Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA CALDERA, 21 - 20153 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

89th year of business

Consolidated financial report as at 31 December 2010

Board of Directors' meeting of 14 March 2011

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

On 23 October 2010 Mr Ferruccio Araldi, statutory auditor of the Vittoria Assicurazioni died. The board of directors and the board of statutory auditors bring to mind his human quality, moral capability and professional ability with great emotion and regret.

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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
Massimo ANTONARELLI *	Independent director
Francesco BAGGI SISINI	Independent director
Marco BRIGNONE	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

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

GENERAL MANAGEMENT

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

INDEPENDENT AUDITOR

BDO S.p.A.

* Appointed by the shareholders' meeting of 29 April 2011

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

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

For some time now recovery of the global economy has been progressing at good rates, even although unemployment remains high in many countries.
In the third quarter of 2010 global GDP grew at an annualized rate of over 3.5%, lower than the 5% YoY growth experienced in the second quarter of 2010, but higher than the expectations announced in the latter months of the previous year (source: International Monetary Fund).
This growth – fuelled mainly by private consumer spending, which the recent crisis had severely dampened – has been driven by the economies of emerging countries. In developed countries the situation is more variegated and situations of high growth (Japan and Germany) co-exist with others where the economy does not yet seem to have got off to a definite renewed start (Italy and above all Spain).
At any rate, with the ongoing consolidation of financial markets and gradual reduction of household and corporate debt, economic growth in OECD countries is expected to continue in the period 2011-2012.
The most delicate aspect will presumably be the way in which transition is managed from a phase of public support of the economy to one in which growth is self-fuelling.

In the United States economic growth suffered slowdown compared with the positive trend that started in the second half of 2009.
Fiscal stimulus of the economy continues to be major, even although it is expected that it will be gradually attenuated in the next few quarters. Moderate GDP growth is expected in the period 2011-2012, at a rate of around 3% (source: International Monetary Fund).
The Federal Reserve should continue to support, at least for as long as inflation remains under control and resource utilization well below the maximum level.
The assumed orientation of the Federal Reserve was confirmed in the decision taken in the last FOMC meeting, held on 26 January 2011, based on which the official discount rate – currently between 0% and 0.25% - was left unchanged.

In Europe growth remained more gradual and was mainly driven by exports together with growth of consumer spending and investments – with all this set in a general climate of greater confidence and improvement of financial markets’ conditions.
2010 GDP growth is expected to come in at 1.8% (source: International Monetary Fund).
The Eurozone’s growth prospects seem to be in line with those forecast for the global economy. According to a survey performed by the European Central Bank (ECB), the assumption is economic growth of 1.6% in 2011 and 1.7% in 2012.
The International Monetary Fund’s forecasts are substantially aligned with the above assumptions.
At the same time, however, there are increasing expectations of a revival of inflation, mainly because of the trend in energy prices.
At its last meeting on 3 February 2011, however, the ECB announced its decision not to change the official interest rates for main refinancing operations (MRO), leaving them at the present level of 1%.

As regards Italy, after a long period of recession, 2010 should have ended with GDP growth of around 1%. Moderate revival is project, able to lead to economic growth, in 2011 and 2012, of 1% and 1.5% respectively (source: International Monetary Fund).

The need is confirmed for implementation of those structural reforms able to lend greater credibility to the country as a whole and permit achievement of the objective of reining in the deficit to below the threshold of 3% of GDP.
Unemployment in any case remains high and the rate of inflation has hit new peaks, even although it is expected to slow down in the next few months.

Financial markets' data recorded in 2010 featured substantially unchanged performance as regards the bond market (FTSE Italy Govt. Performance = -0.6%), whereas the equity market featured considerable contraction (FTSE MIB index = -13.2%).
The Euro's trend featured progressive weakening against the main global currencies – a trend interrupted only recently – and particularly against the USD.

As regards the Italian **insurance market**, it is noted that premiums (based on Italian GAAPs) as up to 30 September 2010 (the latest data available)featured the following changes, compared with those of Vittoria Assicurazioni (source: ISVAP – the Italian supervisory authority for insurance:

Segment	Change Market 30/09/10 vs. 30/09/09	Change Vittoria Assicurazioni 31/12/10 vs. 31/12/09
Life	+22.9%	+12.1%
Non-Life	-2.6% (*)	+24.5%
Of which Motor TPL	-1.1% (**)	+27.1%

(*) and (**): the two percentages would be 1.8% and 3.4% respectively excluding the exit from the Italian direct business portfolio of an Italian company and of an agency in Italy of a non-EES (European Economic Space) company, whose portfolios were totally assigned to two agencies in Italy of EES companies.

During 2010 the Italian **real estate market** again went through an uncertain phase. While the trend in the first six months of the year was positive, showing recovery over previous years, the second half – and in particular the last quarter of the year – featured a certain degree of market regression.

The real estate market in any case ended 2010 showing recovery vs. the past, albeit in a tough macroeconomic environment. With the critical phase of the crisis over, the majority of market indicators showed a certain degree of recovery, albeit slow. But because of the general economic scenario, development of this recovery remains uncertain.

Based on the strategy established by the Finance Committee and Real Estate Committee, the Group has directed by far the largest part of its investments to low-risk bonds and has set quantitative limits for investments in the real estate sector for which, at present, preference is given to real estate promotion operations.

Vittoria Assicurazioni Group Performance

The net profit reported on the consolidated financial statements attributable to the parent's shareholders was € 27,051 thousand (+86.1% as compared with the previous year's consolidated profit, which amounted to € 14,533 thousand).

From FY2010 onwards, the Group is applying the interpretation IFRIC 15 – "Agreements for the construction of real estate" – for the valuation of real estate under construction, according to which agreements for real-estate construction by the Group do not come within the scope of IAS 11 (Construction Contracts). Given this, real-estate trading profits are now recognized at the time of the notarial deed of sale, rather than according to building completion status.
Comparative data as at December 2009 shown in this report have been restated consistently with application of IFRIC 15. Related impact is illustrated in a specific section of the explanatory notes to accounts.

Profit for the insurance business, before tax and intercompany eliminations, was € 42,193 thousand (€ 31,694 thousand at 31 December 2009, increasing by +33.1%).

Written premiums in 2010 amounted to € 815,995 thousand (€ 668,449 thousand at 31 December 2009), recording a significant increase (+22.1%). This increase was achieved mainly thanks to the significant strengthening of the agency network, implemented within the established development plan, (41 new Agencies opened in 2010) and thanks to the continuous attention dedicated to the "Affinity Groups".

The real estate business achieved a pre-tax profit of € 7.609 thousand, as opposed to a pre-tax loss of € -8,096 thousand in 2009, following the start of concrete extraction of value from the investments made in previous years. Profits on the volume of sales completed with notarial deeds in 2010 in fact totalled € 16,087 thousand vs. € 1,067 thousand in 2009. This contribution to operating results made it possible to attribute a significant share of these profits to life policyholders.

Private equity investments made by associate companies led to a loss of € -2,616 thousand (vs. a loss of € -860 thousand in 2009).

Of investments totalling € 2,144,150 thousand (+1.8% vs. the situation at 31 December 2009), € 77,689 thousand (-2.4%) referred to investments with risk borne by policyholders and € 2,066,461 thousand (+2.0%) to investments with risk borne by the Group.

Net investment income, relating to investments with risk borne by the Group, amounted to € 62,211 thousand vs. € 45,076 thousand in 2009 (+38.%). The increase was mainly contributed by the real estate segment, thanks to the profits made on sales as described above, whereas the insurance segment's net investment income remained substantially the same as in the previous FY.

Equity attributable to parent company shareholders amounted to € 354,837 thousand, up by +0.5% vs. € 353,088 thousand reported at 31 December 2009.

The following table shows the different businesses contribution to the Profit attributable to parent company shareholders:

Reclassified Profit and Loss by business segment	31/12/10	31/12/09	change (€/000)
Non life business - Gross Insurance Result (excluding investments result)	14,185	3,648	+288.8%
Non life business - Gross Investments Result (excluding Yam and Private Equity)	20,030	19,362	+3.5%
Life business - Gross Insurance Result (including Investments Result)	11,539	9,528	+21.1%
Gross Insurance business Result	45,754	32,538	+40.6%
Consolidation adjustments: dividends and interests from Real estate business	(3,059)	(5,422)	-43.6%
Real estate business: taxes	(14,694)	(9,968)	+47.4%
Insurance business net contribution to Profit attributable to parent company shareholders	28,001	17,148	+63.3%
Gains on property trading	16,087	1,067	+1,407.7%
Real estate service revenues	2,129	1,411	+50.9%
Real estate business net costs	(10,607)	(10,574)	+0.3%
Gross Real estate business Result	7,609	(8,096)	n.s.
Taxes and minority interests	(4,589)	2,327	n.s.
Net Real estate business Result	3,020	(5,769)	n.s.
Net profit attributable to Life business Policyholders	(925)	4,368	n.s.
Tax on profit attributable to Life business Policyholders	368	(587)	n.s.
Real estate business net contribution to Profit attributable to parent company shareholders	2,463	(1,988)	n.s.
Yam Invest net contribution to Profit attributable to parent company shareholders	(1,003)	17	n.s.
Private equity net contribution to Profit attributable to parent company shareholders	(2,558)	(861)	+197.1%
Service business net contribution to Profit attributable to parent company shareholders	148	217	-31.8%
Net Profit attributable to parent company shareholders	27,051	14,533	+86.1%

As up to 31 December 2010 the direct operating parent company, Vittoria Assicurazioni S.p.A., showed a net profit – based on Italian GAAPs – of € 29,256 thousand (vs. € 24,290 thousand in 2009). This result didn't benefit from the possibility granted by the "Decreto Anticrisi" (Law Decree 185/2008, converted in Law 2/2009 and subsequent modifications) and includes € 2,442 thousand as net unrealised losses (€ 2,442 thousand as net unrealised gains were recorded in FY2009).

In February 2010, having obtained the necessary authorization from the ISVAP (the Italian supervisory authority for insurance) and availing itself of Article 9.2 of the related Regulation, Vittoria Assicurazioni announced early repayment, on 1 January 2011, of the bonds "Vittoria Assicurazioni S.p.A. Fixed/Floater 2001/2016 Subordinated Loan Convertible into Ordinary Shares" still outstanding.
As envisaged by the loan's Regulation, bondholders were allowed to request, as an alternative to repayment and by the deadline of 27 December 2010, conversion into Vittoria Assicurazioni shares, at a ratio of 2 newly issued shares for each bond. At the end of the conversion period 60,538 bonds remained, for a total par value of € 290,582.40. These bonds were reimbursed at par with payment of interest accrued at a pre-tax rate of 5.5%.
Upon conclusion of the operation, the share capital of Vittoria Assicurazioni S.p.A. amounted to € 67,378,924 fully subscribed and paid in.

The companies forming the Group are listed in the chapter "Explanatory notes" – Table A) Investments consolidated line by line.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to € 42,193 thousand (€ 31,694 thousand as at 31/12/2009 increasing by +33.1%). The key operating items contributing to the period's result are described below.

Total insurance premiums at 31 December 2010 amounted to € 817,539 thousand (+21.8% vs. premiums of € 671,307 thousand in 2009), of which € 815,995 thousand for insurance premiums written and € 1,544 thousand for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.
Direct Life insurance premiums amounted to € 141,746 thousand, with a +12.1% YoY increase.

Returns on separately managed businesses were positively influenced by the parent company's financial policy. Besides low-risk investments made in the market, this policy is also directed towards real estate initiatives undertaken via the Group's specialised companies.

The returns realised were as follows:

- Vittoria Rendimento Mensile: 4.04%
- Vittoria Valore Crescente: 4.93%
- Vittoria Liquinvest: 4.42%
- Vittoria Previdenza: 4.03%

Revenues for investment contracts (life policies of a financial nature) fell from € 2,858 thousand to € 1,544 thousand (-46.0%) 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 and casualty) insurance premiums amounted to € 674,173 thousand, with a +24.5% YoY increase.

Motor premiums written increased by 7.5%. More specifically, the land vehicle hulls branch rose by 10.3%, due to consolidation of the commercial agreements in place. The motor TPL (third-party liability) line reported a 6.7% increase in premiums, due to a significant increase in the number of vehicles/year insured, even if the average premium continues to decrease this year too. Contributing to this growth were the constant attention dedicated to affinity groups and strengthening of the commercial organisation through the opening of 32 new sales outlets.
Direct Non-Marine premiums decreased by 2.0%: premiums are decreasing as a consequence of a severe underwriting policy in the Credit Protection line of business, undertaken in light of the unemployment rate increase.
Premiums for Speciality lines (i.e. marine and transport, aviation, and credit and suretyship) increased by 18.9%.
Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 8.9% (9.9% in 2009): the decrease was reached thanks to a severe cost control.
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 € 547 thousand (€ 1,523 thousand last year), which is offset by costs of € 4,896 thousand (€ 2,720 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.

Real Estate Business

The profit in the real estate business, before taxes and inter-segment eliminations, amounted to € 7,609 thousand (against a loss of € 8,096 thousand as at 31 December 2009) and featured contributions to the income statement that, before inter-segment eliminations, included:

- trading income on properties and development for a total of € 16,087 thousand (€ 1,067 thousand at 31 December 2009);
- real estate brokerage and management service revenues of € 954 thousand and administrative, contractual and technical service revenues of € 1,175 thousand, for a total of € 2,129 thousand (€ 1,411 thousand in 2009);
- interest expenses of € 2,851 thousand (€ 3,401 at 31 December 2009);
- profits on the volume of sales of € 16,087 thousand (€ 1,067 thousand in 2009).

The net debt of the real estate business was € 232,912 thousand (€ 250.389 thousand at 31 December 2009); the decrease in mainly due to the sales made during the year.

Service Business

This segment showed a profit, before tax and minority interest, of € 255 thousand (€ 359 thousand at 31 December 2009).
Revenues for services rendered and commissions received by Group companies, before elimination of inter-company services, totalled € 3,909 thousand (€ 3,433 thousand at 31 December 2009).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled € 354,837 thousand (+0.5%) and minority interests amounted to € 26,108 thousand (+2.4%), € 353,088 and € 25,488 thousand respectively at 31 December 2009.

The current level of capitalisation is in line with that of major European insurance companies, thanks in part to the positive results for FY 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.

The operating plans made to achieve strategic objectives envisage business results that render the proposed increase in dividends realistic.

Proposed dividend per share

The board of directors of the parent company submits the following allocation of the year's earnings, equal to 29,255,676 euro, as follows:

To Legal Reserve	Euro	1,462,784
To Available Reserve	Euro	16,338,475
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 (€11,184,121 in FY 2009).
After approval by shareholders, dividend distribution will be recognised in the 2011 statutory accounts.

Insurance business

Review of performance

In consolidated financial statements premiums are shown net of index- and unit-linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund, as these revenues do not qualify as premiums as defined by IFRS 4. The revenues in question amounted to € 1,544 thousand (€ 2,858 thousand in 2009).
Premiums as up to 31 December 2010 thus amounted to € 815,995 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

(€/000)

	Year 2010	Year 2009	YoY change %	% of total book 2010	% of total book 2009
Domestic direct business					
Life business					
I Whole- and term life	107,019	93,996	13.9	13.1	14.1
IV Health (long-term care)	333	346	-3.8	0.1	0.1
V Capitalisation	34,394	32,093	7.2	4.2	4.8
Total Life business	141,746	126,435	12.1	17.4	18.9
Non-Life business					
Total non-marine lines (exc. specialty and motor)	169,969	147,239	15.4	20.8	22.0
Total specialty lines	21,212	14,376	47.6	2.6	2.2
Total motor lines	482,992	379,904	27.1	59.2	56.8
Total Non-Life business	674,173	541,519	24.5	82.6	81.0
Total direct business	815,919	667,954	22.2	100.0	99.9
Domestic indirect business					
Life business	1	1	0.0	0.0	0.0
Non-Life business	75	494	-84.8	0.0	0.1
Total indirect business	76	495	-84.6	0.0	0.1
Grand Total	815,995	668,449	22.1	100.0	100.0

As from the current financial year the Company operates in France on the basis of the free-provision-of-services regime.

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 premiums written amounted to € 141,746 and are broken down as follows:

- 70.0% for single premiums, totalling € 99,208 thousand (they were 67.9%, or € 85,786 thousand at 31 December 2009);

- 30.0% for recurrent premiums, totalling € 42,538 thousand (they were 32.1%, or € 40,649 thousand at 31 December 2009);

In 2010 the funds relating to separately managed businesses achieved the following returns:

(€/000)

	Average rate of return	Total investments
Vittoria Rendimento Mensile	4.04%	386,884
Vittoria Valore Crescente	4.93%	220,752
Vittoria Liquinvest	4.42%	6,782
Vittoria Previdenza	4.03%	3,053

The rate of return allocated to policyholders complies with the specific contractual terms stipulated. As done in previous years, in 2010 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 2010, compared with data for the same period in the previous year.

