parent company		Portion pertaining to minority interest	
	Equity excluding year's profit	2011 profit	Equity excluding year's profit	2011 profit
Parent company's financial statements compliant with Italian GAAPs	283,326	35,329		
IFRS adjustments (net of related tax effects)	- 38,791	3,060	-	-
Parent company's financial statements based on IFRSs	244,535	38,389	-	-
Consolidated companies' equity	139,811	578	21,534	957
Allocation of consolidation differences and eliminations	1,099	-		
Consolidated companies' carrying value	(81,537)	-		
Minority interest	(2,908)	563	2,908	(563)
Elimination of infragroup profits	(767)	- 329.00	(106)	
Profits not yet attributed to life policyholders in the year and in previous years	(3,783)	2,171		
Dividend elimination	2,476	(2,476)		
Deferred taxes on profits not yet attributed to life policyholders in the year and in previous years	1,223	(669)		
Deferred taxes on consolidated companies' results	(3,749)	(1,002)		
IFRS-compliant consolidated financial statements	296,400	37,225	24,336	394

Note 15	31/12/2011	31/12/2010	Change
Provisions	2,828	2,772	56

This account refers mainly to the provisions made for €2,390 thousand in costs for real estate contracts that have yet to be incurred, connected with properties for which closing has already taken place.

The table below shows the changes in the item:

(€/000)

Provisions	31/12/2010	Accruals of the year	Utilisations of the year	31/12/2011
Provision for costs to be incurred	1,931	452	-646	1,737
Other provisions	841	250	-	1,091
Total	2,772	702	-646	2,828

Note 16	31/12/2011	31/12/2010	Change
Technical reserves	1,762,011	1,653,851	108,160

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Non-life reserves	1,017,393	880,067	810	873	1,018,203	880,940
Premium reserve	320,640	275,053	54	29	320,694	275,082
Claims reserve	696,344	604,605	756	844	697,100	605,449
Other reserves	409	409	-	-	409	409
Life reserves	743,570	772,651	238	260	743,808	772,911
Reserve for payable amounts	23,355	28,109	13	12	23,368	28,121
Mathematical reserves	733,503	725,747	221	244	733,724	725,991
Other reserves	-13,288	18,795	4	4	-13,284	18,799
Total technical reserves	1,760,963	1,652,718	1,048	1,133	1,762,011	1,653,851

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line.

The Life "Other reserves" item mainly consisted of:

- €-25,750 thousand = reserve for deferred liabilities to policyholders (of which €-27,363 thousand stemming from fair value measurement of available-for-sale financial assets and €1,613 thousand from reserving against subsidiaries' profits allocated to segregated founds);
- €13,487 thousand = management expenses.

Further to the ALM (Asset & Liability Management) analysis made on Segregated Founds, €568 thousand additional reserves for granted interest rate risk have been accrued (art.47 of ISVAP Regulation no.21) for the Segregated Founds "Vittoria Previdenza" and "Vittoria Liquinvest".

<u>Liability Adequacy Test (LAT)</u>

Testing confirmed the adequacy of the book value of the technical reserves shown in accounts.

The key variable factors reviewed in terms of historical trends (where applicable) and estimated on a forecast basis in order to quantify insurance liabilities were as follows:

Claims reserve	- average costs - settlement rate - cancellations without pay-out - reopened claims - incurred but not reported
Unexpired risk premium reserve	- projected loss ratio
Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns - annuity or surrender probability
Shadow accounting reserve	- average retrocession rate - proportion of unrealised gains on securities allocated to separately-managed business
LAT reserve	- market interest rate - return on separately-managed business

Non-Life business

The following table indicates the causes of changes in the claims reserve.

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2010	605,449
Portfolio transfers	0
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	91,651
Carrying amount at 31/12/2011	697,100

Motor TPL

In order to achieve an estimate of ultimate cost [for the purposes of reserving] closer to operating reality - which features a variety of cases featuring significant differences in the parameters used to measure the entity of claims - the parent company Vittoria Assicurazioni S.p.A. has decided to perform separate analysis of claims occurring before introduction of the knock-for-knock system (KFK for short) (i.e. events before 2007) and after its introduction. In doing so, it has in turn split them by type of management and by claims featuring only property damage and those involving hybrid damage (i.e. those with at least one case of bodily injury).
To do this, preliminary methodological work was done to identify an actuarial method permitting accurate estimation of ultimate-cost reserves at the level of detail indicated above.
The actuarial method identified – agreed with the appointed Motor TPL actuary – is of the chain-ladder type. This method estimates the amount of future payments, until run-off of generations, constructing – using the historical series available – the triangles of cumulative amounts paid (organised by event) and calculating on the latter the observable development factors. These factors are then applied to cumulative data up to the current balance-sheet year to calculate estimated future payments.

For pre-KFK claims an adequate number of claims durations is available. Based on these (separately for property-only and hybrid claims), an observable development vector was calculated for the first 9 years. The tail factors were obtained by applying appropriate regression functions. For KFK claims the historical series of observable data is limited to just 4 years (and thus to just 3 development factors). In order to complete the run-of triangle we used the development-factor vector (property-only or hybrid) obtained for pre-KFK claims, but factoring in appropriate considerations and adjustments based, in particular, on observation on the different speeds of claim settlement by amount.

Other Risks

For the valuation of risks for other businesses, the inventory was used. In addition, observable data were analysed and valued according to historical portfolio series.

IBNR Claims

Calculation of the reserve for IBNR (incurred but not reported) claims requires estimation for each business of both the number and average lost of late claims. The estimate was made using as its source the balance-sheet input forms for the years 1999-2011. For Motor TPL, the estimate is made separately for each type of management: taking into account the lack noted on pre-KFK claims, the accrual was strengthened.
Motor TPL reserves are audited by the appointed Motor TPL actuary, as required by Italian Legislative Decree no. 209 of 7 September 2005.

Life business

The following table indicates the causes of changes in the mathematical reserves.

