Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA CALDERA, 21 - 20153 MILAN - ITALY
SHARE CAPITAL: EURO 65,788,948 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

88th year of business

Consolidated Financial report as at 31 December 2009

Board of Directors' meeting of 9 March 2010

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

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BOARD OF DIRECTORS *

Luigi GUATRI	Honorary President
Giorgio Roberto COSTA	Chairman
Andrea ACUTIS	Executive Deputy Chairman
Carlo ACUTIS	Executive Deputy Chairman
Roberto GUARENA	Managing Director
Adriana ACUTIS BISCARETTI di RUFFIA	Director
Francesco BAGGI SISINI	Independent director
Marco BRIGNONE	Independent director
Arnaud HELLOUIN de MENIBUS	Director
Luciano GOBBI	Independent director
Pietro Carlo MARSANI	Independent director
Giorgio MARSIAJ	Independent director
Edgar MÜLLER-GOTTHARD	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
Ferruccio ARALDI	Standing statutory auditor
Giovanni MARITANO	Standing statutory auditor
Sergio VASCONI	Substitute statutory auditor
Corrado VERSINO	Substitute statutory auditor

GENERAL MANAGEMENT

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

INDEPENDENT AUDITOR

BDO S.p.A.

*Directors and Statutory Auditors appointed by the shareholders' and Board of directors' meetings of 23 April 2010

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 COSTA	Non-executive member
Luciano GOBBI	Independent non-executive member
Roberto GUARENA	Executive president
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 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 is 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

Starting in the second part of the year that has just ended, the global economic situation has been showing encouraging signs of recovery. This helped to limit the expected contraction of growth in 2009 (-0.8%). Global equity markets recouped much of the ground lost during the recent financial crisis and international production and trade experienced considerable increases – so much so that an increasing number of countries' economies are enjoying positive rates of growth.
The International Monetary Fund's forecasts for 2010 indicate global growth set at an annual rate of 3.9%.
It must however be observed that a decisive role in this process has been played by the imposing fiscal and monetary policies undertaken throughout the world already as of the end of 2008. It is the very question of how economic stimuli should be managed that is posing a very delicate problem for many governments. While, on the one hand, it is generally believed that current economic growth is not yet able to be self-supporting, on the other hand the accumulation of public debt may potentially threaten long-term economic stability.

During the first half of 2009, the United States economy suffered severe shrinkage and the unemployment rate reached levels not seen since the 1980s.
Notwithstanding this, the major supportive actions taken by the government and the monetary authority (the Federal Reserve) made it possible to stabilise private personal expenditure and to reinforce the real estate and financial markets. This helped to produce considerable growth in the second half of the year and made it possible to end 2009 with more limited contraction of economic growth (-2.5%), while for 2010 growth of 2.7% is forecast (source: International Monetary Fund).
This renewed climate of confidence is also confirmed by the behaviour of the Federal Reserve, which, via the recent increase of the discount rate by a quarter of point, has clearly signalled inversion of its monetary policy.
It is true that Fed Fund rates (currently still steady at between 0% and 0.25%) are the ones most indicative for the market – but this move of the Federal Reserve undoubtedly expresses a positive opinion of economic recovery and the intention of returning to normality via withdrawal of the exceptional measures brought into play to tackle the crisis.
A further and direct consequence of this more restrictive monetary policy is the US dollar's ongoing appreciation vs. the Euro, which has been evident since the beginning of the current year and has caused the exchange rate to break the barrier of USD 1.35 for 1 Euro.

In Europe, there are signs of recovery – but they are weaker than those of the USA and unevenly distributed among the various countries.
Once again, strong support has been provided by both monetary and fiscal policy but with the latter limited to those countries with accounts able to take the strain.
2009 ended with reduction of economic growth by -3.9%, whereas for 2010 moderate growth of +1% is forecast (source: International Monetary Fund). The recent of tendency of the Europe to depreciate against the main global currencies could also aid economic recovery via an increase in foreign demand.
On the monetary front, the European Central Bank (ECB) is maintaining an expansionary monetary policy – a sign implying a prudent view of the economic recovery outlook for the main member countries. This policy, possible also because of the good short- and medium-term prospects as regards curbing of inflation, is mainly implemented via open-market operations- As instead regards the level of interest rates, in its last meeting on 4 February 2010, the ECB's Governing Council decided to leave the level fixed in May 2009 unchanged, i.e. 1%.