(€/000)

	31/12/2010	31/12/2009
Claims	21,502	16,661
Accrued capital sums & annuities	87,270	62,029
Surrenders	33,114	25,178
Total	141,886	103,868

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 FY10 ceded premiums amounted to € 1,823 thousand (€ 2,213 thousand at 31 December 2009).

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business, which merely records changes occurring in the related portfolio.

Non-Life business

Technical performance

Technical performance shows a loss ratio and a combined ratio for retained business of 71.5% and 97.6% respectively, as compared with 73.4% and 99.6% in FY2009. Based on this, the following considerations can be made for the various lines.

NON-MARINE BUSINESSES

Overall, Non-Marine businesses' premiums grew by +15.4%, thanks also to the increase in the number of agencies active in Italy and to the development policy implemented vis-à-vis Motor-only customers.
The technical result was positive, the fruit of constant attention paid to the selection of risks, portfolio revision, and to a careful price policy.

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 (+23.6% vs. +11.9%). The technical result of direct business showed improvement, notwithstanding an increase in the average cost of current-generation claims, caused by a higher share of peak claims.
Health: the business featured an 8.6% increase in premiums vs. 11.5% in the previous year, mainly relating to the termination of collective policies featuring heavily negative technical performance. The technical result improved thanks both to the revision of risks on the books and to more accurate quantification of ageing reserves.
Fire and natural events: the business showed an increase in premiums written (+16.3% vs. +5.3% in the previous FY) and improvement of the technical result of direct business thanks to a lower impact of risks relating to electrical events.
Other asset damage: premiums, which include cover of the risks of theft and burglary, hail, damage to electronic equipment and technological damage, featured a clear increase of +21.7% vs. the slight increase experienced in this business in the previous year (-0.6%). Technical performance improved over the previous FY.
General TPL: premiums grew by 13.0% (vs. +2.1% in the previous year). The technical balance showed improvement thanks to a prudent underwriting policy, revision of risks on the books, and tight management of claims.
Pecuniary loss: the business featured a -5.5% decrease in premiums (vs. -36.1% in the previous year) due to the reduction of contracts relating to Salary-Backed Loans, which have been classified in the Credit category, as required by ISVAP Regulation no. 29 of 16 March 2009.
The rate of claims in job-loss risk reflected the effects of the macroeconomic scenario in the last two FYs, featuring reduction of employment levels and significant use of the subsidized temporary lay-off system (Cassa Integrazione Guadagni). The underwriting policy applied as from 2008 to employees in the private sector enabled us to limit the adverse effects of the employment crisis. The technical result featured a positive balance with improvement of € 3,414 thousand compared with the previous FY thanks to the performance of other guarantees.
Legal protection: premiums of this business grew by +15.5% (vs. +1.7% in the previous year). The technical result remained positive.

SPECIALTY BUSINESSES

Specialty businesses showed premium growth of +47.6% (+18.9% in the previous FY) with a technical result showing deterioration vs. previous FYs. Specifically:

Credit: the category comprises risks relating to Salary-Backed Loans for which the right of recourse against the insured has been retained. Growth of premiums written in the category was mainly due to completion of the effects of ISVAP Regulation no. 29 of 16 March 2009 – which had only a partial effect in FY2009 – involving different classification in the Credit category of risks previously allocated to the Pecuniary Loss category. The new price policy adopted also contributed to premium growth.

Bond insurance: premiums written increased by +10.0% (vs. +3.5% in the previous FY) the premiums written increased by +10.0% (vs. +3.5% in the previous FY). Notwithstanding continuation of a phase of economic slowdown, with particular repercussions on the sector of public works contracting and VAT reimbursement, the disappearance of some players in the category made it possible to acquire new customers via the dedicated broker unit.

The technical result was positive notwithstanding the increase of claims relating to warranties given to the purchasers of buildings, as per Italian Law 210/2005 – caused by the growing number of companies in the real estate industry that are in difficulty.

Aircraft hulls – Aviation TPL: premiums written for these categories featured a decrease of -93.7%, primarily caused by discontinuation of underwriting of space risks.

Watercraft hulls (sea, lake and river) and railway rolling stock: premiums decreased by -29.2%, the result of more caution in underwriting such risks, while the technical result showed improvement.

Goods in transit: premiums written decreased by -14.0% (vs. +10.7% in the previous FY). The technical result remained negative.

MOTOR BUSINESSES

Motor business featured +27.1% growth of premiums written (+7.5% in the previous FY) with a positive overall technical result. Specifically:

Motor vehicle and watercraft (sea, lake and river) TPL: premiums written grew by +28.7% (vs. +6.7% in the previous FY) thanks to the inauguration of new agencies, strengthening of sales networks and development of affinity groups. Selective underwriting, price policies and proper management of claims made it possible to maintain a retained technical result in terms of operating ratio, net of income calculated on assets assigned to the technical reserves, of 99.9% (vs. 100.1% as at 31.12.2009).

Land motor vehicle hulls: premiums grew by +18.7%, more than in the previous FY. Contributors to the result were application of an underwriting policy particularly attentive to linking ancillary cover to Motor TPL and further development of affinity groups. The technical result was positive, showing further improvement over the previous FY, also thanks to the lower impact of claims relating to weather-related cover.

Assistance: premiums grew by +37.8%, more than in the previous FY (+17.7%). The technical result was positive.

Premiums

Premiums written for direct business in FY10 amounted to € 674,173 thousand (vs. € 541,519 thousand in FY09), with growth of +24.5% YoY.

Claims

Reported claims

The following chart, concerning reported claims, has been prepared using data from positions opened during FY10. Data are compared with those for FY09:

(€/000)

	31/12/2010		31/12/2009		Change %	
	number	total cost	number	total cost	number	total cost
Total non-marine businesses	62,224	100,706	53,441	96,248	16.4	4.6
Total Special businesses	865	6,704	561	23,536	54.2	-71.5
Total motor businesses	137,424	361,792	113,664	293,336	20.9	23.3
Total non-life businesses	**200,513**	**469,202**	**167,666**	**413,120**	**19.6**	**13.6**

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	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Accident insurance	49.35	57.78	68.78	73.43
Health insurance	85.84	86.43	64.47	82.68
Motor vehicle hulls	82.65	84.49	81.51	86.82
Fire and natural events	79.53	83.46	79.29	80.66
Miscellaneous damages - theft	81.64	87.82	88.67	87.19
Third-party motor liability	69.89	74.22	66.07	72.24
Third-party general liability	60.65	70.45	33.97	36.78

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

(€/000)

		31/12/10		31/12/09	
Branch	Claim handling Type	Number	Total cost	Number	Total cost
Motor TPL - land	K-for-K - liable	62,016	129,949	53,734	105,072
Motor TPL - land	K-for-K - originator	73,813	175,439	62,610	154,288
Motor TPL - land	Non K-for-K claims	27,086	150,236	21,464	112,512
Motor TPL - watercraft	Non K-for-K claims	43	146	70	286
Total Motor T.P.L. claims handled		162,958	455,771	137,878	372,159

The parent company received 97,343 claims (80,792 at 31 December 2009: +20.4%), against which € 144,700 thousand will be recouped from other insurance companies (€125,320 thousand at 31 December 2009:+15.5%), on the basis of the lump-sum rate schedule defined by the Ministerial Technical Committee pursuant to Article 13 of Presidential Decree 254/2006.

<u>Claims paid</u>

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 31/12/2010			Claims recovered from reinsurers	Claims paid 31/12/2009			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
Total non-marine businesses	44,735	44,818	89,553	13,099	45,297	47,226	92,523	-3.2
Total Special businesses	2,110	9,237	11,347	4,823	5,700	3,472	9,172	23.7
Total motor businesses	150,416	143,029	293,445	3,939	125,009	138,735	263,745	11.3
Total non-life businesses	197,261	197,084	394,345	21,861	176,006	189,433	365,439	7.9

The cost includes the amount incurred in FY10 for the contribution to the guarantee fund for road-accident victims. This totalled € 9,156 thousand vs. € 7,243 thousand in FY09.

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 2001 to 2010, 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Cumulative claims cost											
At the end of year of event	190,338	197,900	230,661	285,648	293,743	301,296	324,196	349,709	403,347	440,586	3,017,424
1 year later	199,449	204,538	224,138	277,707	290,299	295,520	317,409	355,348	399,053		
2 years later	197,462	205,692	225,790	279,665	288,532	298,210	307,669	355,595			
3 years later	198,321	208,698	228,955	284,964	285,941	296,479	306,379				
4 years later	200,766	212,067	232,206	289,927	285,398	298,571					
5 year later	205,484	213,331	235,608	290,828	285,716						
6 years later	206,011	216,983	239,501	291,144							
7 years later	209,215	216,004	241,500								
8 years later	209,513	216,712									
9 years later	211,542										
Cumulative claims cost at 31 December 2010	211,542	216,712	241,500	291,144	285,716	298,571	306,379	355,595	399,053	440,586	3,046,798
Total cumulative claims paid in 2010	196,976	202,518	224,260	259,779	268,253	271,704	270,803	293,002	283,384	189,360	2,460,039
Claims paid in 2010	2,114	4,899	6,165	5,091	9,472	7,873	13,684	30,914	113,655	189,360	383,227
Claims reserve at 31 December 2010	14,566	14,194	17,240	31,365	17,463	26,867	35,577	62,593	115,669	251,226	586,759

Reinsurance

<u>Outward reinsurance</u>

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 FY10 amounted to € 35,822 thousand (€ 30,230 thousand at 31 December 2009).

<u>Inward reinsurance</u>

Acceptance of inward reinsurance risks mainly arises from participation in syndicates.

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).

Credit risk

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.

(€/000)

S&P Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AAA	-37	404	367	0.9%
AA+	-81	65	-16	0.0%
AA	-284	2,235	1,951	4.9%
AA-	-9,109	15,306	6,197	15.7%
AA2*	308	-	308	0.8%
A+	-1,289	19,353	18,064	45.7%
A	-21,972	28,117	6,145	15.5%
A-	-1,439	3,287	1,848	4.7%
BBB	180	73	253	0.6%
Unrated	908	3,539	4,447	11.2%
Total	-32,815	72,379	39,564	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 2010, non-life business accounts for approximately 83.0% of total Group premiums, with 49.0% 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 approximately twice 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

FY2010 featured full application of the Commercial Organisation model that had already been designed by Vittoria Assicurazioni in the previous year. The new organisation enabled our human resources to work according to roles and guidelines that are clearly delineated but, at the same time, also flexible and dynamic.
This enabled us to address a period of great market turbulence with determination, obtaining significant results as regards both an enhanced customer offering and expansion of the sales network.
Development activity took the concrete form of the inauguration of 41 new agencies and reorganisation of other 38, while 6 of them were closed. As at 31/12/2010 the parent company was nationally present with 318 general agencies (283 at 31/12/2009) and 551 professional sub-agencies (463 at 31/12/2009), joined by a further 23 agents with a special life insurance mandate. In particular, we point out the opening of a new important agency in Rome held by a Group Company.
Based on continuation of the "Novices Project", initiated during FY2008, we signed on further insurance promoters who flank agencies in developing their business. This initiative also aims to launch young people, who for the first time enter the world of work, in the insurance profession.
Given the significant increase in the number of agencies and outside staff dedicated to sales, the year also featured a major training effort, not only in compliance with current regulations, but also in order to equip sales networks with appropriate knowledge of products and of the best sales techniques.
The increasingly fruitful co-operation with our agent group made it possible the start-up of many experimental projects aimed to find more efficient organizational models and more effective commercial solutions. In the last few months of 2010 this strong understanding made it possible to create "Accademia Vittoria" (= Vittoria Academy), an important training project targeting the sales force's brokers and that will characterize the next three years.
We are also pleased to say that all the commercial agreements with the main affinity groups were renewed.

Products

The commitment to create new products and revise existing products was maintained. Work during the year can be summarised as follows:

New Products

Life business:

- "Linea Previdenza Complementare" (Supplementary Pension Line): launch of a new Vittoria Individual Pension Plan;
- "Linea Risparmio" (Savings Line): under development – a new single-premium whole-life product;
- "Linea Protezione" (Protection Line): launch of a new annual-premium whole-life product for military schools as part of the multi-category initiative "Oggi per il domani" (Today for Tomorrow;
- Among Collective products:
    - launch of a new hybrid policy for the management of provisions for post-employment benefits
    - under development – a new group one-year pure-life insurance product
    - under development – a new group one-year pure-life/total-disability insurance product.
- Implementation of six new specific products for sale via the channel acquired in 2009 with the SACE deal.

Non-Life business:

- “Linea Tutela e Infortuni” (Protection & Accident Line): a policy for Confcommercio (the Italian confederation of the service industry, professions and the self-employed) with discretionary choice of capital that can be taken out for full accident cover;
- “Linea Salute e Benessere” (Health & Wellness Line): a new product for Confcommercio relating to prevention and protection needs in the health field;
- “Linea Salute e Benessere”: a new product for Confcommercio that assures payment of a daily indemnity for hospitalization caused by accidents or illness;
- “Linea Imprese e Professioni” (Businesses & Professions Line”: a multi-risk policy for retail businesses;
- “Linea Imprese e Professioni”: a multi-risk policy for retail businesses for Confcommercio;
- “Linea Imprese e Professioni”: a multi-risk policy for hotels for Confcommercio;
- “Linea Imprese e Professioni”: a multi-risk policy for hotels;
- “Responsabilità Civile Prodotti Esportazione in Usa, Canada e Messico” (Product TPL – Export to USA, Canada and Mexico): new product.
- “Linea Strada” (Road Line): introduction of the new price for customers who do not belong to affinity groups (1st edition, September 2009).

Revamped Products

Life business:

- “Linea Investimento” (Investment Line): updating of the proposal form;
- “Linea Risparmio” (Savings Line): updating of the information booklet and of the proposal form;
- “Linea Protezione” (Protection Line): updating of information booklet and of the insurance proposal;
- Assicurazione Complementare Infortuni (Complementary Accident Insurance): the structure of complementary accident insurance linked to Life contracts was revised, introducing the wider concept of road accident and eliminating the guarantee covering permanent disability;
- “Linea Protezione”: the conditions for underwriting term-life and whole-life products were adjusted, raising the limit for underwriting without a medical examination, based on analysis of our portfolio and of claim statistics for the last five years;
- Lastly, all information booklets were revised to bring them into line with the rules introduced by ISVAP Regulation no. 35, which came into force at the end of the year.

Non-Life business:

The insurance conditions and information notes were updated for the products: “Linea Tutela Infortuni” (Protection & Accident Line), “Linea Strada” (Road Line), “Linea Imprese e Professioni” (Business & Professions Line), and “Linea Salute e Benessere” (Health & Wellness Line). Prices were aduste for the products “Linea Salute e Benessere” and “Linea Patrimonio” (Assets Line). Territorial prices were introduced for the products “Linea Imprese e Professioni”, “Linea Patrimonio” and “Linea Tutela e Infortuni”. For the product “Linea Salute e Benessere” adjustments were made to maximum amounts coverable, reimbursement limits and excesses; in addition the product’s contents were updated. è provveduto all’adeguamento dei massimali, dei limiti di rimborso e delle franchigie; sono stati inoltre aggiornati i contenuti del prodotto. Moreover, for the products “Linea Imprese e Professioni” and “Rischi Commerciali, piccole industrie e rischi vari incendio” (Commercial risks, small industrial businesses and miscellaneous fire risks) .

Overhead costs

Overhead costs – direct business

In FY2010 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 € 73,104 thousand vs. € 66,454 thousand in FY2009, increasing by +10.0%.
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	31/12/2010	31/12/2009	Change
Personnel expenses	38,335	35,058	9.4%
Other costs	27,089	25,105	7.9%
Amortisation/Depreciation	7,680	6,291	22.1%
Total cost by nature	73,104	66,454	10.0%

Overhead costs as a percentage of total direct insurance premiums were 8.9% (vs. 9.9% in FY2009); the decrease was reached thanks to a severe cost control. 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.

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)

	31/12/2010	31/12/2009	Change
Gross commissions and other acquisition costs	156,888	131,878	19.0%
Profit participation and other commissions received from reinsurers	-8,935	-8,341	7.1%
Investment management costs	681	747	-8.8%
Other administrative costs	21,756	20,154	7.9%
Total	170,390	144,438	18.0%

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 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 FY10 amounted to € 63,947 thousand. Closing inventory totalled € 33,716 thousand.

Immobiliare Bilancia Srl - Milan
100% direct equity interest
This company, active in real-estate trading, achieved revenue on the sale of property totalling € 305 thousand. Closing inventory totalled € 16,699 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 € 10,296 thousand.