(€/000)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2010	725,991
Portfolio transfers	1,858
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	5,875
Carrying amount at 31/12/2011	733,724

Key actuarial assumptions concerning Life technical reserves are detailed below:

(in thousands of euros)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis financial	Technical basis demographic
Temporary	6,599,680	117,969	1968 - 1977	4%	SIM 51
			1978 - 1989	4%	SIM 61
			1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			since 2007	3%	SIM91 50% and 70%
Adjustable	3	16	1969 - 1979	3% *	SIM 51
Indexed	0	4	1980 - 1988	3% *	SIM 51
Other types	37	33			
Revaluable	786,741	617,319	1988 - 1989	3% *	SIM 71
			1990 - 1996	4% *	SIM 81
			1997 - 1999	3% *	SIM 91
			since 2000	1.5% - 2% *	SIM 81-91
L.T.C.	10,797	1,782	2001 - 2004	2.5%	(1)
Pension fund	10,344	10,344	since 1999	----	----
Index linked	6,739	6,681	since 1997	0%	SIM 91
Unit Linked	51,185	44,444	since 1998	0%	SIM 91
Total ordinary	7,465,526	798,592			
AIL rivalutabile	9,817	8,842	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	7,475,343	807,434			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

for indexed policies: 5.87% for adjustable policies: 5.73% for AIL revaluable policies: 3.60%

for revaluable policies: Vittoria Valore Crescente 3.98%; Vittoria Rendimento Mensile 3.30%; Vittoria Previdenza 2.84%.

(1) SIM 91 reduced to 62%; SIF 91 reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies

(2) SIM 91 reduced to 60%; mortality rates and LTC rates taken from insurers' studies

(3) SIM 91 reduced to 60%; rates taken from reinsurers' studies

As already specified in the section concerning accounting policies, Life technical reserves include liabilities relating to investment contracts with discretionary profit participation features.

Note 17	31/12/2011	31/12/2010	Change
Financial liabilities at fair value through profit or loss	64,249	77,689	-13,440
Other financial liabilities	290,432	302,825	-12,393

To complete what is presented below, we point that the detailed breakdown of financial liabilities, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific "Annexes to Consolidated financial statements" section.

Financial liabilities at fair value through profit or loss

The item "Financial liabilities at fair value through profit or loss" refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management.

The following table shows the cumulative change as at 31 December 2011.

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2010	67,059	10,630	77,689
Investment of net fund assets	94	762	856
Profits attributable to policyholders	-4,618	-856	-5,474
Amounts paid	-8,688	-134	-8,822
Carrying amount at 31/12/2011	53,847	10,402	64,249

Other financial liabilities

The item includes:
- Reinsurance deposits of €24,418 thousand;
- Bank loans issued to the Group's real estate companies for a total of €260,551 thousand (of which €176,127 thousand backed by collateral);
- direct operating parent company's commitment for payment of €5,415 thousand to the associates Gima SA Sicar, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item.

Payables due beyond 12 months totalled €185,925 thousand.

Disclosure concerning fair value

The following table indicates the fair value of financial liabilities investments discussed in the present note.

(€/000)

Financial liabilities	Carrying amount	Fair Value
Financial liabilities at fair value through profit or loss	64,249	64,249
Other financial liabilities	290,432	290,432
Total	354,681	354,681

Note 18

Note 18	31/12/2011	31/12/2010	Change
Payables arising from direct insurance business	10,733	8,342	2,391

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2011	31/12/2010
Payables to insurance brokers and agents	4,285	3,558
Payables to insurace companies - current accounts	1,632	2,221
Guarantee deposits paid by policyholders	239	144
Payables to guarantee funds in favour of policyholders	4,577	2,419
Total	10,733	8,342

Note 19

Note 19	31/12/2011	31/12/2010	Change
Payables arising from reinsurance business	11,190	9,041	2,149

The item refers to amounts payable to insurers and reinsurers and reflects debts arising from the current accounts showing the technical results of reinsurance treaties.

Note 20

Note 20	31/12/2011	31/12/2010	Change
Other sums payable	81,506	61,478	20,028

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2011	31/12/2010
Payments on accounts received by real estate companies for preliminary sales agreements	19,239	18,182
Trade payables	27,042	13,550
Payables to employees	3,735	2,717
Employee benefits - provisions for termination benefits	4,937	4,801
Policyholders' tax due	18,454	14,897
Sundry tax liabilities (withholdings)	1,755	1,808
Social security charges payable	2,472	2,284
Sundry payables	3,872	3,239
Total	81,506	61,478

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account “Other liabilities” (note 23).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

For the sake of greater clarity of presentation, the following table highlights the overall amount and movements of liabilities relating both to post-employment benefits ("supplementary" pension as described above and healthcare benefits) and to other long-term benefits (seniority bonuses).

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2010	1,470	4,800	1,204	7,475
Accruals	307	2,305	59	2,671
Utilisations	(106)	(2,169)	0	(2,275)
Other changes (exchange rate gains or losses, acquisitions)	0	0	0	0
Carrying amount at 31/12/2011	1,671	4,937	1,263	7,871

The following table, which refers to the increases in liabilities shown in the previous table, details the costs recognised in the income statement.

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	307	2,043	59	2,409
Interest	0	114	0	114
Net actuarial gains	0	148	0	148
Total charges	307	2,305	59	2,671

The principal actuarial and financial assumptions made here refer to:

- Inflation rate (assumed to be a constant 1.2% over time);
- Discount rate (assumed to be the euroswap rate, with a duration equal to that of existing staff, with reference to each of the expected benefits payable);
- Corporate service termination from:
    - death (assumptions derived from ISTAT 2000 surveys, reduced by 25%);
    - invalidity;
    - resignation and dismissal;
    - retirement;
- Premium paid to each family for Health Benefits to Executives during Retirement.

Note 21	31/12/2011	31/12/2010	Change
Deferred tax liabilities	16,717	26,628	-9,911

The item includes deferred tax liabilities allocated to the insurance business for €10,240 thousand, the real estate and services business for €5,918 thousand, and to reversals totalling €559 thousand, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.