In Italy, during 2009 the economic was severely hit by the international crisis, nevertheless showing some signs of recovery in the latter part of the year, which point to better prospects for the current year.

According to the data released by the ISTAT (the Italian national statistics bureau), seasonally adjusted indexes for Italian manufacturing companies' orders and sales featured increases and the biggest contribution to top-line growth came from foreign markets.
The International Monetary Fund's 2010 forecast for Italy projects growth in line with the European average, i.e. +1%.

2009 data for financial markets showed a positive trend both for bond markets (+8.3%, FTSE Italy Govt. Performance index) and for equity markets (+19.5%, FTSE MIB index).

The Italian insurance market

Premiums (based on Italian GAAPs) featured the following changes compared with those of Vittoria Assicurazioni:

	Change 30/09/09 vs. 30/09/08	Change 31/12/09 vs. 31/12/08
Segment	Market	Vittoria Assicurazioni
Life:	+40.3%	14.8%
Non-Life:	-2.2%	+5.0%
of which Motor TPL:	-4.0%	+7.5%

The Italian real estate market

Historically, the market's long-term trend – albeit with an alternation of cycles of contraction and increase of real value – has featured phases of acceleration followed by phases of slowdown or stability. Conversely, downturns have always appeared to be sporadic or in any case of limited entity.

After two years of difficulty, when the trend was constantly downward, in the last quarter of 2009 the Italian real estate market showed the first signs of slowing of the economic and financial crisis that had hit it.
The last two years have featured sharp contraction of the market compared with the trend prior to the 2007 crisis. This involved not only prices, but above all sales volume, which, however, in the latter months of the year showed the first faint signs of recovery.
2009 once again confirmed the increase of average selling times and of the percent discounts applied during sales negotiations.
The downturn in deals for the sale of residential properties was around -12% and around -14% for retail properties, whereas in the case of sales of properties in the office and service-industry segment it was lower, i.e. about -5%. These data on trends in the real estate market refer to major urban centres, which are generally leading indicators for sector trends.

Attention is expected to return to the real estate market starting in the second half of 2010, in parallel with the renewed inflationary trend, which sector observers indicate as certain. This will translate into general recovery of the market – in terms both of deals and of price levels - starting in major cities and then gradually extending to smaller urban centres.
It is also likely that there will be recovery in 2010 of deals concerning properties of greater prestige and value thanks to reinvestment of the liquidity repatriated to Italy as a result of the so-called "tax shield" envisaged by the 2009 National Budget law.

Performance of the Vittoria Assicurazioni Group

The net profit reported on the consolidated financial statements attributable to the parent's shareholders was € 16,924 thousand (-16.1% as compared with the previous year's consolidated profit, which amounted to € 20,170 thousand).

In 2009 the amendments to IAS 1 have come into force. These require companies to indicate, as well as the normal reported bottom-line result for the year or period, also the result in terms of "comprehensive income". This indicator comprises all income components recognised in the year or period and therefore, as well as those included in the reported bottom-line result (in the separate income statement), also those recognised in equity (changes in latent capital gains on available-for-sale financial assets, in reserves for foreign exchange differences, etc., net of tax effects).
As at 31 December 2009 the Group's comprehensive income statement showed income of € 33,332 thousand (+88.9% versus € 17,648 thousand at 31 December 2008).

Profit for the insurance business, before inter-segment eliminations and excluding the contribution made to subsidiaries and associates, rose from € 28,870 to € 27,087 thousand (-6.2%). The private equity investments made by the associates generated a loss of € 860 thousand (against a loss of € 67 thousand in 2008). The real estate sector also reported less favourable results (gross loss of € 1,126 thousand, compared with a loss of € 545 thousand in 2008) due to the market slowdown, the increase in financial expenses over most of the year and the evolution in activities currently underway, focused primarily on development and promotion (medium-term) rather than on trading (short-term): consequently, the earnings from this activity will be realised over a longer period.

On 1st July 2009, after having obtained the necessary approvals from the supervisory authority, the contract for acquisition by Vittoria Assicurazioni of the life insurance branch of the company SACE BT SpA, signed by the parties on 30 June 2009, took effect.

The parent company Vittoria Assicurazioni S.p.A. showed net profit – determined according to Italian GAAPs – of € 24,290 thousand (€37,939 thousand at 31 December 2008), with a decrease of 36%.