Immobiliare Bilancia Seconda Srl - Milan
100% direct equity interest
This company, active in real-estate trading, achieved revenue on the sale of property totalling € 485 thousand. Closing inventory totalled € 605 thousand.

Lauro 2000 Srl – Milan
100% direct equity interest
This company operates in real-estate development. Closing inventory – consisting of an area on which are being erected three buildings and a car parking, earmarked for use by the service industry in the Portello zone of Milan - amounted to € 103,915 thousand. Of this, € 74,659 thousand related to the future HQ of the parent company Vittoria Assicurazioni.

Acacia 2000 Srl – Milan
65% indirect equity interest via Immobiliare S.p.A.
This company operates in real-estate development. Closing inventory – consisting of an area, named “Residenze Parco Vittoria”, on which are being erected eight buildings and a car parking, for residential use in the Portello zone of Milan - amounted to € 151,029 thousand.

Forum Mondadori Residenze Srl. – Milan
100% direct equity interest
During the month of December Forum Mondadori Residenze acquired a office building use in Milan, Adamello street no.10.
Closing inventory amounted to € 9,457 thousand.

Cadorna Real Estate Srl – Milan
70% indirect equity interest via Vittoria Immobiliare S.p.A.
The company, active in the trading (after restructuring and refurbishment) of buildings located in Corso Cairoli in Turin, achieved revenue on the sale of property totalling € 2,803 thousand. Closing inventory totalled € 12,988 thousand.

VRG Domus Srl. - Turin
51% indirect equity interest via Vittoria Immobiliare S.p.A.
During 2010 the company continued development of its "Spina 1" real-estate operation in Turin. Revenues from the sale of property in FY10 amounted to € 395 thousand. 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 € 49,635 thousand. Sales during FY10 totalled € 3,887 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 € 5,390 thousand.

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 € 2,940 thousand, before infragroup eliminations.
In FY10 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 € 2,245 thousand.

Vittoria Service Srl – Milan
70% direct equity interest and 30% indirect via Vittoria Immobiliare S.p.A.
The company achieved service revenues of € 113 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 FY2010 totalled € 1,285 thousand (€ 970 thousand at 31/12/2009).

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/2010	31/12/2009	Change
Personnel expenses	3,875	3,392	14.2%
Other costs	3,714	3,091	20.2%
Amortisation/Depreciation	424	428	-0.9%
Total cost by nature	8,013	6,911	16.0%

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 profit in the period, before tax and minority interest, of € 255 thousand (profit of €239 thousand in FY2009).
Revenues for services rendered in FY10 by group companies, before elimination of infra-group services, amounted to € 3,909 thousand. These revenues included € 3,484 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	31/12/2010	31/12/2009	Change
Personnel expenses	645	464	39.0%
Other costs	3,038	2,649	14.7%
Amortisation/Depreciation	8	8	0.0%
Total cost by nature	3,691	3,121	18.3%

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.
"Other costs" item includes commissions and commercial costs for € 2,028 thousand (€ 2,218 thousand at 31 December 2009).

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of € 2,144,150 thousand with an increase of +1.8% vs. 31/12/2009, equal to € 2,106,498 thousand.
The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2010	31/12/2009	Change
A	Investments in subsidiaries and associates and interests in joint ventures	102,616	99,898	2.7%
B	Held to maturity investments	96,334	94,717	1.7%
	Loans and receivables	43,778	43,227	1.3%
	- Reinsurance deposits	249	280	
	- Other loans and receivables	43,529	42,947	
C	Financial assets available for sale	1,265,971	1,264,299	0.1%
	- Equity investments	43,509	43,974	
	- OEIC units	10,282	6,705	
	- Bonds and other fixed-interest securities	1,212,180	1,213,620	
	Financial assets at fair value through profit or loss	83,361	86,010	-3.1%
D	Financial assets held for trading	5,672	6,400	-11.4%
	- Bonds and other fixed-interest securities held for trading	5,672	6,400	
E	Financial assets at fair value through profit or loss	77,689	79,610	-2.4%
	- Investments where policyholders bear the risk	77,689	79,610	
	Cash and cash equivalents	93,797	66,895	40.2%
F	Property	458,293	451,452	1.5%
	Property under construction	275,425	301,210	
	Property held for trading	92,587	78,998	
	Owner-occupied property	90,281	71,244	
	TOTAL INVESTMENTS	2,144,150	2,106,498	1.8%
	of which			
	investments where the Group bears the risk	2,066,461	2,026,888	2.0%
	investments where policyholders bear the risk	77,689	79,610	-2.4%

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	
	31/12/2010	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
Investments in subsidiaries	194,981	157,116	-	-	-	-	-194,981	-157,116	-	-
Investments in associates	100,468	97,898	3,640	3,459	69	60	-1,561	-1,519	102,616	99,898
Held to maturity investments	96,334	94,717	-	-	-	-	-	-	96,334	94,717
Reinsurance deposits	249	280	-	-	-	-	-	-	249	280
Other loans and receivables	27,672	31,780	15,907	11,731	-	-	-50	-564	43,529	42,947
Financial assets available for sale										
Equity investments	43,284	43,750	175	174	50	50	-	-	43,509	43,974
OEIC units	10,282	6,705	-	-	-	-	-	-	10,282	6,705
Bonds and other fixed-interest securities	1,212,180	1,213,620	-	-	-	-	-	-	1,212,180	1,213,620
Financial assets at fair value through profit or loss:										
Investments where policyholders bear the risk	77,689	79,610	-	-	-	-	-	-	77,689	79,610
Financial assets held for trading: Bonds and other fixed-interest securities	5,672	6,400	-	-	-	-	-	-	5,672	6,400
Cash and cash equivalents	60,605	40,969	30,453	24,283	2,739	1,643	-	-	93,797	66,895
Property under construction	-	-	252,100	277,886	-	-	23,325	23,324	275,425	301,210
Property held for trading	-	-	92,587	78,998	-	-	-	-	92,587	78,998
Owner-occupied property	10,623	10,820	63,624	44,390	-	-	16,034	16,034	90,281	71,244
Total	1,840,039	1,783,665	458,486	440,921	2,858	1,753	-157,233	-119,841	2,144,150	2,106,498

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 € 2,066,461 thousand (€ 2,026,888 thousand as at 31 December 2009).

The following transactions took place during FY2010:

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

Comment on Real estate and Service business reports the performance of subsidiaries.

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 2010 it showed a total net loss of € -5,461 thousand, of which Vittoria Assicurazioni's share was € -1,024 thousand.

Laumor Holdings S.a.r.l. - Luxembourg

Direct equity interest: 29.00%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2010 its shareholders' equity totalled € 28,970 thousand, including the € 1,043 thousand profit for the year.

White Finance S.A. - Luxembourg

Direct equity interest: 32.17%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2010 its shareholders' equity totalled € 11,264 thousand, net of the € -8,339 thousand loss for the year.

Gima Finance S.A. - Luxembourg

Direct equity interest: 32.13%
This associate company selects and aggregates important international players to aid the creation of value in private equity investments in Europe. At 31 December 2010 its shareholders' equity totalled € 39,482 thousand, net of the € -909 thousand loss 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 2010 shows equity of € 2,138 thousand, including € 8 thousand in 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.

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 2010 shows shareholders' equity of € 52 thousand, net of the € -78 thousand net loss for the year.

Rovimmobiliare S.r.l. – Italy
Equity interest: 50.00% via Vittoria Immobiliare S.p.A.
This associate is a property company. Its draft balance sheet at 31 December 2010 shows shareholders' equity of € 1,012 thousand, net of the € -195 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 2010 shows shareholders' equity of € 561 thousand, net of the € 95 thousand net profit 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. Its draft balance sheet at 31 December 2010 shows shareholders' equity of € 1,541 thousand, net of the € -48 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 2010 shows shareholders' equity of € 117 thousand, net of the € -83 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 2010 shows shareholders' equity of € 106 thousand, net of the € -94 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 2010 shows shareholders' equity of € 33 thousand, net of the € -37 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 2010 shows shareholders' equity of € 203 thousand, net of the € -47 thousand net loss for the year.

Consorzio Movincom S.c.r.l. – Italy
Direct equity interest of 0.965% and 38.61% via Aspevi Roma S.r.l.
The associate is a company dedicated to the development of payment systems using the mobile phone. Its draft balance sheet at 31 December 2010 shows shareholders' equity of € 106 thousand, net of the € 1 thousand net profit for the year.

Spefin Finanziaria S.p.A. - Italy
Equity interest: 21.00% via Vittoria Service S.r.l.
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.l.
The associate is a service company.
Its draft balance sheet at 31 December 2010 shows shareholders' equity of € 93 thousand, net of the € 23 thousand net profit for the year.

B) <u>Investments held to maturity:</u>

- redemption of bonds for € 199 thousand.

C) <u>Financial assets available for sale:</u>

- redemption of bonds for € 213,029 thousand
- purchase of European government bonds denominated in Euro for € 304,265 thousand
- sale of European government bonds denominated in Euro for € 55,582 thousand, realising gains of € 2,374 thousand
- purchase of shares in a money market fund = € 4,000 thousand
- receipt of € 49 thousand as a partial advance for liquidation of the Swissair bond in default, recognised as a gain
- Downall Italia S.r.l.: paid € 12 thousand to cover losses and reconstruct capital
- sale of BCM & Partners LLP for € 183 thousand, realising losses for € 24 thousand
- Partial redemption of closed real estate investment trusts for € 63 thousand
- sale of participating interest in Immobiliare Adamello S.r.l. for € 100 thousand, realising losses for € 110 thousand.

D) <u>Financial assets held for trading:</u>

- 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) = € 548 thousand
- Repayment of corporate bonds for € 1,472 thousand realising a capital gain of € 39 thousand.

F) Investments in property

As at 31 December 2010, real estate assets totalled € 458,293 thousand (+1.5% vs. 31 December 2009). The following table shows the breakdown of these real estate assets:

(€/000)

	31/12/2010	31/12/2009	Change
Property under construction:			
- Gross carrying amount	244,552	270,337	-9.5%
- Alignment with fair value of property acquired in business combinations	30,873	30,873	0.0%
Total property under construction	275,425	301,210	-8.6%
Property held for trading	92,587	78,998	17.2%
Owner-occupied property:			
- Held by the parent	10,623	10,820	-1.8%
- Held by subsidiaries	63,624	44,390	43.3%
- Alignment with fair value of property acquired in business combinations	16,034	16,034	
Total owner-occupied property	90,281	71,244	26.7%
Total	458,293	451,452	1.5%

Changes occurring in the period were the following:

(€/000)

	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2009	301,210	78,998	71,244	451,452
Purchase and capitalised interests paid				
- MILAN - Portello Area (via Acacia 2000 S.r.l. and Lauro 2000 S.r.l.)	15,993	-	19,407	35,400
- PARMA (via Immobiliare Bilancia Prima S.r.l.)	65	-	-	65
- SAN DONATO MILANESE (MI) - (via Jannozzi S.r.l.)	3,587	-	-	3,587
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)	3,898	-	-	3,898
- ROME (via Valsalaria S.r.l.)	174	-	-	174
- TURIN - Villar Focchiardo Street - (via Vittoria Immobiliare S.p.A.)	441	-	-	441
- TURIN - Barbaroux Str. - (via Vittoria Immobiliare S.p.A.)	0	603	-	603
- GENOA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	5,287	-	5,287
- MILAN - Adamello Str. (viaForum Mondadori Residenze S.r.l.)	-	9,457	-	9,457
- GENOA - Venezia Street (via Immobiliare Bilancia S.r.l.)	-	409	-	
- TURIN - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	3,145	-	3,145
- ROME - Liegi Str. (via Immobiliare Bilancia S.r.l.)	-	386	-	385.54
- Miscellaneous	89	5	14	108
Total purchase and capitalised interests paid	24,248	19,291	19,421	62,960
Sales:				
- GENOA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	(3,888)	-	(3,888)
- TURIN - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	(2,803)	-	(2,803)
- TURIN - Villarfocchiardo (via Vittoria Immobiliare S.r.l.)	(6,527)	-	-	(6,527)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	(2,153)	-	-	(2,153)
- ROMA - Ugo Ojetti Street (via Immobiliare Bilancia Seconda S.r.l.)	0	(485)	-	(485)
- ROMA - Benedetto Croce Street (via Immobiliare Bilancia S.r.l.)	(395)	0	-	(395)
- ROMA - former Aurora (via Vittoria Immobiliare S.p.A.)	- 55,268	0	-	(55,268)
- Miscellaneous	-	-305	-	(305)
Total sales	(64,342)	(7,481)	-	(71,822)
Decrease / (Increase) advance received	0 -	0.63	-	(0)
Depreciations	-	-	(384)	(384)
Recognised gains	14,308	1,779	0	16,087
Balance as at 31/12/2010	275,425	92,587	90,281	458,293

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 € 291.3 million (-1.3% from the corresponding value of € 295.0 million at 31 December 2009).

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

As at 31 December 2010 these investments amounted to € 77,689 thousand, with a decrease of -2.4% YoY. Of this amount, € 67,059 thousand related to unit- and index-linked policies and € 10,630 thousand to the open-ended pension fund Vittoria Formula Lavoro.
There was total net income of 6,188 thousand (€ 14,666 thousand as at 31 December 2009).

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	31/12/2010	31/12/2009	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	77,689	79,610	-2.4%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	67,059	70,789	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	10,630	8,821	
Othe financial liabilities	302,825	319,804	-5.3%
- Reinsurance deposits	27,662	23,554	
- Payables to banks	255,421	265,390	
- Other financial payables	7,978	9,282	
- Other financial liabilities	11,457	17,310	
- Subordinated liabilities	307	4,268	
TOTAL FINANCIAL LIABILITIES	380,514	399,414	-4.7%

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	
	31/12/2010	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
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	67,059	70,789	-	-	-	-	-	-	67,059	70,789
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	10,630	8,821	-	-	-	-	-	-	10,630	8,821
Reinsurance deposits	27,662	23,554	-	-	-	-	-	-	27,662	23,554
Payables to banks	-	-	255,387	265,390	34	-	-	-	255,421	265,390
Other financial payables	-	-	7,978	9,282	-	-	-	-	7,978	9,282
Other financial liabilities	11,457	17,310	-	-	-	-	-	-	11,457	17,310
Subordinated liabilities	307	4,268	-	-	-	-	-	-	307	4,268
Total	117,115	124,742	263,365	274,672	34	-	-	-	380,514	399,414

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 2010 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)	31/12/2010 total net gains/(losses)	31/12/2009 total net gains/(losses)
Investments	51,752	2,878	54,630	61,322
From:				
b investments in subsidiaries and associates and interests in joint ventures	-4,349	-	-4,349	-1,197
c held to maturity investments	4,290	-	4,290	4,426
d loans and receivables	835	100	935	523
e financial assets available for sale	47,287	-	47,287	42,674
f financial assets held for trading	78	201	279	230
g financial assets at fair value through profit or loss	3,611	2,577	6,188	14,666
Other receivables	529	-	529	626
Cash and cash equivalents	735	-	735	1,066
Financial liabilities	-3,969	-6,188	-10,157	-19,566
From:				
b financial liabilities at fair value through profit or loss	-	-6,188	-6,188	-14,666
c other financial liabilities	-3,969	-	-3,969	-4,900
Payables	-	-	-	-
Total gains and losses on financial instruments	49,047	-3,310	45,737	43,448
Real estate business				
From:				
a Gains on property trading	16,087	-	16,087	1,067
b Rent income on owner-occupied property and property held for trading	387	-	387	561
Total real estate business	16,474	-	16,474	1,628
Total gains and losses on investments	65,521	-3,310	62,211	45,076

Net gains with risk borne by the Group rose from € 45,076 thousand to € 62,211 thousand, with a +38.0% increase vs. FY2009, thanks to trading and development margins. As up to 31 December 2010 the weighted average return on “Bonds and other fixed-income securities” was 4.0% as compared with 3.9% in FY2009.