The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2011
Alignment with fair value of assets held by investee companies acc	5,836
Derecognition of the catastrophe reserves	2,457
Dividends	4,760
Parent Company accrual	1,750
Other nettable deferred tax assets	1,914
Total	16,717

Note 22	31/12/2011	31/12/2010	Change
Current tax liabilities	12,924	943	11,981

This account refers to period income taxes net of tax prepayments.
This payable reflects the options adopted by the parent company as part of the National Tax Consolidation Programme.

Note 23	31/12/2011	31/12/2010	Change
Other liabilities	29,928	28,473	1,455

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling €14,347 thousand, the deferred commission income of €50 thousand connected with investment contracts, invoices and notes to be received from suppliers totalling €11,413 thousand, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for €2,935 thousand.

Consolidated Income Statement

Note 24	31/12/2011	31/12/2010	Change
Gross premiums	890,450	767,508	122,942
Ceded premiums for reinsurance	26,884	34,816	-7,932
Amounts paid and change in technical reserves	665,486	583,525	81,961
Reinsurers' share	-16,898	-16,867	-31

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

(€/000)

	31/12/2011				31/12/2010			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	738,806	124,760	-	863,566	592,768	139,924	-	732,692
Gross premiums	764,421	126,029	-	890,450	625,761	141,747	-	767,508
Gross premiums written	810,030	126,029	-	936,059	674,248	141,747	-	815,995
a Direct business	809,904	125,766	-	935,670	674,173	141,746	-	815,919
b Indirect business	126	263	-	389	75	1	-	76
Change in premium reserve	-45,609	-	-	-45,609	-48,487	-	-	-48,487
a Direct business	-45,587	-	-	-45,587	-48,553	-	-	-48,553
b Indirect business	-22	-	-	-22	66	-	-	66
Ceded premiums	25,615	1,269	-	26,884	32,993	1,823	-	34,816
Gross premiums ceded	26,510	1,269	-	27,779	35,823	1,823	-	37,646
a Outward reinsurance	26,510	1,269	-	27,779	35,823	1,823	-	37,646
b Retrocession	-	-	-	-	-	-	-	-
Change in premium reserve	-895	-	-	-895	-2,830	-	-	-2,830
a Outward reinsurance	-896	-	-	-896	-2,876	-	-	-2,876
b Retrocession	1	-	-	1	46	-	-	46
NET CHARGES RELATING TO CLAIMS	526,357	124,402	-2,171	648,588	420,615	145,118	925	566,658
Amounts paid and change in technical reserves	542,411	125,246	-2,171	665,486	435,736	146,864	925	583,525
Direct business	542,386	125,216	-	667,602	435,728	146,804	-	582,532
Indirect business	25	30	-	55	8	60	-	68
Shadow accounting of investee companies' profits	-	-	-2,171	-2,171	-	-	925	925
Reinsurers' share	16,054	844	-	16,898	15,121	1,746	-	16,867
Outward reinsurance	16,071	844	-	16,915	15,164	1,746	-	16,910
Retrocession	-17	-	-	-17	-43	-	-	-43

Net charges relating to claims (claims costs) – Non-Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: definitive or partial indemnities for claims and related direct expenses and settlement costs;
- Change in claims reserve: estimated indemnities, direct expenses, and settlement costs that are forecast to be paid in future financial years for claims occurring in the current year, plus any adjustment of claims reserves made for claims occurring in previous years that were still outstanding as at 31 December;
- Change in other technical reserves: this refers to change in the ageing reserve for the health insurance line.

Net charges relating to claims (claims costs) – Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: the amounts paid for claims, accrued capital, surrenders, and annuities;
- Change in the reserve for amounts to be paid: This refers to the change in amounts necessary to pay accrued capital sums and annuities, surrenders and claims to be settled;
- Change in mathematical reserves: this is the change in technical reserves, the content of which is illustrated in the Accounting Policies section.

- Change in other technical reserves: this comprises the change in the Reserve for profit participation and reversals, the Reserve for management expenses, and the Premiums reserve for complementary insurance. In addition, when consolidating accounts, "Intersegment eliminations" take in policyholders' share in the profits (net of dividends already distributed) of investee companies, the investment in which is allocated to segregated accounts.

For the geographical split of premiums, reference should be made to the table shown in the section "Geographical segment reporting (secondary segment)".

Note 25	31/12/2011	31/12/2010	Change
Commission income	1,064	839	225

The item refers to commission income for the period for investment contracts classified as financial liabilities (index- and unit-linked contracts and pension funds).

Note 26	31/12/2011	31/12/2010	Change
Gains or losses on financial instruments at fair value through profit or loss	143	279	-136
Gains on investments in subsidiaries and associates and interests in joint ventures	6,524	547	5,977
Gains or losses on other financial instruments and investment property	67,161	53,910	13,251
Losses on investments in subsidiaries and associates and interests in joint ventures	3,273	4,896	-1,623
Losses on other financial instruments and investment property	15,581	4,103	11,478

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific section called "Annexes to Consolidated financial statements".

Gains and losses on financial instruments at fair value through profit or loss

These are income and losses on financial assets held for trading, Specifically, income realised, net of losses, amounted to €122 thousand, whilst unrealised losses amounted to €21 thousand.

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the index-linked, unit-linked, and pension-fund type – net income recognised in 2011 amounted to €5,474 thousand, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

Gains and losses on investments in subsidiaries, associates, and joint ventures

As up to 31 December 2011 these items referred entirely to the results of equity-accounted Group companies,
Reference should be made to Note 4 for further details.