Investments, totalling € 2,094,030 thousand (+6.9%), consist of € 79,610 thousand (+13.6%) in investments with the risk being borne by policyholders and € 2,014,420 thousand in investments with the risk being borne by the Group (+6.6% from 31 December 2008).
The net financial income generated by investments with the risk borne by the Group totalled € 52,053thousand, compared with € 52,295 thousand in the previous period (-0.5%).

The 2009 conversion period of the "Vittoria Assicurazioni – Fixed Floater 2001/2016" subordinated debenture closed on 30 October 2009. The share capital of the Parent Company totalled € 65,788,948 at that date.

The Board of Directors of Vittoria Assicurazioni S.p.A. on 12 November 2009 resolved the early repayment of the "Vittoria Assicurazioni – Fixed/Floater 2001-2016" convertible bond. Given this, as allowed by Article 9.2 of the loan's Regulation, on 1 January 2011 the Company will repay all bonds outstanding on that date.
On 5 February ISVAP approved the early repayment. As an alternative to repayment, bondholders will be given the option of exercising the bonds' conversion right. The repayment to the bondholders who will not exercise their conversion right will take place at par, including the interest accrued (5.50% gross of withholding tax).

The companies that comprise the Group are listed in the chapter "Explanatory notes to accounts" – Schedule A) Scope of consolidation.

INSURANCE BUSINESS

Profit for the insurance business, before taxes and inter-segment eliminations, amounted to € 31,694 thousand (€36,456 thousand at 31 December 2008, for a decrease of -13.1%). The key operating items contributing to the period's result are described below.

Total insurance premiums at 31 December 2009 amounted to € 671,307 thousand (6.4% compared with premiums of € 630,718 thousand in the previous year), of which € 668,449 thousand for insurance premiums (+6.7%) and € 2,858 thousand for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund (-35.1%).

Direct Life insurance premiums amounted to € 126,435 thousand, with a 14.8% YoY increase, obtained thanks to Intermediaries' effort, also strengthened by the acquisition of a Life business portfolio from SACE BT S.p.A..

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: 4.23%
- Vittoria Valore Crescente: 5.08%
- Vittoria Liquinvest: 3.80%

Revenues for investment contracts (life policies of a financial nature) fell from € 4,406 thousand to € 2,858 thousand (-35.1%) 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 € 541,519 thousand, with a 5.0% 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 9.7% (10.2% in 2008): 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 € 1,523 thousand (€ 9,022 thousand last year), which is offset by costs of € 2,720 thousand (€2,978 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 loss in the real estate business, before taxes and inter-segment eliminations, amounted to € 1,126 thousand (against a loss of € 545 thousand as at 31 December 2008) and featured contributions to the income statement that, before inter-segment eliminations, included:

- trading income on properties (€ 4,784 thousand) and development (€ 3,260 thousand) for a total of € 8,044 thousand (€5,989 thousand at 31 December 2008);
- real estate brokerage and management service revenues of € 1,071 thousand and administrative, contractual and technical service revenues of € 322 thousand, for a total of € 1,393 thousand (€2,292 thousand in 2008).

The reduction in the real estate segment's profit reflects not only the soft market and increase in financial expenses during the year, but also the different type of current activities, which are focused primarily on development and promotion (medium-long term) rather than on trading (short-term), as previously mentioned.

The net debt of the real estate business was € 250,389 thousand (€188,528 thousand at 31 December 2008); the increase in debt stems from both in progress and new development initiatives undertaken during the year.

SERVICE BUSINESS

Revenues for services rendered and commissions received by Group companies, before elimination of inter-company services, totalled € 3,433 thousand (€4,236 thousand at 31 December 2008).

This segment showed a profit, before tax and minority interest, of € 359 thousand (€ 500 thousand at 31 December 2008).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled € 356,056 thousand (+6.7%) and minority interests amounted to € 26,867 thousand (-8.1%), € 333,846 and € 29,246 thousand respectively at 31 December 2008.

The current level of capitalisation is in line with that of major European insurance companies, thanks in part to the positive results for FY 2009.