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	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	279	230	-	-	-	-	-	-	279	230
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-450	4,607	-849	-387	9	5	-3,059	-5,422	-4,349	-1,197
Gains or losses on other financial instruments and investment property	51,776	46,965	-1,971	-2,552	2	2	-	-	49,807	44,415
Gains on property trading	-	-	16,087	1,067	-	-	-	-	16,087	1,067
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and pro	210	202	260	358	-	-	-83	1	387	561
Total	51,815	52,004	13,527	-1,514	11	7	-3,142	-5,421	62,211	45,076

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 31/12/2010	% of breakdown	Amount 31/12/2009	% of breakdown
DEBT SECURITIES	1,313,342	95.9%	1,313,929	96.2%
Listed treasury bonds:	1,232,961	90.1%	1,236,666	90.5%
Fixed-interest rate	953,360	69.7%	931,405	68.2%
Variable interest rate	279,600	20.4%	305,261	22.3%
Unlisted treasury bonds:	2,151	0.2%	2,324	0.2%
Variable interest rate	2,151	0.2%	2,324	0.2%
Listed corporate bonds:	60,838	4.4%	60,036	4.4%
Fixed-interest rate	46,326	3.4%	46,480	3.4%
Variable interest rate	14,512	1.1%	13,556	1.0%
Unlisted corporate bonds:	2,017	0.1%	1,786	0.0%
Fixed-interest rate	2,017	0.1%	1,786	0.0%
Bonds of supranational issuers:	15,374	1.1%	14,678	1.1%
Fixed-interest rate	15,374	1.1%	14,678	1.1%
of which				
Total fixed-interest securities	1,017,078	77.4%	992,788	75.6%
Total variable-interest securities	296,263	22.6%	321,141	24.4%
Total debt securities	1,313,342	100.0%	1,313,929	100.0%
of which				
Total listed securities	1,309,173	99.7%	1,311,380	99.8%
Total unlisted securities	4,169	0.3%	4,110	0.2%
Total debt securities	1,313,342	100.0%	1,313,929	100.0%
EQUITY INSTRUMENTS	43,509	3.2%	43,974	3.2%
listed shares	18,812	1.4%	19,060	1.4%
unlisted equity instruments	24,697	1.8%	24,914	1.8%
DERIVATIVES	844	0.1%	808	0.1%
Non-hedging derivatives	844	0.1%	808	0.1%
OEIC UNITS	10,282	0.8%	6,705	0.5%
TOTAL	1,367,976	100.0%	1,365,415	100.0%

The fixed-income securities portfolio has a duration of 4.1 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 € 1,071,078 thousand (77.4% of the bond portfolio with investment risk borne by the Group) of which € 943,714 classified as available for sale investments.

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 31/12/2010	918,490 (1)
Change	
100 BP increase	-43,396
100 BP decrease	54,714

(1) of which Euro 492,239 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 € 296,263 thousand (22.6% 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 € 3,015 thousand and € 2,610 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	82,942	8.2%
1<X<2	94,404	9.3%
2<X<3	85,227	8.4%
3<X<4	64,617	6.4%
4<X<5	82,411	8.1%
5<X<10	501,228	49.2%
more	106,248	10.4%
Total	1,017,078	100.0%

Variable - interest securities			(€/000)
Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	30,757	10.4%
Constant mat. Swap	Euroswap 30Y	8,186	2.8%
variabile	3 months tresury bonds	2,151	0.7%
Variable	6 months tresury bonds	243,829	82.3%
Variable	other	11,341	3.8%
Total		296,264	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 € 202,940 thousand.
In order to indicate their sensitivity, taking into account the hedging operation set up by Acacia 2000 Srl it is noted that a 100-bp increase would increase interest expense by € 1,152 thousand. Vice versa, a 100-bp decrease would reduce interest expense by € 1,152 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 31.12.2010, equity attributable to parent company shareholders would have decreased by € 1,881 thousand.

The Group is not exposed to **foreign exchange risk** since, as at 31.12.2010, 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 31.12.2010 financial assets listed in a regulated market accounted for over 99.0% of financial assets owned.

The following table shows the financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/10	31/12/09
< 1 year	137,816	54,261
1 < X < 3	10,237	8,630
3 < X < 5	-	5,494
5 < X < 10	-	30,734
more	232,461	300,295
Total	380,514	399,414

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 31.12.2010 nearly all bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)		Amounts	% of breakdown
AAA		198,587	15.1%
AA+ / AA-		42,770	3.3%
A+ / A-		1,055,533	80.4%
BBB+ / BBB-		11,341	0.9%
	Total investment grade	1,308,231	99.7%
Non investment grade		5,111	0.3%
Total		1,313,342	100.0%

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 2010 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	Revenues	Costs
Associates	823	20,883	11,457	416	1,606
Fees:					
Directors	-	-	-	-	1,863
Statutory auditors	-	-	-	-	208
Managers with strategic responsibilities	-	24	-	-	1,836
Total	823	20,907	11,457	416	5,513

Transactions and relationships with subsidiaries

The parent company Vittoria Assicurazioni S.p.A. has confirmed for the 3-year period 2008-2010 the option for domestic tax consolidation (Article 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l.,Immobiliare Bilancia Seconda S.r.l. and Immobiliare Bilancia Terza S.r.l.. As from FY2008 and once again for the 3-year period 2008-2010, the subsidiaries Lauro 2000 S.r.l. and Acacia 2000 S.r.l. were included in the scope of tax consolidation. During 2009 the domestic tax consolidation option was renewed for the companies Vittoria Immobiliare S.p.A., Gestimmobili S.r.l. and Interimmobili S.r.l. and was exercised also for the subsidiaries Forum Mondadori Residenze S.r.l. and Interbilancia S.r.l..

As regards 2010, Vittoria Assicurazioni S.p.A., as the parent company, has exercised the option for group settlement of VAT pursuant to the Ministry Decree of 13 December 1979. This option has been taken up, in their capacity as subsidiaries, by the companies Forum Mondadori Residenze S.r.l., Immobiliare Bilancia Terza S.r.l., Gestimmobili S.r.l., Interimmobili S.r.l. and Vittoria Properties S.r.l..

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
White Finance S.A. – Luxembourg	32.17% 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.

Laumor Holdings S.a.r.l. – Luxembourg
29.00% direct equity interest
Vittoria Assicurazioni has recognised € 14 thousand under loans to associates and under financial liabilities for the commitment to subscribe to private equity investments through the associate.

Gima Finance S.A. – Luxembourg
32.13% direct equity interest
Vittoria Assicurazioni has recognised € 11,443 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 € 900 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 a non-interest bearing shareholder loan, which has a balance of € 611 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 a non-interest bearing shareholder loan, which has a balance of € 1.126 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 € 389 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 € 6,617 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 € 2,868 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 a non-interest bearing shareholder loan, which has a balance of € 740 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 € 3,057 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 € 683 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 a non-interest bearing loan, which has a balance of € 5,000 thousand.

Consorzio Movincom S.c.r.l. – Turin
Direct equity interest of 0.965% and of 38.61% via Aspevi Roma S.r.l.
The associated billed the parent company for fees of € 24 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 2011 and expected business progress

Insurance business

On 17 February 2011 the Extraordinary Meeting of shareholders of SINT S.p.A. passed the following resolutions:

- A bonus capital increase of € 1,000 thousand to € 2,000 thousand via use of the "retained earnings reserve"
- A capital increase of € 2,000 thousand to € 5,000 thousand, to be executed in three different instalments by 31.12.2013, of which 40% by the end of 2011, 30% by the end of 2012 and 30% by the end of 2013. Vittoria Assicurazioni has subscribed its share of the first instalment with payment of € 578 thousand into the capital increase reserve on 14 February 2011.

On 28 February Vittoria Assicurazioni S.p.A. paid € 515 thousand to Gima Finance S.A. to go into the share premium reserve.

By the end of April the Company will transfer to its new offices owned by the Group, located in the Portello area of Milan

Real Estate Business

On 17 January 2011 Vittoria Assicurazioni S.p.A., by way of partial execution of the capital increase resolved by the Shareholders' Meeting on 25 June 2010, paid to Lauro S.r.l. a further total amount of € 5,000 thousand, of which € 1,250 thousand of capital increase and € 3,750 thousand as share previous. The share capital of Lauro 2000 S.r.l. thus amounts to € 28,750 thousand.

Service Business

Plurico S.r.l.

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

Aspevi Roma S.r.l.

Shareholders' meeting of 24 February 2011 resolved the change of the corporate name of Vittoria.net S.r.l. into Aspevi Roma S.r.l and of the legal office from Milan, Caldera Str. 21 to Rome Abruzzi Str. 2/4.

Aspevi Milano S.r.l.

Shareholders' meeting of 24 February 2011 resolved the change of the corporate name of Aspevi S.r.l. into Aspevi Milano S.r.l and the capital increase up to € 100 thousand to be paid within 30 June 2011.

The Board of Directors

Milan, 14 March 2011

[1] Association of intermediaries

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Vittoria Assicurazioni S.p.A.
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BALANCE SHEET - ASSETS

(€/000)

		Note	31/12/2010	31/12/2009	31/12/2009 not restated
1	INTANGIBLE ASSETS		36,411	31,940	31,940
1.1	Goodwill	1	1,795	1,795	1,795
1.2	Other intangible assets	2	34,616	30,145	30,145
2	PROPERTY, PLANT AND EQUIPMENT		467,593	455,593	443,125
2.1	Property	2	458,293	451,452	438,984
2.2	Other items of property, plant and equipment	2	9,300	4,141	4,141
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	73,579	74,226	74,226
4	INVESTMENTS		1,592,060	1,588,151	1,588,151
4.1	Investment property		0	0	0
4.2	Investments in subsidiaries and associates and interests in joint ve	4	102,616	99,898	99,898
4.3	Held to maturity investments	5	96,334	94,717	94,717
4.4	Loans and receivables	5	43,778	43,227	43,227
4.5	Financial assets available for sale	5	1,265,971	1,264,299	1,264,299
4.6	Financial assets at fair value through profit or loss	5	83,361	86,010	86,010
5	OTHER RECEIVABLES		225,700	196,542	196,542
5.1	Receivables relating to direct insurance	6	180,731	151,404	151,404
5.2	Receivables relating to reinsurance business	7	3,638	5,303	5,303
5.3	Other receivables	8	41,331	39,835	39,835
6	OTHER ASSETS		63,847	66,471	66,667
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0	0
6.2	Deferred acquisition costs	9	7,170	7,154	7,154
6.3	Deferred tax assets	10	28,785	21,110	21,306
6.4	Current tax assets	11	21,742	33,782	33,782
6.5	Other assets	12	6,150	4,425	4,425
7	CASH AND CASH EQUIVALENTS	13	93,797	66,895	66,895
	TOTAL ASSETS		2,552,987	2,479,818	2,467,546

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BALANCE SHEET - EQUITY AND LIABILITIES

(€/000)

		Note	31/12/2010	31/12/2009	31/12/2009 not restated
1	EQUITY		380,945	378,576	382,923
1.1	attributable to the shareholders of the parent		354,837	353,088	356,056
1.1.1	Share capital	14	67,379	65,789	65,789
1.1.2	Other equity instruments	14	23	319	319
1.1.3	Equity-related reserves	14	33,874	31,412	31,412
1.1.4	Income-related and other reserves	14	218,888	215,547	216,124
1.1.5	(Treasury shares)	14	0	0	0
1.1.6	Translation reserve	14	148	-197	-197
1.1.7	Fair value reserve	14	7,368	25,635	25,635
1.1.8	Other gains or losses recognised directly in equity	14	106	50	50
1.1.9	Profit for the year attributable to the shareholders of the parent		27,051	14,533	16,924
1.2	attributable to minority interests	14	26,108	25,488	26,867
1.2.1	Share capital and reserves attributable to minority interests		25,445	27,270	27,502
1.2.2	Gains or losses recognised directly in equity		0	0	0
1.2.3	Profit for the year attributable to minority interests		663	-1,782	-635
2	PROVISIONS	15	2,772	3,021	3,021
3	TECHNICAL RESERVES	16	1,653,851	1,554,039	1,556,341
4	FINANCIAL LIABILITIES		380,514	399,414	399,414
4.1	Financial liabilities at fair value through profit or loss	17	77,689	79,610	79,610
4.2	Other financial liabilities	17	302,825	319,804	319,804
5	PAYABLES		78,861	85,375	64,216
5.1	Payables arising from direct insurance business	18	8,342	7,098	7,098
5.2	Payables arising from reinsurance business	19	9,041	7,451	7,451
5.3	Other sums payable	20	61,478	70,826	49,667
6	OTHER LIABILITIES		56,044	59,393	61,631
6.1	Liabilities of a disposal group held for sale		0	0	0
6.2	Deferred tax liabilities	21	26,628	31,377	33,607
6.3	Current tax liabilities	22	943	230	230
6.4	Other liabilities	23	28,473	27,786	27,794
	TOTAL EQUITY AND LIABILITIES		2,552,987	2,479,818	2,467,546

(€/000)

INCOME (LOSS) STATEMENT		Note	31/12/2010	31/12/2009	31/12/2009 not restated
1.1	Net premiums		732,692	622,350	622,350
1.1.1	*Gross premiums*	24	767,508	654,736	654,736
1.1.2	*Ceded premiums*	24	34,816	32,386	32,386
1.2	Commission income	25	839	827	827
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	279	230	230
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	547	1,523	1,523
1.5	Gains on other financial instruments and investment property	26	53,910	46,990	46,990
1.5.1	*Interest income*		50,550	49,503	49,503
1.5.2	*Other income*		837	206	206
1.5.3	*Realised gains*		2,423	200	200
1.5.4	*Unrealised gains*		100	-2	-2
1.6	Other income	27	25,476	10,765	17,724
1	TOTAL REVENUE		813,743	573,576	573,576
2.1	Net charges relating to claims		566,658	375,909	375,909
2.1.1	*Amounts paid and change in technical reserves*	24	583,525	524,895	526,718
2.1.2	*Reinsurers' share*	24	-16,867	-34,268	-34,268
2.2	Commission expense	28	64	155	155
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	4,896	2,720	2,720
2.4	Losses on other financial instruments and investment property	26	4,103	5,492	5,492
2.4.1	*Interest expense*		3,969	4,900	4,900
2.4.2	*Other expense*		0	0	0
2.4.3	*Realised losses*		134	97	97
2.4.4	*Unrealised losses*		0	495	495
2.5	Operating costs		177,277	150,259	150,259
2.5.1	*Commissions and other acquisition costs*	29	144,468	120,549	120,549
2.5.2	*Investment management costs*	29	681	747	747
2.5.3	*Other administrative costs*	29	32,128	28,963	28,963
2.6	Other costs	30	14,702	13,476	13,465
2	TOTAL COSTS		767,700	662,729	664,541
	PROFIT FOR THE YEAR BEFORE TAXATION		46,043	22,873	28,020
3	Income taxes	31	18,329	10,122	11,731
	PROFIT FOR THE YEAR		27,714	12,751	16,289
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0	0
	CONSOLIDATED PROFIT (LOSS)		27,714	12,751	16,289
	of which attributable to the shareholders of the parent		27,051	14,533	16,924
	of which attibutable to minority interests	14	663	-1,782	-635

Basic EARNINGS per share		0.40	0.22	0.26
Diluted EARNINGS per share		0.40	0.22	0.25

(€/000)

OTHER COMPREHENSIVE INCOME (LOSS)			31/12/2010	31/12/2009	31/12/2009 not restated
	CONSOLIDATED PROFIT (LOSS)		27,714	12,751	16,289
	Translation reserve		345	560	560
	Fair value reserve		-18,267	15,747	15,747
	Hedging reserve		0	0	0
	Gains or losses on hedging instruments of net investment in foreign operations		0	0	0
	Reserve for changes in the equity of investees		56	101	101
	Intangible asset revaluation reserve		0	0	0
	Property, plant and equipment revaluation reserve		0	0	0
	Gains or losses on non-current assets or assets of a disposal group classified as held for sale		0	0	0
	Other reserves		0	0	0
	OTHER COMPREHENSIVE INCOME (LOSS) NET OF TAX		-17,866	16,408	16,408
	COMPREHENSIVE INCOME (LOSS)		9,848	29,159	32,697
	of which attributable to the shareholders of the parent		9,185	30,941	33,332
	of which attibutable to minority interests		663	-1,782	-635

Calculation of earnings per share

		31/12/10	31/12/09
Profit for the year attributable to the shareholders of the parent	Euro	27,050,693	14,532,620
Average number of shares	N.	67,378,924	65,788,948
Basic earnings per share	Euro	0.40	0.22
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	14,867	206,998
Number of potential shares	N.	121,076	1,711,052
Adjusted profit for the year attributable to the shareholders of the parent	Euro	27,065,560	14,739,618
Adjusted average number of shares	N.	67,500,000	67,500,000
Diluted earnings per share	Euro	0.40	0.22

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 31/12/2008	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2009	Adjustment to closing balance	Balance at 31/12/2009 Restated	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2010
Equity attributable to the shareholders of the parent	Share capital	65,766	0	23		0	65,789	0	65,789	1,590		0	67,379
	Other equity instruments	323	0	-4		0	319	0	319	-296		0	23
	Equity-related reserves	31,378	0	34		0	31,412	0	31,412	2,462		0	33,874
	Income-related and other reserves	207,129	0	20,175		-11,180	216,124	-2,968	213,156	16,916		-11,184	218,888
	(Treasury shares)	0	0	0		0	0	0	0	0		0	0
	Profit /(Loss) for the year	20,170	0	-3,246		0	16,924	0	16,924	10,127		0	27,051
	Other comprehensive income	9,080	0	16,565	-157	0	25,488	0	25,488	-13,644	-4,222	0	7,622
	Total attributable to the shareholders of the parent	333,846	0	33,547	-157	-11,180	356,056	-2,968	353,088	17,155	-4,222	-11,184	354,837
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	29,336	0	-90		256	27,502	-1,379	26,123	-638	0	-40	25,445
	Profit for the year	-90	0	-545		0	(635)	0	-635	1,298	0	0	663
	Other comprehensive income	0	0	0		0	0	0	0	0	0	0	0
	Total attributable to minority interests	29,246	0	-635	0	256	26,867	-1,379	25,488	660	0	-40	26,108
Total		363,092	0	32,912	-157	-10,924	382,923	-4,347	378,576	17,815	-4,222	-11,224	380,945