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

(€/000)

	Gains 31/12/11	Gains 31/12/10	Losses 31/12/11	Losses 31/12/10
Held to maturity investments	4,402	4,290	-	-
Loans and receivables	800	935	1	-
Financial assets available for sale	59,350	47,421	11,091	134
Other receivables	714	529	-	-
Cash and cash equivalents	1,895	735	-	-
Other financial liabilities	-	-	4,489	3,969
Total	67,161	53,910	15,581	4,103

Note 27	31/12/2011	31/12/2010	Change
Other income	16,597	25,476	-8,879

The following table details the breakdown of this item.

(€/000)

Other income	31/12/11	31/12/10
Trading profits	5,501	16,087
Revenue from services: real estate brokerage	1,276	735
Revenue from services: real estate management	32	97
Revenue from services: administration, real estate appraisals and other income	522	89
Revenue from services: insurance commission income with third parties	522	425
Revenue from services: other revenue from services	340	885
Rent income	449	387
Technical income on insurance contracts (*)	6,268	4,010
Gains on the sale of property, plant and equipment	12	12
Exchange rate gains	41	176
Value adjustment on acquired loans	-	1,545
Incidental non-operating income	991	508
Other income	643	520
Total	16,597	25,476

(*) Of which:

- €146 thousand (€264 thousand in 2011) referring to reversal of commissions on cancelled premiums;
- €3,824 thousand (€2,919 thousand in 2011) referring to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events;
- €2,298 thousand (€827 thousand in 2011) of utilisation of bad-debt provision.

Note 28	31/12/2011	31/12/2010	Change
Commission expense	75	64	11

The item includes commission expense, i.e. acquisition and maintenance costs incurred for investment contracts classified as financial liabilities (index-linked, unit-linked and pension funds).

Note 29	31/12/2011	31/12/2010	Change
Commissions and other acquisition costs	166,040	144,468	21,572
Investment management costs	843	681	162
Other administrative costs	35,378	30,100	5,278

To complete the information disclosed below, we point out that the table detailing insurance operating costs, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific section called "Annexes to Consolidated financial statements".
The following table details the breakdown of "Commissions and other acquisition costs" as at 31 December 2011.

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/11	31/12/10
Acquisition commissions	121,172	107,556
Other acquisition costs	43,752	37,290
Change in deferred acquisition costs	-1,164	-16
Premium collection commissions	10,266	8,573
Profit participation and other commissions received from reinsurers	-7,986	-8,935
Total	166,040	144,468

Note 30	31/12/2011	31/12/2010	Change
Other costs	27,661	16,730	10,931

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/11	31/12/10
Technical costs on insurance contracts (*)	8,409	4,868
Accruals to the provision for bad debts	1,016	-
Bad debt losses	759	-
Value adjustment on acquired investments		1,123
Incidental non-operating costs	424	833
Annual.depreciation & amortisation	13,127	7,761
Acquisition costs	3,727	2,028
Other costs	199	117
Total	27,661	16,730

(*) Of which:

- €5,832 thousand (€1,909 thousand in 2011) for technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning;
- €2,577 thousand (€2,959 thousand in 2011) for services supporting insurance covers and costs for premiums under litigation.

Note 31	31/12/2011	31/12/2010	Change
Income taxes	19,997	18,329	1,668

Of this item, €-35,168 thousand related to current taxes and €15,171 thousand to deferred taxes, Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

Reconciliation between the tax charge recognised in the financial statements and theoretical tax charge

(in thousands of Euros)

	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
Current IRES				
Profit before taxation	57,615		15,844	27.50%
Revaluation of associates under the equity method	-1,397	-384		-0.67%
Participating interest impairment	4,186	1,151		2.00%
Dividends received	-450	-124		-0.22%
Tax impact of adjustment to life technical provisions	4,924	1,354		2.35%
Other captions	-3,956	-1,088		-1.89%
Total Change	3,307	909	15,844	1.57%
Taxable base	60,922	16,753		29.08%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 542 as at 31 December 2011 vs. 521 present as at 31 December 2010.
The average number of in-force employees on the payroll, split by contractual grade, was as follows:

	31/12/2011	31/12/2010
Managers	25	23
Officers	132	127
Administrative staff	382	360
Total	539	510

Tax status

Insurance Business

During 2011, Vittoria Assicurazioni took over Lauro 2000 S.r.l., which was previously wholly-owned by it. The accounting and tax effects of the takeover were retroactive to 01.01.2011. Following the takeover, Vittoria Assicurazioni, in its 2012 income tax return relating to 2011, will obtain tax relief from the IRES (Corporation Tax) and IRAP (Regional Business Tax) chargeable on part of the annulment deficit generated by the takeover, by paying the lieu tax specified in s. 172.10-bis of Presidential Decree no. 917/1986.

In the 2012 VAT return for 2011, the VAT deducted on the premises in which Vittoria Assicurazioni has its head office and installations, formerly owned by Lauro 2000 S.r.l., must be adjusted pursuant to s. 19-bis 2.2 of Presidential Decree no. 633/1972, as this property was used for VAT-exempt operations after purchase/completion.

As regards the completed real estate held by the company Lauro 2000 S.r.l. and transferred to Vittoria Assicurazioni following the takeover of Lauro by Vittoria, the value attributable to the various assets (land, building, installations) was reconstructed on the basis of Lauro's accounting and tax documentation. As regards the land and some costs not specifically relating to a single building already built/under construction, three possible parameters of breakdown of the overall values were identified in order to determine the tax to be adjusted regarding the property used for VAT-exempt activities.

These parameters, all connoted by the characteristic of "objectivity" required for both accounting and tax purposes, were identified as follows:

1) the "main" areas (namely the total areas excluding those used as staircases, lobbies and parking spaces) of the buildings of the business complex which have already been built and/or are under construction, on the basis of the existing authorisation/design documents;
2) the commercial value of the said premises "on a finished basis", estimated by an independent valuer;
3) the total areas of the buildings already built/under construction, including parking spaces.

As the VAT on the premises used as the headquarters of Vittoria Assicurazioni S.p.A. has to be adjusted, bearing in mind that the discrepancies between the various criteria which can be used were not significant, and taking a prudent approach in terms of tax compliance, it is considered appropriate to adopt the parameter of breakdown of VAT relating to the land and other "generic costs" identified in paragraph 2 above.