The strategic objectives that the parent intends to pursue over the next few years are:

- increasing its market share, without deteriorating technical results;
- maintaining 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 parent company's Board of Directors is submitting a motion for approval by shareholders at the General Meeting that the profit of € 24,289,558 shown in the statutory financial statements be allocated as follows:

To the Legal reserve	Euro	1,214,478
To an available reserve	Euro	11,890,959
To shareholders	Euro	11,184,121

corresponding to a dividend of Euro 0.17 for each of the 65,788,948 shares constituting the share capital (€11,180,256 in FY 2008).

After approval by shareholders, dividend distribution will be recognised in the 2010 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 € 2,858 thousand (€4,406 thousand in FY08).

Premiums as up to 31 December 2009 thus amounted to € 668,449 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2009 AND 2008
DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2009	Year 2008	YoY change %	% of total book 2009	% of total book 2008
Domestic direct business					
Life business					
I Whole- and term life	93,996	91,682	2.5	14.1	18.2
IV Health (long-term care)	346	332	4.2	0.0	0.1
V Capitalisation	32,093	18,089	77.4	4.8	3.0
Total Life business	126,435	110,103	14.8	18.9	21.3
Non-Life business					
Total non-marine lines (exc. specialty and motor)	147,239	150,160	-2.0	22.0	22.5
Total specialty lines	14,376	12,093	18.9	2.2	2.0
Total motor lines	379,904	353,453	7.5	56.8	54.1
Total Non-Life business	541,519	515,706	5.0	81.0	78.6
Total direct business	667,954	625,809	6.7	99.9	99.9
Domestic indirect business					
Life business	1	1	0.0	0.0	0.0
Non-Life business	494	502	-1.6	0.1	0.1
Total indirect business	495	503	-1.6	0.1	0.1
Grand Total	668,449	626,312	6.7	100.0	100.0

The direct operating parent company does not operate under freedom-to-provide-service provisions or via secondary establishments in other EU and non-EU countries.

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 € 125,435 and are broken down as follows:
- 67.9% for single premiums, totalling € 85,786 thousand (they were 59.8%, or € 65,853 thousand at 31 December 2008);
- 32.1% for recurrent premiums, totalling € 40,649 thousand (they were 40.2%, or € 44,250 thousand at 31 December 2008);

In 2009 the funds relating to separately managed businesses achieved the following returns:

(€/000)

	Average rate of return	Total investments
Vittoria Rendimento Mensile	4.23%	357,368
Vittoria Valore Crescente	5.08%	244,972
Vittoria Liquinvest	3.80%	6,777

The rate of return allocated to policyholders complies with the specific contractual terms stipulated.
As done in previous years, in 2009 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.

Claims, accrued capital sums & annuities, and surrenders

The comparison relating to settlements in the quarter is shown in the following table:
The following table summarises data for direct business relating to claims, accrued capital sums and annuities, and surrenders as at 31 December 2009, compared with data for the same period in the previous year.

(€/000)

	31/12/2009	31/12/2008
Claims	16,661	9,880
Accrued sums and annuities	62,029	49,785
Surrenders	25,178	65,289
Total	103,868	124,954

* 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.

The FY2008 surrenders figure was affected by institutional investors' recalls of single-premium capital redemption contracts amounting to € 40,568 thousand, whereas the increase in claims was a consequence of the significant increase in risk premiums underwritten in the last three years.

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 claims
- Pure office premiums – treaties set up in 1996 and 1997.

In FY09 ceded premiums amounted to € 2,213 thousand.

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

Based on individual categories' performance, it is possible to make the following considerations:

NON-MARINE BUSINESSES

Total Non-Marine premiums decreased by -2.0%. This was a consequence of the careful underwriting policy applied in the "20% salary assignment loan" sector due to the increase in the unemployment rate, as well of the new ISVAP regulation concerning classification of the various businesses. The technical result was positive vs. a negative result in FY2008, thanks to painstaking revision of risks already on the books and to a prudent underwriting policy for new risks.

More specifically, the individual lines of business showed the following technical results:

Accident: the business featured further growth of previous compared with the previous year's growth (+11.9% vs. +4.0% YoY). The technical performance of direct business improved over the previous year, thanks to shrinkage of the average cost of current-generation claims, caused by a lower incidence of peak claims.

Health: the business experienced a 11.5% increase in premiums vs. a decrease of -1.6% in FY2008, mainly due to the underwriting of collective policies. The claims ratio worsened due to the increase in the number of reported and peak claims.