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

Cash flow statement – indirect method

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

(€/000)

	31/12/2010	31/12/2009	31/12/2009 not restated
Profif for the year before taxation	46,043	22,873	28,020
Change in non-monetary items	95,136	102,548	106,892
Change in non-life premium reserve	45,673	13,423	13,423
Change in claims reserve and other non-life technical reserves	57,349	32,553	32,553
Change in mathematical reserves and other life technical reserves	-2,563	51,081	53,383
Change in deferred acquisition costs	-16	1,014	1,014
Change in provisions	-249	-737	-737
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-4,349	-1,692	-1,692
Other changes	-709	6,906	8,948
Change in receivables and payables arising from operating activities	-35,672	-733	-21,892
Change in receivables and payables relating to direct insurance and reinsurance	-24,828	-7,518	-7,518
Change in other receivables and payables	-10,844	6,785	-14,374
Taxes paid	-18,329	-10,122	-11,731
Net cash flow generated by/used for monetary items from investing and financing activities	728	-1,619	-1,619
Liabilities from financial contracts issued by insurance companies	-1,921	9,510	9,510
Payables to bank and interbank customers	0	0	0
Loans and receivables from bank and interbank customers	0	0	0
Other financial instruments at fair value through profit or loss	2,649	-11,129	-11,129
NET CASH FLOW FROM OPERATING ACTIVITIES	87,906	112,947	99,670
Net cash flow generated by/used for investment property	0	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	1,687	-2,947	-2,947
Net cash flow generated by/used for loans and receivables	-551	1,579	1,579
Net cash flow generated by/used for held to maturity investments	-1,617	10,141	10,141
Net cash flow generated by/used for financial assets available for sale	-19,939	-87,806	-87,806
Net cash flow generated by/used for property, plant and equipment	-16,471	-80,021	-67,553
Other net cash flows generated by/used for investing activities	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-36,891	-159,054	-146,586
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0	0
Net cash flow generated by/used for treasury shares	0	0	0
Dividends distributed to the shareholders of the parent	-11,184	-11,180	-11,180
Net cash flow generated by/used for share capital and reserves attributable to minority interests	4,050	-1,935	-1,126
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0	0
Net cash flow generated by/used for other financial liabilities	-16,979	28,629	28,629
NET CASH FLOW FROM FINANCING ACTIVITIES	-24,113	15,514	16,323
Effect of exchange rate gains/losses on cash and cash equivalents	0	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	66,895	97,488	97,488
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,902	-30,593	-30,593
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	93,797	66,895	66,895

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.

Property held for trading or with specific features defined by the constructor

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.

Property under construction with specific features defined by the customer

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

Initial recognition and subsequent measurement

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

   Bonds are impaired when their default is known, or when their rating is significantly deteriorated;

   1.2. Corporate Bonds

   Bonds are impaired when their default is known, or when their rating is significantly deteriorated;
   Bonds are impaired when their issuer is in evident state of difficulty.

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	% Ownership 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	3,150,000	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%		
Lauro 2000 S.r.l.	Milan	27,500,000	100.00%		
Forum Mondadori Residenze S.r.l.	Milan	780,000	100.00%		
Vittoria Properties S.r.l.	Milan	4,000,000	99.00%	1.00%	Vittoria Immobiliare S.p.A.
Interbilancia S.r.l	Milan	80,000	80.00%	20.00%	Vittoria Immobiliare S.p.A.
Vittoria Service S.r.l.	Milan	100,000	70.00%	30.00%	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		80.00%	Vittoria Immobiliare S.p.A.
Acacia 2000 S.r.l.	Milan	100,000		65.00%	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Rome	104,000		80.00%	Vittoria Immobiliare S.p.A.
Cadorna Real Estate S.r.l.	Milan	10,000		70.00%	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	1,000,000		51.00%	Vittoria Immobiliare S.p.A.
Vaimm Sviluppo S.r.l.	Milan	1,500,000		100.00%	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		51.00%	Vittoria Immobiliare S.p.A.
Aspevi Milano S.r.l. *(former Aspevi S.r.l.)*	Milan	10,400		100.00%	Interbilancia S.r.l.
Aspevi Roma S.r.l. *(former Vittoria.Net S.r.l.)*	Rome	50,000		100.00%	Interbilancia S.r.l.
Plurico S.r.l.	Milan	10,000		100.00%	Interbilancia S.r.l.

Changes in % ownership and other changes in FY2010

Lauro 2000 S.r.l. – 100% direct equity interest

19 March 2010 marked completion of the capital increased resolved by the Quotaholders' Meeting of Lauro 2000 S.r.l. on 6 July 2009, taking capital up to € 22,500 thousand.
On 25 June 2010, the Quotaholders' Meeting of Lauro 2000 S.r.l. resolved a capital increase up to € 30,000 thousand, with premium of € 22,500 thousand, to be executed in more tanches.
Following payments done by the parent company, at 31 Decembre 2010 Capital thus rose to € 27,500 thousand.

Immobiliare Bilancia Terza S.r.l. – 100% direct equity interest

In 2010 the parent company paid € 36 thousand into the company to cover losses.

Forum Mondadori Residenze S.r.l. – 100% direct equity interest

On 9 December 2010 the Quotaholders' Meeting of Forum Mondadori Residenze S.r.l. resolved to increase capital as follows:

- A capital increase of € 230 thousand nominal, with premium of € 2,300 thousand, executed simultaneously to the resolution against the total amount of € 2,530 thousand previously paid in by the sole quotaholder Vittoria Assicurazioni S.p.A.
- A further capital increase of € 670 thousand nominal, with premium of € 6,700 thousand, to be executed – in one or more tranches – by 31 March 2011.

Following payments done by the parent company, at 31 Decembre 2010 Capital thus rose to € 780 thousand.

Vaimm Sviluppo S.r.l. – 100% indirect equity interest via Vittoria Immobiliare S.p.A.

On 25 June 2010 the Quotaholders' Meeting of Vaimm Sviluppo S.r.l. resolved to increase capital as follows:

- A capital increase of € 500 thousand nominal, with premium of € 2,500 thousand, executed simultaneously to the resolution against the total amount of € 3,000 thousand previously paid in by the sole quotaholder Vittoria Immobiliare S.p.A.
- A further capital increase of € 500 thousand nominal, with premium of € 2,500 thousand, to be executed – in one or more tranches – by 30 June 2011.

At 31 December 2010 capital thus amounted to € 1,500 thousand.

Vittoria Service S.r.l. – 70% direct interest and 30% indirect interest via Vittoria Immobiliare S.p.A.

On 1 April 2010 Vittoria Assicurazioni S.p.A. and Vittoria Immobiliare S.p.A. respectively paid € 385 thousand and € 165 thousand into the company for future capital increases, for a total of € 550 thousand.

Plurico S.r.l. – 100% indirect interest via Interbilancia S.r.l.

Pursuant to Isvap authorization, on 24 September 2010 was established Plurico Srl, single-member company in which stake is totally held by Interbilancia Srl.

The company has applied for the registration in the E section of the insurance broker's record book.

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

	Registered Offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Yam Invest N.V. *(joint venture)*	Amsterdam Netherlands	63,083,168	18.75%		
S.In.T. S.p.A.	Turin	1,000,000	48.19%		
Yarpa S.p.A.	Genoa	38,201,600	25.90%		
White Finance S.A	Luxembourg	1,000,000	32.17%		
Laumor Holdings S.a.r.l.	Luxembourg	12,500	29.00%		
Gima Finance S.A.	Luxembourg	31,000	32.13%		
Consorzio Movincom S.c.r.l.	Turin	103,600	0.97%	38.61%	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	100,000		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 FY10

Yarpa S.p.A. – 25.90% direct equity increase

14 June 2010 marked completion of registration of the new share capital of Yarpa S.p.A. following subscription of the increase resolved by the Shareholders' Meeting on 7 August 2008.
Capital amounts to € 38,201,600 divided into 81,280,000 ordinary shares of € 0.47 each. Vittoria Assicurazioni S.p.A. owns 21,048,662 shares, accounting for 25.90% of share capital.

Gima Finance S.A.- 32.13% direct equity interest

Vittoria Assicurazioni S.p.A. paid € 5,689 thousand into the associate company as an increase of the share premium reserve.

Laumor Holdings S.a.r.l.- 29.00% direct equity interest

Vittoria Assicurazioni S.p.A. paid € 164 thousand into the associate company as an increase of the share premium reserve.

Spefin Finanziaria S.p.A. – 21% indirect equity interest via Vittoria Service S.r.l.

On 1st of April 2010 Vittoria Service S.r.l. paid € 548 thousand into the associate company to cover losses and reconstitute capital, as shown in the company's financial statements as at 31 December 2009. Coverage of losses and reconstitution of share capital to € 2,000 thousand was resolved and completed by the Shareholders' Meeting of Spefin Finanziaria S.p.A. on 15 April 2010.

Valsalaria A.11 S.r.l. – 40% indirect equity interest via Vittoria Immobiliare S.r.l.

On 14 June 2010 Vittoria Immobiliare S.p.A., with an outlay of € 2,293 thousand, purchased a 40% equity interest in Valsalaria A.11 S.r.l., a real estate company based in Rome.

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	990,376	982,836	307,591	316,415	15,374	14,678	1,313,342	1,313,929
Equity instruments and OEIC units	43,743	55,397	10,892	94,678	-	-	54,635	150,075
Property (incl. owner-occupied property)	458,293	451,452	-	-	-	-	458,293	451,452
Other assets	726,718	564,362	-	-	-	-	726,718	564,362
Total	2,219,130	2,054,048	318,483	411,093	15,374	14,678	2,552,987	2,479,818

(€/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	9,150	3,929	150	212	-	-	9,300	4,141
Other intangible assets	34,580	30,125	36	20	-	-	34,616	30,145
Owner-occupied property	88,378	69,297	1,259	1,289	644	659	90,281	71,244
Total	132,108	103,351	1,445	1,521	644	659	134,197	105,530

(€/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	437,166	364,104	273,490	229,035	105,193	74,813	70	-	815,919	667,952
Trading and construction profits	16,026	405	61	662	-	-	-	-	16,087	1,067
Services and rent income	5,474	4,649	976	1,207	-	-	-	-	6,450	5,856
Total	458,666	369,158	274,527	230,904	105,193	74,813	70	-	838,456	674,875

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2010	31/12/2009	Change
Goodwill	1,795	1,795	0

The item relates to the goodwill paid for the acquisition of the life business of SACE BT S.p.A., occurred during 2009. According to IAS 36, the goodwill has been tested for impairment.

Note 2	31/12/2010	31/12/2009	Change
Other intangible assets	34,616	30,145	4,471
Other items of property, plant and equipment	9,300	4,141	5,159
Property	458,293	451,452	6,841

Other intangible assets

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

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2009	56,269	1,188	4,774	62,231
Acquisitions	7,343	1,123	1,939	10,405
Improvement costs	0	0	16	16
Sales	0	0	-9	-9
Gross carrying amount at 31/12/2010	65,436	2,311	6,719	74,467
Accumulated Depreciation at 31/12/2009	32,334	0	1,576	33,910
Depreciation	4,622	0	1,328	5,950
Decrease due to disposals	0	0	-9	-9
Accumulated Depreciation at 31/12/2010	36,956	0	2,895	39,851
Net value as at 31/12/2009	23,935	1,188	3,198	28,321
Net value as at 31/12/2010	28,480	2,311	3,825	34,616

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

(€/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 31/12/2009	5,165	11,523	6,334	206	23,228
Acquisitions	901	3,759	1,922	22	6,604
Improvement costs	0	10	0	0	10
Sales	0	-27	-275	0	-302
Gross carrying amount at 31/12/2010	6,066	15,265	7,980	228	29,539
Accumulated Depreciation at 31/12/2009	4,258	9,488	5,190	151	19,087
Depreciation	222	529	648	27	1,426
Decrease due to disposals	0	-1	-273	0	-274
Accumulated Depreciation at 31/12/2010	4,480	10,016	5,566	178	20,240
Net value as at 31/12/2009	907	2,035	1,144	55	4,141
Net value as at 31/12/2010	1,586	5,249	2,415	50	9,300

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)

	31/12/2010	31/12/2009	Change
Owner-occupied property	90,281	71,244	19,037
Property held for trading	92,587	78,998	13,589
Property under construction	275,425	301,210	-25,785
Total	458,293	451,452	6,841

- Owner-occupied property

The book value of owner-occupied property at 31 December 2010 includes € 10,623 thousand for property owned by the parent company, € 2,722 thousand for property owned by the subsidiary Vittoria Properties S.r.l., € 1,994 thousand for property owned by Vittoria Immobiliare S.p.A., € 74,658 thousand for property owned by the subsidiary Lauro 2000 S.r.l. and € 284 thousand for property owned by the subsidiary Acacia 2000 S.r.l.

The following table shows the reconciliation of changes occurring during FY2010:

(€/000)

Owner-occupied property	31/12/2009	Acquisitions	Improvement costs	Sales	Depreciation	31/12/2010
Gross carrying amount	73,266	19,371	50	0	0	92,687
Accumulated depreciation	2,022	0	0	0	384	2,406
Carrying amount	71,244	19,371	50	0	-384	90,281

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 2010 is equal to € 100,999 thousand.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during FY2010:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2009	78,998	301,210	380,208
Acquisitions, net of capitalised financial charges	18,161	19,322	37,483
Capitalised financial charges	1,130	4,891	6,021
Sales	-7,462	-64,342	-71,804
Recognised gains	1,760	14,344	16,104
Carrying amount as at 31/12/2010	92,587	275,425	368,012

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

Note 3	31/12/2010	31/12/2009	Change
Reinsurers' share of technical reserves	73,579	74,226	-647

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	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Non-life reserves	51,595	53,467	382	437	51,977	53,904
Premium reserve	12,475	9,586	1	43	12,476	9,629
Claims reserve	39,120	43,881	381	394	39,501	44,275
Other reserves	-	-	-	-	-	-
Life reserves	21,602	20,322	-	-	21,602	20,322
Reserve for payable amounts	373	373	-	-	373	373
Mathematical reserves	21,207	19,926	-	-	21,207	19,926
Other reserves	22	23	-	-	22	23
Total reinsurers' share of technical reserves	73,197	73,789	382	437	73,579	74,226

Note 4	31/12/2010	31/12/2009	Change
Investments in subsidiaries and associates and interests in joint-ventures	102,616	99,898	2,718

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2010	31/12/2009
Yam Invest N.V.	65,269	65,942
White Finance S.A	3,624	6,306
Gima Finance S.A	12,671	7,276
S.In.T. S.p.A.	4,744	4,740
Yarpa. S.p.A.	4,797	4,735
Laumor Holdings S.a.r.l.	8,400	7,933
VP Sviluppo 2015 S.r.l.	47	21
VZ Real Estate S.r.l.	52	29
Sivim S.r.l.	26	0
Rovimmobiliare S.r.l	506	603
Mosaico S.p.A.	190	167
Pama & Partners S.r.l.	762	774
Le Api S.r.l.	28	21
Consorzio Movincom S.c.r.l.	42	41
Spefin Finanziaria S.p.A.	1,148	1,090
Fiori di S. Bovio S.r.l.	229	220
Valsalaria A.11 S.r.l.	81	0
Total carrying amount	102,616	99,898

The Group's interest in net income and losses totals € 3,508 thousand (with revaluations of € +490 thousand and write-downs for € -3,998 thousand).