The downward adjustment of the VAT deducted by Lauro 2000 S.r.l. was determined on the basis of the above factors, by the procedure specified for individual categories of "capital" goods in s. 19-bis 2 of Presidential Decree no. 633/1972, namely:

- as many fifths as the number of years required to complete five years from the entry into operation of depreciable goods (other than real estate) with a depreciation rate not exceeding 25%;
- as many tenths as the number of years required to complete a decade from the date of purchase or completion in the case of real estate (land and buildings).

The parent company has filed an appeal against a 2009 VAT assessment relating to the years 2004, 2005 and 2006, which imposed the payment of € 387 thousand for higher taxes, penalties and interest. The Company has already obtained a favourable judgment regarding the 2004 assessment.

In 2011, a tax inspection was conducted by the Milan Finance Police relating to the financial years 2007 and 2008. The inspection was completed in January 2012. The inspection led to a dispute relating to IRES, and Vittoria Assicurazioni S.p.A. has filed its acceptance of the assessment minutes pursuant to s. 5-bis of Legislative Decree no. 218/1997. For the purpose of covering liabilities relating to higher taxes, penalties and interest, the parent company accrued the sum of € 1,750 thousand to the tax fund, on the basis of the information contained in the said assessment minutes.

The Board of Directors

Milan, 13 March 2012

Appendices to Consolidated Financial Statements FY 2011

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2011
Consolidation scope

	Country	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy	G	1				
Vittoria Immobiliare S.p.A.	Italy	G	10	87,24	87,24	-	100,00
Immobiliare Bilancia S.r.l.	Italy	G	10	100,00	100,00	-	100,00
Immobiliare Bilancia Prima S.r.l.	Italy	G	10	100,00	100,00	-	100,00
Immobiliare Bilancia Seconda S.r.l.	Italy	G	10	100,00	100,00	-	100,00
Immobiliare Bilancia Terza S.r.l.	Italy	G	10	100,00	100,00	-	100,00
Forum Mondadori Residenze S.r.l.	Italy	G	10	100,00	100,00	100,00	100,00
Vittoria Properties S.r.l.	Italy	G	10	99,00	99,87	100,00	100,00
Interbilancia S.r.l.	Italy	G	9	80,00	97,45	100,00	100,00
Vittoria Service S.r.l.	Italy	G	11	70,00	96,17	100,00	100,00
Acacia 2000 S.r.l.	Italy	G	10	-	56,71	65,00	100,00
Gestimmobili S.r.l.	Italy	G	11	-	69,79	80,00	100,00
Interimmobili S.r.l.	Italy	G	11	-	69,79	80,00	100,00
V.R.G. Domus S.r.l	Italy	G	10	-	87,24	100,00	100,00
Vaimm Sviluppo S.r.l.	Italy	G	10	-	87,24	100,00	100,00
Cadorna Real Estate S.r.l.	Italy	G	10	-	87,24	100,00	100,00
Valsalaria S.r.l.	Italy	G	10	-	44,49	51,00	100,00
Aspevi Milano S.r.l.	Italy	G	11	-	97,45	100,00	100,00
Aspevi Roma S.r.l.	Italy	G	11	-	97,45	100,00	100,00

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C

(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

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List of unconsolidated investments

	Country	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yam Invest N.V.	Holland	9	c	18,75	18,75	-	66.477
White (S.a.r.l.) Sicar	Luxembourg	9	b	20,13	20,13	-	3.243
S.In.T. S.p.A.	Italy	11	b	48,19	48,19	-	4.926
Yarpa S.p.A.	Italy	9	b	25,90	25,90	-	5.043
Laumor Partners (S.a.r.l.) Sicar	Luxembourg	9	b	21,87	21,87	-	7.375
Gima (S.A.) Sicar	Luxembourg	9	b	23,35	23,35	-	14.979
Sivim S.r.l.	Italy	10	b	-	43,18	49,50	72
Rovimmobiliare S.r.l	Italy	10	b	-	43,62	50,00	321
Mosaico S.p.A.	Italy	10	b	-	21,81	25,00	57
Pama & Partners S.r.l.	Italy	10	b	-	21,81	25,00	750
Le Api S.r.l.	Italy	11	b	-	29,23	30,00	36
Consorzio Movincom S.c.r.l.	Italy	11	b	0,96	38,77	38,80	42
VP Sviluppo 2015 S.r.l.	Italy	10	b	-	34,90	40,00	509
VZ Real Estate S.r.l.	Italy	10	b	-	42,75	49,00	7
Spefin Finanziaria S.p.A.	Italy	9	b	-	20,20	21,00	332
Fiori di S. Bovio S.r.l.	Italy	10	b	-	34,90	40,00	233
Valsalaria A.11 S.r.l.	Italy	10	b	-	34,90	40,00	77

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint ventures* (IAS 31); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