Fire and natural events: the business showed an increase in premiums written (+5.3%) as opposed to a decrease of -9.1% in the previous year. It featured a substantially stable technical result for direct business, notwithstanding the occurrence of some peak claims in the SME and Residential segment.

Other asset damage: the premiums of the business – which includes cover of the risks of theft and burglary, hail, damage to electronic equipment, and technological damage – slipped slightly (-0.6%). As regards technical performance, there was a loss in line with that of FY2008.

General TPL: premiums increased by 2.1%, less than the previous year's growth of 10.7%. This was due to a prudent underwriting policy, implemented in view of the difficult market phase – with the soundness of this confirmed by a positive technical result.

Pecuniary loss: the business's premiums decreased by -36.1% YoY. This was mainly because of the decision taken in FY2008 to operate extremely cautiously in the segment of 20%-salary-assignment loans (SALs), which accounted for a preponderant amount of the premiums written for the business. The decision was in turn based on the macroeconomic scenario projected for 2009-2010 and its consequent effects on employment. The decrease in premiums written was also due to the new ISVAP regulation concerning classification of the various businesses. The new classification positions the SAL risk in the Credit category, when it exists, if the possibility of recourse vis-à-vis the insured party is envisaged. Despite the significant deterioration of the rate of claims relating to the job-loss risk, the overall technical result was positive.

Legal protection: the premiums of this business progressed by +1.7%. The technical result remained positive.

SPECIALTY BUSINESSES

Specialty businesses showed premium growth of 18.9%, with a technical result showing improvement compared with previous years. More specifically:

Credit: Premiums written for this business took on special importance in FY2009 due to inclusion in its classification of part of the risks relating to SALs (20%-salary-assignment loans). Despite the substantial absence of claims, the technical result was negative, mainly because of the methods established for calculation of the premiums reserve.

Bond insurance: Premiums written increased by 3.5%, albeit in a general situation of economic slowdown with marked repercussions on the sector of public works contracting and VAT rebates. The business had a positive technical result despite the emergence of claims, as per Italian Law 210/2005, relating to warranties given to the purchasers of buildings – caused by the growing number of companies in the real estate industry that are in trouble.

Aircraft hulls – Aviation TPL: premiums written for these businesses grew by 23.7%, primarily due to the increase of the Aircraft hulls segment (+25.9%). The technical result virtually broke even.

Watercraft hulls (sea, lake and river) and railway rolling stock: Premiums decreased by -35.1% YoY. The technical result was negative because of a major claim event that occurred at a shipyard.

Goods in transit: premiums written grew by 10.7%. Careful selection of risks during underwriting, as well as tight management of recourse, permitted improvement of the already positive technical result.

MOTOR BUSINESSES

Motor businesses as a whole featured 7.5% growth of premiums written, together with a positive technical result. More specifically:

Motor vehicle and watercraft (sea, lake and river) TPL:: Premiums written grew by 6.7% as a result of a tangible increase in the number of vehicles insured, albeit, once again in FY2009 with a tangible decrease in the average premium. Corporate policies continue to focus on (a) accentuation of customisation to increase policyholder loyalty, (b) development of affinity groups, and (c) selective underwriting. The investments necessary to adjust the Company's IT and operating procedures continue to be significant to ensure effective handling of the problems stemming from application of the knock-for-knock system, as well as to achieve construction of new databases permitting more detailed analysis for proper and timely calculation of tariffs. The technical result – positive – deteriorated compared with FY2008. This was mainly due to the decrease in average premium caused by legislative measures that, during FY2009, had an adverse effect on tariffs (facilitation in assignment of the initial merit rating pursuant to the so-called Bersani law, and the ISVAP measure concerning observation of shared-liability claims for the purposes of evolution of the "malus" rating).

Land motor vehicle hulls: premiums grew by +10.3%. more than in the previous year (+3.5%). We continued to apply an underwriting policy that, besides dedicating special attention to linking ancillary cover to Motor TPL and to further development of the affinity groups, also aimed to consolidate co-operation, via the agencies, with the dealer networks for new cars and related services. Although positive, the technical result deteriorated vs. FY2008. This was due to significant claims reports for atmospheric events occurring during the year and to an increase in claims frequency concerning cover related to weather events.

Assistance: Premiums grew by 17.7%, more than in FY2008. The technical result was positive and showed improvement over previous years.