The shares of the associated company Mosaico S.p.A. 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 €+2,718 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:

	(€/000)
Carrying amount at 31/12/2009	99,898
Acquisitions and subscriptions	7,824
Gima Finance S.A	5,689
Laumor Holdings S.a.r.l.	164
VP Sviluppo 2015 S.r.l.	59
VZ Real Estate S.r.l.	69
Sivim S.r.l.	64
Spefin Finanziaria S.p.A.	550
Fiori di S. Bovio S.r.l.	24
Valsalaria A.11 S.r.l.	1,205
Change to equity method measurement	-5,458
Yam Invest N.V.	-1,024
White Finance S.A	-2,683
Gima Finance S.A	-292
S.In.T. S.p.A.	4
Yarpa. S.p.A.	60
Laumor Holdings S.a.r.l.	302
VP Sviluppo 2015 S.r.l.	-33
VZ Real Estate S.r.l.	-46
Sivim S.r.l.	-38
Rovimmobiliare S.r.l	-97
Mosaico S.p.A.	24
Pama & Partners S.r.l.	-12
Le Api S.r.l.	7
Spefin Finanziaria S.p.A.	-491
Fiori di S. Bovio S.r.l.	-15
Valsalaria A.11 S.r.l.	-1,124
Other changes	352
Carrying amount at 31/12/2010	102,616

Note 5	31/12/2010	31/12/2009	Change
Held to maturity investments	96,334	94,717	1,617
Loans and receivables	43,778	43,227	551
Financial assets available for sale	1,265,971	1,264,299	1,672
Financial assets at fair value through profit or loss	83,361	86,010	-2,649

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 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 31/12/2009	94,717	43,974	6,705	1,213,620	1,264,299	79,610	6,400	1,445,027
Acquisitions and subscriptions	-	-	4,000	304,265	308,265	15,188	548	324,001
Sales and repayments	-199	-417	-63	-268,612	-269,092	-20,022	-1,472	-290,785
Other changes:								
- effective interest adjustments	1,815	-	-	2,960	2,960	-	-	4,775
- fair value adjustments	-	-110	-361	-33,617	-34,088	1,814	201	-32,073
- rate changes	2	50	-	-6,436	-6,386	-	-5	-6,389
- other changes	-1	12	1	-	13	1,099	-	1,111
Carrying amount at 31/12/2010	96,334	43,509	10,282	1,212,180	1,265,971	77,689	5,672	1,445,667

Loans and receivables

As at 31 December 2010 loans and receivables totalled € 43,778 thousand (€ 43,227 thousand as at 31 December 2009).
As envisaged in IAS 32 – AG7, the item includes the contra entry for commitments to Laumor Holdings S.a.r.l. and Gima Finance S.A. 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 2010 is € 11,457 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 S.p.A. to the indirect associates Mosaico S.p.A., Sivim S.r.l., Rovimmobiliare S.r.l., Pama & Partners S.r.l., Valsalaria A.11 S.r.l., VP Sviluppo S.r.l. and VZ Real Estate S.r.l. for a total of € 15,907 thousand;
- loans granted by the parent company to third parties and secured by mortgages for a total of € 5,904 thousand;
- € 3,629 thousand in loans against life insurance policies;
- loans granted to employees and agents of the parent company for € 1,463 thousand;
- loans granted by the parent company to other subsidiaries and associates (of which € 150 thousand to the Gruppo GPA S.p.A. and € 5,000 thousand to the company Spefin Finanziaria S.p.A.);
- reinsurance deposit assets for € 249 thousand.

The amount of € 6,973 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	96,334	127,187
Loans and receivables	43,778	43,778
Financial assets available for sale	1,265,971	1,265,971
Financial assets held for trading	5,672	5,672
Financial assets at fair value through profit or loss	77,689	77,689
Total	1,489,444	1,520,297

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.

Disclosure concerning fair value hierarchy

The following table shows financial instruments valued at fair value according to the three levels required by IFRS 7. Financial instruments were split as follows:

- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments whose fair value is determined from inputs, other than quoted prices, that are observable on the market;
- Level 3: financial instruments whose fair value is determined from inputs that are not observable on the market.

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Financial assets Available for sale		1,241,274	1,239,385	7,468	7,330	17,229	17,584	1,265,971	1,264,299
Financial assets at fair value through profit or loss	Financial assets held for trading	5,672	6,400	-	-	-	-	5,672	6,400
	Financial assets at fair value through profit or loss	77,689	79,610	-	-	-	-	77,689	79,610
Total		1,324,635	1,325,395	7,468	7,330	17,229	17,584	1,349,332	1,350,309
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-		
	Financial liabilities at fair value through profit or loss	74,168	75,800	3,521	3,810	-	-	77,689	79,610
Total		74,168	75,800	3,521	3,810	-	-	77,689	79,610

The following table shows the change in financial instruments classified in level 3.

(€/000)

	Financial assets			Financial liabilities at fair value through profit or loss	
	Financial assets Available for sale	Financial assets at fair value through profit or loss			
		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	17,584	-	-	-	-
Purchases/ Issues	12	-	-	-	-
Sales/Repurchases	-367	-	-	-	-
Redemptions	-	-	-	-	-
Gains or losses charged to profit and loss	-	-	-	-	-
Moves to other Levels	-	-	-	-	-
Other changes	-	-	-	-	-
Closing balance	17,229	-	-	-	-

No transfers to level 3 occurred during the year.

Note 6	31/12/2010	31/12/2009	Change
Receivables relating to direct insurance	180,731	151,404	29,327

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2010	31/12/2009
Premiums due from policyholders	58,970	51,474
Receivables due from brokers and agents	66,145	53,052
Receivables due from insurance companies - current accounts	8,420	10,846
Amounts to be recovered from policyholders and third parties	47,196	36,032
Total	180,731	151,404

These receivables are stated net of related bad-debt provisions.
Change of the period is physiologically linked to increase in premiums collected by the parent company.

Note 7	31/12/2010	31/12/2009	Change
Receivables relating to reinsurance business	3,638	5,303	-1,665

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	31/12/2010	31/12/2009	Change
Other receivables	41,331	39,835	1,496

This item refers to trade receivables and to advances paid to third parties.
The most significant sub-item as up to 31 December 2010 consisted of advances of € 12,754 thousand on taxes paid by the Policyholders and advances of € 22,078 thousand paid by the real estate companies.

Note 9	31/12/2010	31/12/2009	Change
Deferred acquisition costs	7,170	7,154	16

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2010 € 2,981 thousand referred to the life business and € 4,189 thousand to the non-life business.
Change of the period is due to the capitalisation of acquisition costs on new contracts written in the period, net of costs amortised in the period, related to the normal insurance activity.

Note 10	31/12/2010	31/12/2009	Change
Deferred tax assets	28,785	21,110	7,675

The item included deferred tax assets pertaining to the direct operating parent company (€ 25,988 thousand) and to the real estate sector (€ 1,574 thousand), plus those relating to consolidation adjustments (€ 1,223 thousand).
The following table shows the changes in the item:

(€/000)

Deferred tax assets	31/12/2010
Exchange rate gains or losses	17
Provision for bad debts	2,692
Technical reserves (claims)	20,286
Accruals to the provision for charges	261
Adjustments to life insurance liabilities	1,223
Costs deductible in future fiscal years	1,830
Tax benefit for property revaluation	2,209
Other	267
Total	28,785

Note 11	31/12/2010	31/12/2009	Change
Current tax assets	21,742	33,782	-12,040

The item includes tax receivables of the direct operating parent company of € 1,121 thousand (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling € 20,446 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12	31/12/2010	31/12/2009	Change
Other assets	6,150	4,425	1,725

The item includes € 169 thousand of deferred commission expenses relating to investment contracts and € 5,413 thousand of prepayments, mainly relating to G&A costs.

Note 13	31/12/2010	31/12/2009	Change
Cash and cash equivalents	93,797	66,895	26,902

The item refers to bank balances of € 93,766 thousand and cash amounts of € 31 thousand.

Note 14	31/12/2010	31/12/2009	Change
Equity attributable to shareholders of the parent	354,837	353,088	1,749
Equity attributable to minority interests	26,108	25,488	620

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	31/12/2010	31/12/2009
Total equity attributable to the shareholders of the parent	354,837	353,088
Share capital	67,379	65,789
Other equity instruments	23	319
Equity-related reserves	33,874	31,412
Income-related and other reserves	218,888	215,547
Translation reserve	148	-197
Fair value reserve	7,368	25,635
Other gains or losses recognised directly in equity	106	50
Group profit for the year	27,051	14,533
Total equity attributable to minority interests	26,108	25,488
Share capital and reserves attributable to minority interests	25,445	27,270
Minority interests' profit for the year	663	-1,782
Total consolidated equity	380,945	378,576

In February 2010, having obtained the necessary authorization from the ISVAP (the Italian supervisory authority for insurance) and availing itself of Article 9.2 of the related Regulation, Vittoria Assicurazioni announced early repayment, on 1 January 2011, of the bonds "Vittoria Assicurazioni S.p.A. Fixed/Floater 2001/2016 Subordinated Loan Convertible into Ordinary Shares" still outstanding.
As envisaged by the loan's Regulation, bondholders were allowed to request, as an alternative to repayment and by the deadline of 27 December 2010, conversion into Vittoria Assicurazioni shares, at a ratio of 2 newly issued shares for each bond. At the end of the conversion period 60,538 bonds remained, for a total par value of € 290,582.40. These bonds were reimbursed at par with payment of interest accrued at a pre-tax rate of 5.5%.
As at 31 December 2010 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 € 11,180,256 and € 11,184,121 respectively for FYs 2009 and 2010.

Below we provide greater detail on the breakdown of equity as at 31 December 2010:

- "Other equity instruments": the item, which as at 31 December 2010 amounted to € 23 thousand, includes the equity portion of measurement of the conversion option on the convertible bonds issued in 2001 by the direct operating parent company. The decrease of € 296 thousand vs. 31 December 2009 reflects the conversions that took place in the year, as better described in the Directors' Report;

- "Equity reserves": the item refers to the direct operating parent company's share premium reserve and the increase of € 2,462 thousand was due to conversion of the convertible bond loan;

- "Earnings reserves and other reserves": the item, which totalled € 218,888 thousand, mainly consisted of:
  - The direct operating parent company's legal reserve = € 9,645 thousand;
  - Retained earnings = € 206,928 thousand;
  - The reserve for gains or losses on IFRS first-time adoption = 2,315 thousand.

- "Fair value reserve": this item includes the net unrealised gains on the fair value measurement of assets available for sale for € 8,733 thousand, net of the portion attributable to policyholders (shadow accounting) of € 1,365 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
31/12/2009	50,160	12,535	37,625
Decrease due to sales	-5,847	-1,625	-4,222
Decrease due to fair value changes	-34,138	-9,467	-24,670
Total change for the period/year	-39,985	-11,092	-28,892
31/12/2010	10,175	1,443	8,733

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2009	17,716	5,726	11,990
Change in shadow accounting reserve	-15,699	-5,074	-10,625
31/12/2010	2,017	652	1,365

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

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2009	32,444	6,809	25,635
Decrease due to sales	-5,847	-1,625	-4,222
Decrease due to fair value changes	-34,138	-9,467	-24,670
Change in shadow accounting reserve	15,699	5,074	10,625
Total change for the period/year	-24,286	-6,018	-18,267
31/12/2010	8,158	791	7,368

Change of the period of Gains or losses recognised directly in equity of € -18,267 thousand was the result of the decrease of € -28,892 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the change of € -10,625 thousand in the shadow accounting reserve.

The following table, which refers to 31 December 2010, 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	2010 profit	Equity excluding year's profit	2010 profit
Parent company's financial statements compliant with Italian GAAPs	265,525	29,256		
IFRS adjustments (net of related tax effects)	5,005	1,766	-	-
Parent company's financial statements based on IFRSs	270,530	31,022	-	-
Consolidated companies' equity	229,844	272	23,259	86
Allocation of consolidation differences and eliminations	28,099	-		
Consolidated companies' carrying value	(194,981)	-		
Minority interest	(2,292)	(577)	2,292	577
Elimination of infragroup profits	(767)	-	(106)	
Profits not yet attributed to life policyholders in the year and in previous years	(2,858)	(925)		
Dividend elimination	3,182	(3,182)		
Deferred taxes on profits not yet attributed to life policyholders in the year and in previous years	924	299		
Deferred taxes on consolidated companies' results	(3,892)	143		
Other items	(3)	(1)		
IFRS-compliant consolidated financial statements	327,786	27,051	25,445	663

Note 15	31/12/2010	31/12/2009	Change
Provisions	2,772	3,021	-249

This account refers mainly to the provisions made for € 1,931 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	31/12/2009	Accruals of the year	Utilisations of the year	31/12/2010
Provision for costs to be incurred	2,180	206	-455	1,931
Other provisions	841	-	-	841
Total	3,021	206	-455	2,772

Note 16	31/12/2010	31/12/2009	Change
Technical reserves	1,653,851	1,554,039	99,812

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Non-life reserves	880,067	778,941	873	903	880,940	779,844
Premium reserve	275,053	226,484	29	78	275,082	226,562
Claims reserve	604,605	548,683	844	825	605,449	549,508
Other reserves	409	3,774	-	-	409	3,774
Life reserves	772,651	773,905	260	290	772,911	774,195
Reserve for payable amounts	28,109	19,487	12	11	28,121	19,498
Mathematical reserves	725,747	721,622	244	274	725,991	721,896
Other reserves	18,795	32,796	4	5	18,799	32,801
Total technical reserves	1,652,718	1,552,846	1,133	1,193	1,653,851	1,554,039

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

The Life "Other reserves" item mainly consisted of:

- € 5,800 thousand = reserve for deferred liabilities to policyholders (of which € 2,017 thousand stemming from fair value measurement of available-for-sale financial assets and € 3,783 thousand from reserving against subsidiaries' profits allocated to segregated accounts)
- € 12,807 thousand = management expenses.

Further to the ALM (Asset & Liability Management) analysis made on internal Separate Accounts, additional reserves for granted interest rate risk have been accrued (art.47 of ISVAP Regulation no.21): € 872 thousand and € 91 thousand, respectively, for the Separate Accounts "Vittoria Valore Crescente" and "Vittoria Liquinvest".

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

Liability Adequacy Test (LAT)

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

Non-Life business

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

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2008	549,508
Portfolio transfers	0
Exchange rate gains or losses	8
Change in consolidation scope	0
Change for the year	55,933
Carrying amount at 31/12/2009	605,449

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 1999-2010. 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 31/12/2008	721,896
Portfolio transfers	235
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	3,860
Carrying amount at 31/12/2009	725,991

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€ '000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis financial	Technical basis demographic
Temporary	9,808,349	120,886	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	23	26	1969 - 1979	3% *	SIM 51
Indexed	4	4	1980 - 1988	3% *	SIM 51
Other types	51	71			
Revaluable	861,888	606,464	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.	99,787	1,560	2001 - 2004	2.5%	(1)
			since 2004	2.5%	(2)
Pension fund	10,625	10,625	since 1999	----	----
Index linked	12,229	12,081	since 1997	0%	SIM 91
Unit Linked	50,801	53,771	since 1998	0%	SIM 91
Total ordinary	10,843,757	805,488			
AIL rivalutabile	11,036	9,731	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	10,854,793	815,219			

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

for indexed policies: 5.28% for adjustable policies: 4.55% for AIL revaluable policies: 3.23%

for revaluable policies: Vittoria Valore Crescente 4.08%; Vittoria Rendimento Mensile 3.31%; Vittoria Previdenza 2.83%.

(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	31/12/2010	31/12/2009	Change
Financial liabilities at fair value through profit or loss	77,689	79,610	-1,921
Other financial liabilities	302,825	319,804	-16,979

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 2010.

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2009	70,789	8,821	79,610
Investment of net fund assets	66	1,810	1,876
Profits attributable to policyholders	6,084	104	6,188
Amounts paid	-9,880	-105	-9,985
Carrying amount at 31/12/2010	67,059	10,630	77,689

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 11,457 thousand to the associates Laumor Holdings Sarl and Gima Finance SA, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item. Reference should be made to Note 5 for further information.

Besides the above, the item – which comprises liabilities of € 238,212 thousand falling due after more than 12 months – mainly refers to:

- Reinsurance deposits of € 27,662 thousand;
- Bank loans issued to the Group's real estate companies for a total of € 263,400 thousand (of which € 181,772 thousand backed by collateral);
- Subordinated liabilities of € 307 thousand.

Subordinated liabilities relate to the "Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares" (ISIN: IT0003184758) that, as described above in the equity breakdown paragraph, Vittoria Assicurazioni early repaid on 1st of January 2011. As described in the section on accounting policies, the equity portion (conversion option) has been measured separately from the debt component, to which the effective interest rate of 7.17% has been applied.

Disclosure concerning fair value

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

(€/000)

Financial liabilities	Carrying amount	Fair Value
Financial liabilities at fair value through profit or loss	77,689	77,689
Other financial liabilities	302,825	302,825
Total	380,514	380,514

In addition to what is illustrated hereinabove, note that the total fair value of the "Other financial liabilities" illustrated in the table refers to the subordinated loan for € 306 thousand, the commitment to Laumor Holdings S.a.r.l. and Gima Finance S.A. for a total of € 11,457 thousand, and to reinsurance deposits and loans granted to the real estate companies for € 291,062 thousand. The fair value of the subordinated loan was determined on the basis of market prices for similar instruments.