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Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
1	INTANGIBLE ASSETS	29.868	28.139	8.435	7.483	656	787	0	2	0	0	38.959	36.411
2	PROPERTY, PLANT AND EQUIPMENT	127.853	19.616	56.252	0	343.857	408.505	140	114	0	39.358	528.102	467.593
3	REINSURERS' SHARE OF TECHNICAL RESERVES	56.445	51.977	16.770	21.602	0	0	0	0	0	0	73.215	73.579
4	INVESTMENTS	859.258	864.593	784.345	904.220	20.049	19.721	127	119	-82.608	-196.593	1.581.171	1.592.060
4.1	Investment property	0	0	0	0	0	0	0	0	0	0	0	0
4.2	Investments in subsidiaries and associates and interests in joint	133.319	217.035	50.896	78.415	2.745	3.640	77	69	-82.558	-196.543	104.479	102.616
4.3	Held to maturity investments	13.527	10.513	84.520	85.821	0	0	0	0	0	0	98.047	96.334
4.4	Loans and receivables	10.415	16.458	10.492	11.463	17.130	15.907	0	0	-50	-50	37.987	43.778
4.5	Financial assets available for sale	701.997	620.581	571.401	645.166	174	174	50	50	0	0	1.273.622	1.265.971
4.6	Financial assets at fair value through profit or loss	0	6	67.036	83.355	0	0	0	0	0	0	67.036	83.361
5	OTHER RECEIVABLES	208.511	186.383	29.429	22.013	13.633	26.323	3.778	1.466	-6.713	-10.485	248.638	225.700
6	OTHER ASSETS	51.945	28.281	14.225	10.203	17.865	23.112	926	1.028	-1.290	1.223	83.671	63.847
6.1	Deferred acquisition costs	3.763	4.189	4.572	2.981	0	0	0	0	0	0	8.335	7.170
6.2	Other assets	48.182	24.092	9.653	7.222	17.865	23.112	926	1.028	-1.290	1.223	75.336	56.677
7	CASH AND CASH EQUIVALENTS	57.443	48.995	11.906	11.610	15.699	30.453	2.069	2.739	0	0	87.117	93.797
	TOTAL ASSETS	1.391.323	1.227.984	921.362	977.131	411.759	508.901	7.040	5.468	-90.611	-166.497	2.640.873	2.552.987
1	EQUITY											358.355	380.945
2	PROVISIONS	741	741	0	0	2.087	2.031	0	0	0	0	2.828	2.772
3	TECHNICAL RESERVES	1.018.203	880.939	742.195	769.129	0	0	0	0	1.613	3.783	1.762.011	1.653.851
4	FINANCIAL LIABILITIES	13.063	18.074	81.019	99.041	260.551	263.365	48	34	0	0	354.681	380.514
4.1	Financial liabilities at fair value through profit or loss	0	0	64.249	77.689	0	0	0	0	0	0	64.249	77.689
4.2	Other financial liabilities	13.063	18.074	16.770	21.352	260.551	263.365	48	34	0	0	290.432	302.825
5	PAYABLES	66.321	53.530	6.511	5.116	31.339	26.306	6.020	4.472	-6.762	-10.563	103.429	78.861
6	OTHER LIABILITIES	35.033	19.809	11.096	4.012	14.640	19.107	85	134	-1.285	12.982	59.569	56.044
	TOTAL EQUITY AND LIABILITIES											2.640.873	2.552.987

Income statement by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
		31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
1.1	Net premiums	738.806	592.768	124.760	139.924	0	0	0	0	0	0	863.566	732.692
1.1.1	*Gross premiums*	764.421	625.761	126.029	141.747	0	0	0	0	0	0	890.450	767.508
1.1.2	*Ceded premiums*	25.615	32.993	1.269	1.823	0	0	0	0	0	0	26.884	34.816
1.2	Commission income	0	0	1.064	839	0	0	0	0	0	0	1.064	839
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-6	-120	149	399	0	0	0	0	0	0	143	279
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	6.265	367	2.261	3.182	183	48	8	9	-2.193	-3.059	6.524	547
1.5	Gains on other financial instruments and investment property	33.241	20.821	32.735	32.204	1.167	880	18	5	0	0	67.161	53.910
1.6	Other income	7.823	5.457	270	215	8.713	20.277	6.225	3.911	-6.434	-4.384	16.597	25.476
1	TOTAL REVENUE	786.129	619.293	161.239	176.763	10.063	21.205	6.251	3.925	-8.627	-7.443	955.055	813.743
2.1	Net charges relating to claims	526.356	420.615	124.403	145.118	0	0	0	0	-2.171	925	648.588	566.658
2.1.2	*Amounts paid and change in technical reserves*	542.410	435.736	125.247	146.864	0	0	0	0	-2.171	925	665.486	583.525
2.1.3	*Reinsurers' share*	-16.054	-15.121	-844	-1.746	0	0	0	0	0	0	-16.898	-16.867
2.2	Commission expense	0	0	75	64	0	0	0	0	0	0	75	64
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	1.651	3.999	0	0	1.622	897	0	0	0	0	3.273	4.896
2.4	Losses on other financial instruments and investment property	3.372	257	8.903	992	3.286	2.851	20	3	0	0	15.581	4.103
2.5	Operating costs	182.406	152.183	16.099	18.206	7.865	7.589	2.324	1.625	-6.433	-4.354	202.261	175.249
2.6	Other costs	19.485	11.585	2.735	844	1.681	2.259	3.760	2.042	0	0	27.661	16.730
2	TOTAL COSTS	733.270	588.639	152.215	165.224	14.454	13.596	6.104	3.670	-8.604	-3.429	897.439	767.700
	PROFIT FOR THE YEAR BEFORE TAXATION	52.859	30.654	9.024	11.539	-4.391	7.609	147	255	-23	-4.014	57.616	46.043

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Translation reserve	-263	345	-	-	-	-	- 263	345	0	0	-115	148
Fair value reserve	-52.688	-14.045	6.006	- 4.222	-	-	- 46.682	- 18.267	-10.564	-6.019	-39.314	7.368
Hedging reserve	0	0	-	-	-	-	-	-	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0	-	-	-	-	-	-	0	0	0	0
Reserve for changes in the equity of investees	-36	56	-	-	-	-	- 36	56	0	0	70	106
Intangible asset revaluation reserve	0	0	-	-	-	-	-	-	0	0	0	0
Property, plant and equipment revaluation reserve	0	0	-	-	-	-	-	-	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0	-	-	-	-	-	-	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	0	0	-	-	-	-	-	-	0	0	0	0
Other reserves	0	0	-	-	-	-	-	-	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	-52.987	-13.644	6.006	-4.222	0	0	-46.981	-17.866	-10.564	-6.019	-39.359	7.622