Premiums

The premiums written for direct business totalled € 541,519 thousand and showed an increase of 5.0%.

Claims

<u>Reported claims</u>

The following schedule, illustrating reported claims, was prepared using data from positions opened during the year. The data are compared with the figures for the previous year.

(€/000)

	31/12/09		31/12/08		Change %	
	number	total cost	number	total cost	number	total cost
Total non-motor businesses	53,441	96,248	36,371	96,320	46.9	-0.1
Total Special businesses	561	23,536	590	4,527	-4.9	419.9
Total motor businesses	113,664	293,336	98,428	256,692	15.5	14.3
Total non-life businesses	**167,666**	**413,120**	**135,389**	**357,539**	**23.8**	**15.5**

The following schedule illustrates the data broken down by handling type for the reported claims of the Motor TPL line:

(€/000)

		31/12/09		31/12/08	
Branch	Claim handling Type	Number	Total cost	Number	Total cost
Motor TPL - land	K-for-K - liable	53,734	105,072	45,979	87,012
Motor TPL - land	K-for-K - originator	62,610	154,288	55,377	135,168
Motor TPL - land	Non K-for-K claims	21,464	112,512	20,413	107,737
Motor TPL - watercraft	Non K-for-K claims	70	286	34	164
Total Motor T.P.L. claims handled		137,878	372,159	121,803	330,080

The parent company received 80,792 claims (73,563 at 31 December 2008: +9.8%), against which € 125,320 thousand will be recouped from other insurance companies (€112,815 thousand at 31 December 2008:+11.1%), on the basis of the lump-sum rate schedule defined by the Ministerial Technical Committee pursuant to Article 13 of Presidential Decree 254/2006.

Claims settled

The following table shows the amount of claims paid for direct business, net of recoveries, and the amount charged to reinsurers:

(€/000)

	Claims paid 31/12/09			Claims recovered from reinsurers	Claims paid 31/12/08			Change gross claims
	Current year	Previous years	Total		Current year	Previous years	Total	%
Total non-motor businesses	45,297	47,226	92,523	12,511	44,636	32,454	77,090	20.0
Total Special businesses	5,700	3,472	9,172	4,874	2,110	7,841	9,952	-7.8
Total motor businesses	125,009	138,735	263,745	5,656	111,478	155,743	267,221	-1.3
Total non-life businesses	176,006	189,433	365,439	23,041	158,225	196,038	354,263	3.2

The additional cost borne in 2009 for the road-accident victim guarantee fund was € 7,243 thousand vs. € 6,804 thousand in the previous year.

Claims settlement speed

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

(percentages)

	current generation		previous generations	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Accident insurance	57.78	59.43	73.43	80.05
Health insurance	86.43	84.37	82.68	73.62
Motor vehicle hulls	84.49	83.55	86.82	88.58
Fire and natural events	83.46	80.03	80.66	76.53
Miscellaneous damages - theft	87.82	85.97	87.19	86.48
Third-party motor liability	74.22	75.11	72.24	71.03
Third-party general liability	70.45	66.08	36.78	39.67

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 2009, 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.

(€/000)

Year of event	2001	2002	2003	2004	2005	2006	2007	2008	2009	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	403,361	2,576,853
1 year later	199,449	204,538	224,138	277,707	290,299	295,520	317,409	355,348		
2 years later	197,462	205,692	225,790	279,665	288,532	298,210	307,669			
3 years later	198,321	208,698	228,955	284,964	285,941	296,479				
4 years later	200,766	212,067	232,206	289,927	285,398					
5 year later	205,484	213,331	235,608	290,828						
6 years later	206,011	216,983	239,501							
7 years later	209,215	216,004								
8 years later	209,513									
Cumulative claims cost at 31 December 2009	209,513	216,004	239,501	290,828	285,398	296,479	307,669	355,348	403,361	2,604,100
Total cumulative claims paid in 2009	194,863	197,618	218,096	254,688	258,780	263,831	257,119	262,088	169,729	2,076,812
Claims paid in 2009	1,987	2,954	9,304	7,710	7,480	12,785	32,330	110,013	169,729	354,291
Claims reserve at 31 December 2009	14,651	18,386	21,405	36,140	26,617	32,648	50,550	93,259	233,633	527,288

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. 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.