Note 18	31/12/2010	31/12/2009	Change
Payables arising from direct insurance business	8,342	7,098	1,244

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2010	31/12/2009
Payables to insurance brokers and agents	3,558	3,651
Payables to insurace companies - current accounts	2,221	2,496
Guarantee deposits paid by policyholders	144	199
Payables to guarantee funds in favour of policyholders	2,419	752
Total	8,342	7,098

Note 19	31/12/2010	31/12/2009	Change
Payables arising from reinsurance business	9,041	7,451	1,590

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	31/12/2010	31/12/2009	Change
Other sums payable	61,478	70,826	9,348

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2010	31/12/2009
Payments on accounts received by real estate companies for preliminary sales agreements	18,182	29,784
Trade payables	13,550	14,896
Payables to employees	2,717	1,986
Employee benefits - provisions for termination benefits	4,801	5,127
Policyholders' tax due	14,897	11,903
Sundry tax liabilities (withholdings)	1,808	1,535
Social security charges payable	2,284	2,188
Sundry payables	3,239	3,407
Total	61,478	70,826

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 31/12/2009	1,463	5,128	955	7,546
Accruals	113	982	249	1,344
Utilisations	(106)	(1,310)	0	(1,416)
Other changes (exchange rate gains or losses, acquisitions)	0	0	0	0
Carrying amount at 31/12/2010	1,470	4,800	1,204	7,475

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	113	806	249	1,168
Interest	0	131	0	131
Net actuarial gains	0	45	0	45
Total charges	113	982	249	1,344

The principal actuarial and financial assumptions made here refer to:
- Inflation rate (assumed to be a constant 1.9% 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	31/12/2010	31/12/2009	Change
Deferred tax liabilities	26,628	31,377	4,749

The item includes deferred tax liabilities allocated to the insurance business for € 7,509 thousand, the real estate and services business for € 6,166 thousand, and to reversals totalling € 12,953 thousand, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired in the past few years.

The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2010
Alignment with fair value of assets held by investee companies acquired	18,098
Financial assets available for sale	2,517
Derecognition of the catastrophe reserves	2,053
Dividends	3,739
Other	221
Total	26,628

Note 22	31/12/2010	31/12/2009	Change
Current tax liabilities	943	230	713

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	31/12/2010	31/12/2009	Change
Other liabilities	28,473	27,786	687

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 € 10,817 thousand, the deferred commission income of € 115 thousand connected with investment contracts, invoices and notes to be received from suppliers totalling € 14,320 thousand, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for € 2,675 thousand.

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Note 24	31/12/2010	31/12/2009	Change
Gross premiums	767,508	654,736	112,772
Ceded premiums for reinsurance	34,816	32,386	2,430
Amounts paid and change in technical reserves	583,525	524,895	58,630
Reinsurers' share	-16,867	-34,268	17,401

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

(€/000)

	31/12/2010				31/12/2009			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	592,768	139,924	-	732,692	498,129	124,221	-	622,350
Gross premiums	625,761	141,747	-	767,508	528,302	126,434	-	654,736
Gross premiums written	674,248	141,747	-	815,995	542,013	126,434	-	668,447
a Direct business	674,173	141,746	-	815,919	541,519	126,433	-	667,952
b Indirect business	75	1	-	76	494	1	-	495
Change in premium reserve	-48,487	-	-	-48,487	-13,711	-	-	-13,711
a Direct business	-48,553	-	-	-48,553	-13,735	-	-	-13,735
b Indirect business	66	-	-	66	24	-	-	24
Ceded premiums	32,993	1,823	-	34,816	30,173	2,213	-	32,386
Gross premiums ceded	35,823	1,823	-	37,646	30,443	2,213	-	32,656
a Outward reinsurance	35,823	1,823	-	37,646	30,230	2,213	-	32,443
b Retrocession	-	-	-	-	213	-	-	213
Change in premium reserve	-2,830	-	-	-2,830	-270	-	-	-270
a Outward reinsurance	-2,876	-	-	-2,876	-291	-	-	-291
b Retrocession	46	-	-	46	21	-	-	21
NET CHARGES RELATING TO CLAIMS	420,615	145,118	925	566,658	365,425	129,570	-4,368	490,627
Amounts paid and change in technical reserves	435,736	146,864	925	583,525	397,608	131,655	-4,368	524,895
Direct business	435,728	146,804	-	582,532	397,494	131,612	-	529,106
Indirect business	8	60	-	68	114	43	-	157
Shadow accounting of investee companies' profits	-	-	925	925	-	-	-4,368	-4,368
Reinsurers' share	15,121	1,746	-	16,867	32,183	2,085	-	34,268
Outward reinsurance	15,164	1,746	-	16,910	32,133	2,085	-	34,218
Retrocession	-43	-	-	-43	50	-	-	50

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.

Reference should be made to Secondary segment reporting for breakdown of premiums by geographical segment.

Note 25	31/12/2010	31/12/2009	Change
Commission income	839	827	12

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	31/12/2010	31/12/2009	Change
Gains or losses on financial instruments at fair value through profit or loss	279	230	49
Gains on investments in subsidiaries and associates and interests in joint ventures	547	1,523	-976
Gains or losses on other financial instruments and investment property	53,910	49,907	4,003
Losses on investments in subsidiaries and associates and interests in joint ventures	4,896	2,720	2,176
Losses on other financial instruments and investment property	4,103	5,492	-1,389

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses, 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 € 78 thousand, whilst unrealised losses amounted to €- 201 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 FY2010 amounted to € 6,188 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 2010 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 31/12/10	Gains 31/12/09	Losses 31/12/10	Losses 31/12/09
Held to maturity investments	4,290	4,426	-	-
Loans and receivables	935	523	-	-
Financial assets available for sale	47,421	43,266	134	592
Other receivables	529	626	-	-
Cash and cash equivalents	735	1,066	-	-
Other financial liabilities	-	-	3,969	4,900
Total	53,910	49,907	4,103	5,492

Note 27	31/12/2010	31/12/2009	Change
Other income	25,476	10,765	14,711

The following table details the breakdown of this item:

(€/000)

Other income	31/12/10	31/12/09
Trading profits	16,087	1,067
Revenue from services: real estate brokerage	735	971
Revenue from services: real estate management	97	106
Revenue from services: administration, real estate appraisals and other income	89	283
Revenue from services: insurance commission income with third parties	425	444
Revenue from services: other revenue from services	885	504
Rent income	387	561
Technical income on insurance contracts (*)	4,010	5,349
Gains on the sale of property, plant and equipment	12	42
Exchange rate gains	176	-
Value adjustment on acquired loans	1,545	-
Incidental non-operating income	508	1,066
Other income	520	372
Total	25,476	10,765

(*) Of which:

- € 264 thousand (€ 156 thousand in 2009) referring to reversal of commissions on cancelled premiums;
- € 2,919 thousand (€ 3,448 thousand in 2009) referring to other technical items, mainly consisting of recovers on claims settlement costs and ANIA contributions for cars scrapped following claim events;
- € 827 thousand (€ 1,745 thousand in 2009) of utilisation of bad-debt provision.

Note 28	31/12/2010	31/12/2009	Change
Commission expense	64	155	-91

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	31/12/2010	31/12/2009	Change
Commissions and other acquisition costs	144,468	120,549	23,919
Investment management costs	681	747	-66
Other administrative costs	32,128	28,963	3,165

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 2010.

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/10	31/12/09
Acquisition commissions	107,556	88,265
Other acquisition costs	37,290	30,869
Change in deferred acquisition costs	-16	1,289
Premium collection commissions	8,573	8,466
Profit participation and other commissions received from reinsurers	-8,935	-8,340
Total	144,468	120,549

Note 30	31/12/2010	31/12/2009	Change
Other costs	14,702	13,476	1,226

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/10	31/12/09
Technical costs on insurance contracts (*)	4,868	4,337
Foreign-exchange losses	-	72
Value adjustment on acquired investments	1,123	-
Incidental non-operating costs	833	1,815
Annual.depreciation & amortisation	7,761	6,668
Other costs	117	584
Total	14,702	13,476

(*) Of which:

- € 1,909 thousand (€,2,307 thousand in December 2009) for technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning;
- € 2,959 thousand (€ 2,030 thousand in December 2009) for services supporting insurance covers and costs for premiums under litigation.

Note 31	31/12/2010	31/12/2009	Change
Income taxes	18,329	10,122	8,207

Of this item, € 24,630 thousand relate to current taxes and € 6,301 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 (IRES)			(€/000)
Profit before taxation		46,042	
Permanent differences:			
Non-deductible interest and taxes	1,400		
Non-deductible accruals, costs and expenses	1,389		
Revaluation of associates under the equity method	5,490		
Tax-exempt capital gains/(losses)	-852		
Other captions	-1,015		
Total Change	6,412		
Taxable base		52,454	
Theoretical IRES		12,662	27.50%
Current IRES		14,425	31.33%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 521 as at 31 December 2010 vs, 492 present as at 31 December 2009.
The average number of in-force employees on the payroll, split by contractual grade, was as follows:

	31/12/2010	31/12/2009
Managers	23	21
Officers	127	122
Administrative staff	360	347
Total	510	490

Tax status

Insurance Business

During 2009 Vittoria Assicurazioni S.p.A. was subjected to a tax audit by the Inland Revenue for the tax years 2004, 2005 and 2006, after which objections were raised concerning corporate tax, regional business tax and VAT.
A tax reassessment totalling € 96 thousand of higher corporate and regional business taxes for 2004 and 2005 was notified. The reassessment of higher VAT totalled € 227 thousand.
Tax reassessments have not yet been notified for 2006, for which the parent company estimates that higher charges of some € 5 thousand will be assessed for corporate and regional taxes and € 160 thousand for VAT.
In accounts as at 31 December 2009 the parent company has made tax provision of € 101 thousand for the costs arising from higher corporate and regional business tax, fines and interest for the 3-year period 2004-2006. Euro 96 thousand was charged to this provision to extinguish the amounts due to the Revenue for 2004 and 2005 fiscal years.

As regards higher VAT, related fines and interest, the parent company has already filed an appeal with the Inland Revenue for 2004 and intends to act in the same way for 2005 and 2006, supported by a favourable ruling in first instance concerning an identical case related to 2003 and 2004 and by several favourable ruling concerning similar cases related to other insurance companies.

The parent company Vittoria Assicurazioni S.p.A. has confirmed for the 3-year period 2008-2010 the option for domestic tax consolidation (Article 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia Seconda S.r.l. and Immobiliare Bilancia Terza S.r.l.. As from FY2008 and once again for the 3-year period 2008-2010, the subsidiaries Lauro 2000 S.r.l. and Acacia 2000 S.r.l. were included in the scope of tax consolidation. During 2009 the domestic tax consolidation option was renewed for the companies Vittoria Immobiliare S.p.A., Gestimmobili S.r.l. and Interimmobili S.r.l. and was exercised also for the subsidiaries Forum Mondadori Residenze S.r.l. e Interbilancia S.r.l..

In FY2008 Vittoria Assicurazioni S.p.A. revalued its property assets pursuant to Italian Law no. 2 of 28 January 2009, obtaining recognition of the higher value for the purposes of corporate and regional business tax, effective as from the 2013 tax period (in the event of disposal, recognition is postponed to 2014) via payment of a substitute tax of 3% on the higher value of depreciable property assets and of 1.5% on that of non-depreciable property assets. The carrying value was aligned with market value, as calculated by an expert appraisal of the assets concerned performed by an independent expert.
Set against this higher value recognised in balance-sheet assets, the parent company has created a specific equity reserve for an amount equal to revaluation minus substitute taxes.
As regards 2010, Vittoria Assicurazioni S.p.A. has exercised the option for group settlement of VAT pursuant to the Ministry Decree of 13 December 1979. This option has been taken up, in their capacity as subsidiaries, by the companies Forum Mondadori Residenze S.r.l., Immobiliare Bilancia Terza S.r.l., Gestimmobili S.r.l., Interimmobili S.r.l., and Vittoria Properties S.r.l..

Real Estate Business

In 2010 Vittoria Immobiliare S.p.A. paid € 94 thousand to the notices of reassessment received at the end of 2009 following a tax audit of the 2004 tax year carried out in 2007. Tax provisions accrued in previous financial years for an amount totalling € 128 thousand was sufficient to cover this outlay.

The Board of Directors

Milan, 14 March 2011

Appendix: Effects of IFRIC 15 application

From 2010 onwards the Vittoria Assicurazioni Group is applying IFRIC 15, adopted with Regulation CE 639/2009 of the Commission of the European Community on 22 July 2009.
This interpretation establishes in which cases real estate under construction can be likened to long-term contracts (with consequent recognition of trading profits depending on completion progress) and in which cases, on the contrary, trading profits must be recognized solely at the time of definitive sale (notarial deed of sale).
The Vittoria Assicurazioni Group's companies build homes for which buyers are able to request only limited changes to the original design (personalized finishes, unification or division of property units) and not structural changes.
Given this, based on IFRIC 15 the profits made on sales of buildings by the Group have to be recognized at the time of the notarial deed of sale.

In financial statements up to 31 December 2009, buildings under construction for which a preliminary sale agreement had been completed were valued using the percentage-of-completion (PoC) method.
As established by IAS 8 (Accounting policies, changes in accounting estimates and errors), accounting data referring too 30 June 2009 and 31 December 2009 have been retrospectively restated, as if IFRIC 15 had always been applied.
Elimination of the higher values recognized for buildings under construction has involved corresponding modification of other income-statement and balance-sheet items, i.e.

- Reversal of deferred taxes on the valuation of buildings calculated using the PoC method
- After recalculation of the profits of real estate companies included in segregated accounts, adjustment of allocations to the Life technical reserves and of the consequent tax effect
- Adjustment of deferred taxes on the future dividends of real estate companies
- Recalculation of minority interest in real estate companies' profits.

The following tables show the effects of retrospective IFRIC 15 application, detailed for each individual item involved in the changes (amounts shown in € '000):

Reconciliation of balance-sheet amounts at 31 December 2009

	Amounts at 31 December 2009 (without IFRIC 15)	Elimination of valuation based on PoC method		Amounts at 31 December 2009 (restated as per IFRIC 15)
		Cumulative effect at 31 December 2008	Effect relating to 2009	
Assets: Buildings (gross value)	460,143	(1,714)	(6,978)	451,451
Down payments received for preliminary agreements	(21,159)	10,532	10,627	0
Buildings (net value)	438,984	8,818	3,649	451,451
Deferred tax assets	21,306	(155)	(41)	21,110
Other assets	4,425		1	4,426
Liabilities: Technical reserves	1,566,341	(480)	(1,822)	1,544,039
Other payables	49,667	10,532	10,627	70,826
Deferred tax liabilities	33,607	(579)	(1,651)	31,377
Other liabilities	27,794		(8)	27,786
Earnings reserves and other equity reserves	216,124	(577)	0	215,547
Profit/loss attributable to parent company shareholders	16,924		(2,391)	14,533
Share capital and reserves attributable to minority interests	29,336	(232)	0	29,104
Profit/loss attributable to minority interests	(635)		(1,147)	(1,782)

Reconciliation of income-statement amounts at 31 December 2009

	Amounts at 31 December 2009 (without IFRIC 15)	Elimination of valuation based on PoC method	Amounts at 31 December 2009 (restated as per IFRIC 15)
Other income (inclusive of trading profits of real estate business)	17,724	(6,959)	10,765
Other costs	(13,465)	(11)	(13,476)
Claims paid and change in technical reserves (including accruals for Life policyholders for real estate companies whose investment is allocated to segregated accounts)	(526,718)	1,823	(524,895)
Income tax	(11,731)	1,609	(10,122)
Profit/loss attributable to minority interests	635	1,147	1,782
Balance of income-statement items involved in recalculation as per IFRIC 15	(533,555)	(2,391)	(535,946)
Other net income-statement items	550,479	0	550,479
Profit/loss attributable to parent company shareholders	16,924	(2,391)	14,533

Restatement of Statement of Changes in Equity

Retrospective IFRIC 15 application (with reference to opening balances as at 1 January 2009) would have led to restatement of the Statement of Changes in Equity, as shown in the following summary (amounts in € '000):

	Share capital and reserves attributable to parent company shareholders			Share capital and reserves attributable to minority interests		
	Share capital and other equity reserves	Profit/loss	Total	Share capital and other equity reserves	Profit/loss	Total
Balance at 31/12/2008	313,676	20,170	333,846	29,336	-90	29,246
Modification of closing balances (after IFRIC 15)	-577		-577	-232		-232
Allocations	36,793	-5,644	31,149	-90	-1695	-1,785
Transfers	-11,337		-11,337	-1,744		-1,744
Balance at 31/12/2009	338,555	14,526	353,081	27,270	-1,785	25,485
Modification of closing balances	0	0	0	0	0	0
Allocations	4,637	12,525	17,162	-1,825	2,488	633
Transfers	-11,184		-11,184		-40	-40
Reclassification adjustments in period's profit (loss)	-4,222		-4,222			
Balance at 31/12/2010	327,786	27,051	354,837	25,445	663	26,108