Breakdown of financial assets

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Equity and derivative instruments measured at cost	0	0	0	0	14.105	17.229	0	0	0	0	14.105	17.229
Equity instruments at fair value	0	0	0	0	20.001	26.280	0	0	5.371	8.379	25.372	34.659
of which listed	0	0	0	0	12.451	18.812	0	0	5.371	8.379	17.822	27.191
Debt securities	98.047	96.334	0	0	1.233.374	1.212.180	2.787	4.828	21.208	30.739	1.355.416	1.344.081
of which listed	95.901	93.983	0	0	1.233.374	1.212.180	2.787	4.828	21.208	30.740	1.353.270	1.341.731
OEIC units	0	0	0	0	6.142	10.282	0	0	31.230	34.854	37.372	45.136
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	225	249	0	0	0	0	0	0	225	249
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	27.347	27.072	0	0	0	0	0	0	27.347	27.072
Non-hedging derivatives	0	0	0	0	0	0	0	844	0	0	0	844
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	10.415	16.457	0	0	0	0	6.440	3.717	16.855	20.174
Total	98.047	96.334	37.987	43.778	1.273.622	1.265.971	2.787	5.672	64.249	77.689	1.476.692	1.489.444

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Financial and investment gains and losses/costs

(€/000)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses HY2010	Net gains and costs/losses HY2009
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		52.306	7.439	2.944	14.560	2.166	69.195	675	0	7.009	11.481	-17.815	51.380	54.630
a	Investment property	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Investments in subsidiaries and associates and interests in joint ventures	0	6.524	2.389	0	0	4.135	0	0	0	884	-884	3.251	-4.349
c	Held to maturity investments	4.402	0	0	0	0	4.402	0	0	0	0	0	4.402	4.290
d	Loans and receivables	800	0	0	0	0	800	0	0	1	0	-1	799	935
e	Financial assets available for sale	45.775	412	0	13.163	494	58.856	0	0	0	10.597	-10.597	48.259	47.287
f	Financial assets held for trading	34	0	0	88	0	122	39	0	18	0	21	143	279
g	Financial assets at fair value through profit or loss	1.295	503	555	1.309	1.672	880	636	0	6.990	0	-6.354	-5.474	6.188
Other receivables		714	0	0	0	0	714	0	0	0	0	0	714	529
Cash and cash equivalents		1.895	0	0	0	0	1.895	0	0	0	0	0	1.895	735
Financial liabilities		-4.489	0	0	0	0	-4.489	0	0	-5.474	0	5.474	985	-10.157
a	Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	-5.474	0	5.474	5.474	-6.188
c	Other financial liabilities	-4.489	0	0	0	0	-4.489	0	0	0	0	0	-4.489	-3.969
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		50.426	7.439	2.944	14.560	2.166	67.315	675	0	1.535	11.481	-12.341	54.974	45.737

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Non-life reserves	1.017.393	880.066	810	873	1.018.203	880.939
Premium reserve	320.640	275.053	54	29	320.694	275.082
Claims reserve	696.344	604.604	756	844	697.100	605.448
Other reserves	409	409	0	0	409	409
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	743.570	772.652	238	260	743.808	772.912
Reserve for payable amounts	23.355	28.109	13	12	23.368	28.121
Mathematical reserves	733.503	725.747	221	244	733.724	725.991
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	-13.288	18.796	4	4	-13.284	18.800
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	-25.750	5.801	0	0	-25.750	5.801
Total technical reserves	1.760.963	1.652.718	1.048	1.133	1.762.011	1.653.851

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Non-life reserves	**56.158**	**51.595**	**287**	**382**	**56.445**	**51.977**
Premium reserve	13.372	12.475	0	1	13.372	12.476
Claims reserve	42.786	39.120	287	381	43.073	39.501
Other reserves	0	0	0	0	0	0
Life reserves	**16.770**	**21.602**	**0**	**0**	**16.770**	**21.602**
Reserves for payable amounts	0	373	0	0	0	373
Mathematical reserves	16.753	21.207	0	0	16.753	21.207
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	17	22	0	0	17	22
Total reinsurers' share of technical reserves	**72.928**	**73.197**	**287**	**382**	**73.215**	**73.579**

Breakdown of financial liabilities

(€/000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	307	0	307
Liabilities from financial contracts issued by insurers arising from:	0	0	64.249	77.689	0	0	64.249	77.689
Contracts where policyholders bear investment risk	0	0	53.847	67.059	0	0	53.847	67.059
Pension-fund management	0	0	10.402	10.630	0	0	10.402	10.630
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	24.418	27.662	24.418	27.662
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	260.599	263.399	260.599	263.399
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	5.415	11.457	5.415	11.457
Total	0	0	64.249	77.689	290.432	302.825	354.681	380.514

Breakdown of financial assets and liabilities by level

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
Financial assets Available for sale		1.251.966	1.241.274	7.551	7.468	14.105	17.229	1.273.622	1.265.971
Financial assets at fair value through profit or loss	Financial assets held for trading	2.787	5.672	-	-	-	-	2.787	5.672
	Financial assets at fair value through profit or loss	64.249	77.689	-	-	-	-	64.249	77.689
Total		1.319.002	1.324.635	7.551	7.468	14.105	17.229	1.340.658	1.349.332
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	61.464	74.168	2.785	3.521	-	-	64.249	77.689
Total		61.464	74.168	2.785	3.521	-	-	64.249	77.689

Detail of changes in financial assets and liabilities allocated to Level 3

(€/000)

	Financial assets			Financial liabilities at fair value through profit or loss	
		Financial assets at fair value through profit or loss			
	Financial assets Available for sale	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	17.229				
Purchases/ Issues	96				
Sales/Repurchases	0				
Redemptions	0				
Gains or losses charged to profit and loss	-3.220				
Gains or losses charged to other comprehensive income	0				
Moves to Level 3	0				
Moves to other Levels	0				
Other changes	0				
Closing balance	14.105				

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Detail of reclassified financial assets and impacts on profit and loss and on other comprehensive income

(€/000)

Reclassified Financial assets categories		Activity class	Amount of Financial assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2010 of reclassified assets		Fair Value at 31/12/2010 of reclassified assets		Reclassified Assets during 2011		Reclassified Assets up to 2011		Reclassified Assets during 2011		Reclassified Assets up to 2011	
				Reclassified Assets during 2011	Reclassified Assets up to 2011	Reclassified Assets during 2011	Reclassified Assets up to 2011	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification
from	to														
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

Detail of insurance technical items

(€/000)

		31/12/2011			31/12/2010		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		764.421	25.615	738.806	625.761	32.993	592.768
a	Premiums written	810.030	26.510	783.520	674.248	35.823	638.425
b	Change in premiums reserve	45.609	895	44.714	48.487	2.830	45.657
NET CLAIMS COSTS		542.410	16.054	526.356	435.736	15.121	420.615
a	Amounts paid	465.081	12.762	452.319	399.457	21.861	377.596
b	Change in claims reserves	91.646	3.569	88.077	55.899	-4.810	60.709
c	Change in recoveries	14.317	277	14.040	16.255	1.930	14.325
d	Change in other technical reserves	0	0	0	-3.365	0	-3.365
Life business							
NET PREMIUMS		126.029	1.269	124.760	141.747	1.823	139.924
NET CLAIMS COSTS		125.247	844	124.403	146.864	1.746	145.118
a	Amounts paid	129.725	5.676	124.049	133.354	466	132.888
b	Change in reserve for amounts to be paid	-4.753	-373	-4.380	8.622	0	8.622
c	Change in mathermatical reserves	5.504	-4.454	9.958	4.118	1.281	2.837
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	0	0	0	0	0	0
e	Change in other technical reserves	-5.229	-5	-5.224	770	-1	771

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/11	31/12/10	31/12/11	31/12/10
Gross commissions and other acquisition costs		167.056	142.542	12.669	14.345
a	Acquisition commissions	119.667	102.233	6.291	7.418
b	Other acquisition costs	37.911	32.694	6.754	5.985
c	Change in deferred acquisition costs	426	198	-1.590	-214
d	Premium collection commissions	9.052	7.417	1.214	1.156
Profit participation and other commissions received from reinsurers		-7.926	-8.611	-60	-324
Investment management costs		439	344	404	337
Other administrative costs		22.837	17.908	3.086	3.848
Total		182.406	152.183	16.099	18.206

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2011

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	517.749	-	517.749
Other items of property, plant a	10.353	-	10.353
Other intangible assets	37.164	-	37.164

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10
On-balance sheet assets	53.847	67.059	10.402	10.630	64.249	77.689
Infragroup assets *	0	0	0	0	0	0
Total assets	53.847	67.059	10.402	10.630	64.249	77.689
On-balance sheet liabilities	53.847	67.059	10.402	10.630	64.249	77.689
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	53.847	67.059	10.402	10.630	64.249	77.689

* Assets and liabilities eliminated in consolidation process

Management Attestation

Attestation of consolidated annual financial statements pursuant to Article 82/3 of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Roberto Guarena (as Managing Director) and Mario Ravasio (as the Manager Charged with preparing the financial reports), of Vittoria Assicurazioni S.p.A., taking into consideration Article 154-bis (subparagraph 3 and 4) of Italian Legislative Decree February 24th 1998 n.58, do hereby certify:

   - the adequacy in relation to the Legal Entity features and
   - the actual application

of administrative and accounting procedures for formation of consolidated financial statements during the period 1 January 2011 - 31 December 2011.

2. In this respect no remarks emerged besides what already reported in Director's report to the Consolidated financial report as at 31 December 2011.

3. The undersigned also certify that:

3.1 The consolidated financial statements as at 31 December 2011:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no.1606/2002 of July 19, 2002;

b) correspond to results of the books and accounts records;

c) are suitable to provide a fair and correct representation of the situation of the assets and liabilities, the economic and financial situation of the issuer and the group of companies included in the scope of consolidation.

3.2 The directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group companies included in the scope of consolidation and a description of the main risks and uncertain situation to which they are exposed.

Milan, 13 March 2012

Roberto Guarena
Managing Director

Mario Ravasio
Manager Charged with preparing the financial reports

Report of Independent auditors

BDO

Tel: +39 0229062098
Fax: +39 026575867
www.bdo.it

Largo Augusto, 8
20122 Milano
milano@bdo.it

Report of the auditors in accordance with articles 14 and 16 of legislative decree n. 39 of 27 January 2010 and article 102 of legislative decree n. 209 of 7 September 2005

(This report has been translated from the original Italian text which was issued in accordance with the Italian legislation)

To the shareholders of
Vittoria Assicurazioni S.p.A.

1. We have audited the consolidated financial statements of Vittoria Assicurazioni S.p.A. and its subsidiaries (Vittoria Assicurazioni Group) as of and for the year ended 31 December, 2011, which comprise the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to financial statements. These consolidated financial statements, prepared in accordance with International Reporting Standards as adopted by the European Union and the Regulation issued to implement art. 90 of Legislative Decree n. 209/2005, are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of prior year, which figures are presented for comparative purposes, reference should be made to our auditor's report issued on 28 March, 2011.

3. In our opinion, the consolidated financial statements of Vittoria Assicurazioni S.p.A. as at and for the year ended 31 December, 2011 comply with the International Financial Reporting Standards adopted by European Community governing their preparation, and with the regulation issued to implement art. 90 of Legislative Decree n. 209/2005; therefore they are clearly stated and give a true and fair view of the financial position, the results of operations and the cash flows of Vittoria Assicurazioni Group for the year then ended.

4. The Directors of Vittoria Assicurazioni S.p.A. are responsible for the preparation of the report on operations and the annual report on Corporate Governance included in the Section "Governance" of the Vittoria Assicurazioni S.p.A. website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on Corporate Governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on Corporate Governance are consistent with the consolidated financial statements of the Vittoria Assicurazioni Group as of 31 December, 2011.

Milan, 28 March, 2012

Signed by: BDO S.p.A.

Francesca Scelsi
(Partner)