The Board of Directors

Milan, 14 March 2011

Appendices to Consolidated Financial Statements FY 2010

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
Lauro 2000 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	-	44.49	51.00	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	-	61.07	70.00	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
Plurico 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.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

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	-	65,269
White Finance S.A	Luxembourg	9	b	32.17	32.17	-	3,624
S.In.T. S.p.A.	Italy	11	b	48.19	48.19	-	4,744
Yarpa S.p.A.	Italy	9	b	20.91	20.91	-	4,797
Laumor Holdings S.a.r.l.	Luxembourg	9	b	29.00	29.00	-	8,400
Gima Finance S.A.	Luxembourg	9	b	32.13	32.13	-	12,671
Sivim S.r.l.	Italy	10	b	-	43.18	49.50	26
Rovimmobiliare S.r.l	Italy	10	b	-	43.62	50.00	506
Mosaico S.p.A.	Italy	10	b	-	21.81	25.00	190
Pama & Partners S.r.l.	Italy	10	b	-	21.81	25.00	762
Le Api S.r.l.	Italy	11	b	-	29.23	30.00	28
Consorzio Movincom S.c.r.l.	Italy	11	b	0.98	38.79	38.80	42
VP Sviluppo 2015 S.r.l.	Italy	10	b	-	34.90	40.00	47
VZ Real Estate S.r.l.	Italy	10	b	-	42.75	49.00	52
Spefin Finanziaria S.p.A.	Italy	9	b	-	20.20	21.00	1,148
Fiori di S. Bovio S.r.l.	Italy	10	b	-	34.90	40.00	229
Valsalaria A.11 S.r.l.	Italy	10	b	-	34.90	40.00	81

(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.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
1	INTANGIBLE ASSETS	28,139	25,429	7,483	5,656	787	855	2	0	0	0	36,411	31,940
2	PROPERTY, PLANT AND EQUIPMENT	19,616	14,691	0	0	408,505	401,515	114	28	39,358	39,359	467,593	455,593
3	REINSURERS' SHARE OF TECHNICAL RESERVES	51,977	53,904	21,602	20,322	0	0	0	0	0	0	73,579	74,226
4	INVESTMENTS	864,593	821,848	904,220	910,028	19,721	15,364	119	110	-196,593	-159,199	1,592,060	1,588,151
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	217,035	195,349	78,415	59,665	3,640	3,459	69	60	-196,543	-158,635	102,616	99,898
4.3	Held to maturity investments	10,513	10,687	85,821	84,030	0	0	0	0	0	0	96,334	94,717
4.4	Loans and receivables	16,458	17,311	11,463	14,749	15,907	11,731	0	0	-50	-564	43,778	43,227
4.5	Financial assets available for sale	620,581	598,375	645,166	665,700	174	174	50	50	0	0	1,265,971	1,264,299
4.6	Financial assets at fair value through profit or loss	6	126	83,355	85,884	0	0	0	0	0	0	83,361	86,010
5	OTHER RECEIVABLES	186,383	150,839	22,013	23,149	26,323	26,063	1,466	694	-10,485	-4,203	225,700	196,542
6	OTHER ASSETS	28,281	30,212	10,203	9,452	23,112	25,727	1,028	156	1,223	924	63,847	66,471
6.1	Deferred acquisition costs	4,189	4,386	2,981	2,768	0	0	0	0	0	0	7,170	7,154
6.2	Other assets	24,092	25,826	7,222	6,684	23,112	25,727	1,028	156	1,223	924	56,677	59,317
7	CASH AND CASH EQUIVALENTS	48,995	22,393	11,610	18,576	30,453	24,283	2,739	1,643	0	0	93,797	66,895
	TOTAL ASSETS	1,227,984	1,119,316	977,131	987,183	508,901	493,807	5,468	2,631	-166,497	-123,119	2,552,987	2,479,818
1	EQUITY											380,945	378,576
2	PROVISIONS	741	741	0	0	2,031	2,280	0	0	0	0	2,772	3,021
3	TECHNICAL RESERVES	880,939	779,844	769,129	771,332	0	0	0	0	3,783	2,863	1,653,851	1,554,039
4	FINANCIAL LIABILITIES	18,074	23,475	99,041	101,266	263,365	274,673	34	0	0	0	380,514	399,414
4.1	Financial liabilities at fair value through profit or loss	0	0	77,689	79,610	0	0	0	0	0	0	77,689	79,610
4.2	Other financial liabilities	18,074	23,475	21,352	21,656	263,365	274,673	34	0	0	0	302,825	319,804
5	PAYABLES	53,530	43,983	5,116	5,048	26,306	39,219	4,472	1,840	-10,563	-4,715	78,861	85,375
6	OTHER LIABILITIES	19,809	21,077	4,012	7,174	19,107	18,088	134	82	12,982	12,972	56,044	59,393
	TOTAL EQUITY AND LIABILITIES											2,552,987	2,479,818

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	
		31/12/2010	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	31/12/2010	31/12/2009
1.1	Net premiums	592,768	498,128	139,924	124,222	0	0	0	0	0	0	732,692	622,350
1.1.1	*Gross premiums*	625,761	528,301	141,747	126,435	0	0	0	0	0	0	767,508	654,736
1.1.2	*Ceded premiums*	32,993	30,173	1,823	2,213	0	0	0	0	0	0	34,816	32,386
1.2	Commission income	0	0	839	827	0	0	0	0	0	0	839	827
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-120	-113	399	343	0	0	0	0	0	0	279	230
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	367	2,752	3,182	3,935	48	253	9	5	-3,059	-5,422	547	1,523
1.5	Gains on other financial instruments and investment property	20,821	19,140	32,204	29,911	880	849	5	7	0	0	53,910	49,907
1.6	Other income	5,457	7,110	215	343	20,277	3,639	3,911	3,448	-4,384	-3,775	25,476	10,765
1	TOTAL REVENUE	619,293	527,017	176,763	159,581	21,205	4,741	3,925	3,460	-7,443	-9,197	813,743	685,602
2.1	Net charges relating to claims	420,615	365,425	145,118	129,570	0	0	0	0	925	-4,368	566,658	490,627
2.1.2	*Amounts paid and change in technical reserves*	435,736	397,608	146,864	131,655	0	0	0	0	925	-4,368	583,525	524,895
2.1.3	*Reinsurers' share*	-15,121	-32,183	-1,746	-2,085	0	0	0	0	0	0	-16,867	-34,268
2.2	Commission expense	0	0	64	155	0	0	0	0	0	0	64	155
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	3,999	2,080	0	0	897	640	0	0	0	0	4,896	2,720
2.4	Losses on other financial instruments and investment property	257	806	992	1,280	2,851	3,401	3	5	0	0	4,103	5,492
2.5	Operating costs	152,183	126,660	18,206	17,778	7,589	6,483	3,653	3,083	-4,354	-3,745	177,277	150,259
2.6	Other costs	11,585	9,879	844	1,271	2,259	2,313	14	13	0	0	14,702	13,476
2	TOTAL COSTS	588,639	504,850	165,224	150,054	13,596	12,837	3,670	3,101	-3,429	-8,113	767,700	662,729
	PROFIT FOR THE YEAR BEFORE TAXATION	30,654	22,167	11,539	9,527	7,609	-8,096	255	359	-4,014	-1,084	46,043	22,873

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Translation reserve	345	560	-	-	-	-	345	560	0	0	148	-197
Fair value reserve	-14,045	15,904	-4,222	- 157	-	-	- 18,267	15,747	-6,019	3,918	7,368	25,635
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	56	101	-	-	-	-	56	101	0	0	106	50
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	-13,644	16,565	-4,222	-157	0	0	-17,866	16,408	-6,019	3,918	7,622	25,488

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			
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Equity and derivative instruments measured at cost	0	0	0	0	17,229	17,584	0	0	0	0	17,229	17,584
Equity instruments at fair value	0	0	0	0	26,280	26,390	0	0	8,379	6,492	34,659	32,882
of which listed	0	0	0	0	18,812	19,060	0	0	8,379	6,492	27,191	25,552
Debt securities	96,334	94,717	0	0	1,212,180	1,213,620	4,828	5,592	30,739	30,681	1,344,081	1,344,610
of which listed	93,983	92,168	0	0	1,212,180	1,213,620	4,828	5,592	30,740	30,681	1,341,731	1,342,061
OEIC units	0	0	0	0	10,282	6,705	0	0	34,854	36,940	45,136	43,645
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	249	280	0	0	0	0	0	0	249	280
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	27,072	25,637	0	0	0	0	0	0	27,072	25,637
Non-hedging derivatives	0	0	0	0	0	0	844	808	0	0	844	808
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	16,457	17,310	0	0	0	0	3,717	5,497	20,174	22,807
Total	96,334	94,717	43,778	43,227	1,265,971	1,264,299	5,672	6,400	77,689	79,610	1,489,444	1,488,253

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

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		50,488	1,785	5,475	5,449	495	51,752	5,129	0	2,251	0	2,878	54,630	61,322
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	547	4,896	0	0	-4,349	0	0	0	0	0	-4,349	-1,197
c	Held to maturity investments	4,290	0	0	0	0	4,290	0	0	0	0	0	4,290	4,426
d	Loans and receivables	835	0	0	0	0	835	100	0	0	0	100	935	523
e	Financial assets available for sale	44,160	837	0	2,424	134	47,287	0	0	0	0	0	47,287	42,674
f	Financial assets held for trading	39	0	0	39	0	78	321	0	120	0	201	279	230
g	Financial assets at fair value through profit or loss	1,164	401	579	2,986	361	3,611	4,708	0	2,131	0	2,577	6,188	14,666
Other receivables		529	0	0	0	0	529	0	0	0	0	0	529	626
Cash and cash equivalents		735	0	0	0	0	735	0	0	0	0	0	735	1,066
Financial liabilities		-3,969	0	0	0	0	-3,969	0	0	6,188	0	-6,188	-10,157	-19,566
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	6,188	0	-6,188	-6,188	-14,666
c	Other financial liabilities	-3,969	0	0	0	0	-3,969	0	0	0	0	0	-3,969	-4,900
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		47,783	1,785	5,475	5,449	495	49,047	5,129	0	8,439	0	-3,310	45,737	43,448

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Non-life reserves	880,066	778,941	873	903	880,939	779,844
Premium reserve	275,053	226,484	29	78	275,082	226,562
Claims reserve	604,604	548,683	844	825	605,448	549,508
Other reserves	409	3,774	0	0	409	3,774
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	772,652	773,905	260	290	772,912	774,195
Reserve for payable amounts	28,109	19,487	12	11	28,121	19,498
Mathematical reserves	725,747	721,622	244	274	725,991	721,896
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	18,796	32,796	4	5	18,800	32,801
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	5,801	20,579	0	0	5,801	20,579
Total technical reserves	1,652,718	1,552,846	1,133	1,193	1,653,851	1,554,039

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Non-life reserves	51,595	53,467	382	437	51,977	53,904
Premium reserve	12,475	9,586	1	43	12,476	9,629
Claims reserve	39,120	43,881	381	394	39,501	44,275
Other reserves	0	0	0	0	0	0
Life reserves	21,602	20,322	0	0	21,602	20,322
Reserves for payable amounts	373	373	0	0	373	373
Mathematical reserves	21,207	19,926	0	0	21,207	19,926
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	22	23	0	0	22	23
Total reinsurers' share of technical reserves	73,197	73,789	382	437	73,579	74,226

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2010

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					
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	307	4,268	307	4,268
Liabilities from financial contracts issued by insurers arising from:	0	0	77,689	79,610	0	0	77,689	79,610
Contracts where policyholders bear investment risk	0	0	67,059	70,789	0	0	67,059	70,789
Pension-fund management	0	0	10,630	8,821	0	0	10,630	8,821
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	27,662	23,554	27,662	23,554
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	263,399	274,672	263,399	274,672
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	11,457	17,310	11,457	17,310
Total	0	0	77,689	79,610	302,825	319,804	380,514	399,414

Breakdown of financial assets and liabilities by level

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Financial assets Available for sale		1,241,274	1,239,385	7,468	7,330	17,229	17,584	1,265,971	1,264,299
Financial assets at fair value through profit or loss	Financial assets held for trading	5,672	6,400	-	-	-	-	5,672	6,400
	Financial assets at fair value through profit or loss	77,689	79,610	-	-	-	-	77,689	79,610
Total		**1,324,635**	**1,325,395**	**7,468**	**7,330**	**17,229**	**17,584**	**1,349,332**	**1,350,309**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	74,168	75,800	3,521	3,810	-	-	77,689	79,610
Total		**74,168**	**75,800**	**3,521**	**3,810**	**-**	**-**	**77,689**	**79,610**

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	17,584				
Purchases/ Issues	12				
Sales/Repurchases	-367				
Redemptions	0				
Gains or losses charged to profit and loss	0				
Gains or losses charged to other comprehensive income	0				
Moves to Level 3	0				
Moves to other Levels	0				
Other changes	0				
Closing balance	17,229				

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 31/12/2009 of reclassified assets		Fair Value at 31/12/2009 of reclassified assets		Reclassified Assets during 2010		Reclassified Assets up to 2010		Reclassified Assets during 2010		Reclassified Assets up to 2010	
				Reclassified Assets during 2010	Reclassified Assets up to 2010	Reclassified Assets during 2010	Reclassified Assets up to 2010	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)

		31/12/2010			31/12/2009		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		625,761	32,993	592,768	528,301	30,173	498,128
a	Premiums written	674,248	35,823	638,425	542,013	30,443	511,570
b	Change in premiums reserve	48,487	2,830	45,657	13,712	270	13,442
NET CLAIMS COSTS		435,736	15,121	420,615	397,608	32,183	365,425
a	Amounts paid	399,457	21,861	377,596	371,727	23,200	348,527
b	Change in claims reserves	55,899	-4,810	60,709	39,112	10,950	28,162
c	Change in recoveries	16,255	1,930	14,325	13,231	1,967	11,264
d	Change in other technical reserves	-3,365	0	-3,365	0	0	0
Life business							
NET PREMIUMS		141,747	1,823	139,924	126,435	2,213	124,222
NET CLAIMS COSTS		146,864	1,746	145,118	131,655	2,085	129,570
a	Amounts paid	133,354	466	132,888	107,405	878	106,527
b	Change in reserve for amounts to be paid	8,622	0	8,622	-3,379	123	-3,502
c	Change in mathermatical reserves	4,118	1,281	2,837	26,875	1,085	25,790
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	770	-1	771	754	-1	755

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/10	31/12/09	31/12/10	31/12/09
Gross commissions and other acquisition costs		142,542	117,714	14,345	14,164
a	Acquisition commissions	102,233	82,952	7,418	7,377
b	Other acquisition costs	32,694	26,584	5,985	5,210
c	Change in deferred acquisition costs	198	1,028	-214	261
d	Premium collection commissions	7,417	7,150	1,156	1,316
Profit participation and other commissions received from reinsurers		-8,611	-7,924	-324	-416
Investment management costs		344	375	337	371
Other administrative costs		17,908	16,495	3,848	3,659
Total		152,183	126,660	18,206	17,778

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2010

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	458,293	-	458,293
Other items of property, plant a	9,300	-	9,300
Other intangible assets	34,616	-	34,616

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	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
On-balance sheet assets	67,059	70,789	10,630	8,821	77,689	79,610
Infragroup assets *	0	0	0	0	0	0
Total assets	**67,059**	**70,789**	**10,630**	**8,821**	**77,689**	**79,610**
On-balance sheet liabilities	67,059	70,789	10,630	8,821	77,689	79,610
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	**67,059**	**70,789**	**10,630**	**8,821**	**77,689**	**79,610**

* 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 2010 - 31 December 2010.

2. In this respect no remarks emerged besides what already reported in Director's report to the Consolidated financial report as at 31 December 2010.

3. The undersigned also certify that:

   3.1 The consolidated financial statements as at 31 December 2010:

   a) was 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) corresponds to results of the books and accounts records;

   c) is 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, 14 March 2011

Roberto Guarena	Mario Ravasio
Managing Director	*Manager Charged with preparing the financial reports*

Report of
Independent auditors

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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, 2010, 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.

   The consolidated financial statements presents prior year amounts for comparative purposes. As reported in the explanatory notes, Directors have restated certain comparative data related to the prior year, with respect to the information previously presented on which we issued our audit reports on 1 April 2010. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purpose of issuing this report on the consolidated financial statements as of 31 December 2010.

3. In our opinion, the consolidated financial statements of Vittoria Assicurazioni S.p.A. as at and for the year ended 31 December, 2010 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, 2010.

Milan, 28 March, 2011

Signed by: BDO S.p.A.
Francesca Scelsi
(Partner)