Reinsurance

Outward reinsurance

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

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

The premiums transferred in 2009 totalled € 30,230 thousand (€ 30,257 at 31 December 2008).

Active reinsurance

Acceptance of the risks involved in indirect business stems principally from participation in pools and the activity of Line 05 – Aircraft hulls – space risks.

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	Technical reserves of inward & outward reinsurance	Total net balance sheets amounts	% breakdown
AAA	69	492	561	1.2%
AA	-158	2,534	2,376	5.0%
AA-	-4,637	13,839	9,202	19.4%
A+	-676	23,672	22,996	48.4%
A	-20,677	26,831	6,154	12.9%
A-	-307	2,658	2,351	4.9%
BBB	-	-	-	0.0%
Not rated	967	2,919	3,886	8.2%
Totale	-25,422	72,947	47,525	100.0%

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 2009, non-life business accounts for 81.0% of total Group premiums (82.3% as at 31/12/2008), with 56.8% of this percentage referring to motor lines (56.4% as at 31/12/2008).
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.

Flight risk exposure

The outward reinsurance programme has made it possible to limit maximum net theoretical exposure per risk, with more than 80% of the portfolio underwritten outwardly reinsured.
Furthermore, the portfolio underwritten has a maximum effective exposure 60% lower than theoretical exposure.

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

FY2009 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 32 new agencies and reorganisation of another 24. As at 31/12/2009 the Company was nationally present with 283 general agencies and 463 professional sub-agencies, joined by a further 49 agents with a special life insurance mandate.
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 recent regulatory reintroduction of multiannual policies, enabled us to perform in-depth analysis of the insurance book in place, based on targeted commercial campaigns aiming to improve our customer offering. This activity will also continue during FY2010.
The increasingly fruitful co-operation with our agent group made it possible to perform synergical and incisive activity also as regards this reform.
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 Risparmio" ("Savings Line): a policy covering end-of-service indemnity dedicated exclusively to directors of companies belonging to specific trade associations;
- "Temporanea caso morte a premio e scadenza prefissati": a simple and immediate term life insurance policy designed for immediate sale;
- "Zero Dubbi": reactivation of the product [an innovative capital redemption policy]..

Non-Life business:

- "Linea Tutela e Infortuni (Protection & Accident Line): policy with discretionary choice of capital that can be taken out for full accident cover;
- "Linea Tutela e Infortuni": new flat-rate products for traffic and leisure accidents;
- "Linea Imprese e Professioni" (Businesses & Professions Line): an environmental liability policy relating to loading and unloading of motor vehicles at third-party facilities.
- "Linea Patrimonio": a new family product featuring greater flexibility
- ""Linea Strada" (Road Line): new conditions, changes of some types of cover, and new prices.

- “Formula Credito”: relating to the Credit business.

Revamped Products

Life business:

- “Linea Risparmio” (Savings Line): elimination of the minimum limit for two products’ additional payments;
- “Linea Investimento” (Investment Line): modification of the investment allocation percentages in the fixed-style service of unit-linked policies linked to multi-asset funds;
- “Linea Previdenza Complementare” (Supplementary Pension-Planning Line): updating of the information sheet of Vittoria Formula Lavoro;
- “Linea Risparmio” (Savings Line): reduction of minimum premium for two products;
- “Linea Protezione” (Protection Line): reduction of minium premium for a product.

Non-Life business:
The insurance conditions were updated of the products “Formula Uffici” [cover of risks typical of an office, excluding professional TPL], “R.C. Professione” (professional TPL), “Formula Fabbricati” [buildings], and “Vittoria Formula Navigare Più” [watercraft hulls + rescue and assistance]. The tariffs for Non-Marine products were adjusted according to Italian Law no. 99 of 23 July 2009, which envisages application of a discount to premiums for multiannual policies.
Revamping continued of the motor products “Vittoria Formula Strada” and “Vittoria Formula Strada InCamper”.

Overhead costs – direct business

In FY09 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 € 65,155 thousand vs. € 64,001 thousand in FY08, increasing by 1.8%.
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	31/12/09	31/12/08	Change
Personnel expenses	35,058	34,613	1.3%
Other costs	25,105	23,896	5.1%
Amortisation/Depreciation	4,992	5,492	-9.1%
Total cost by nature	65,155	64,001	1.8%

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 9.7% (10.2% in 2008): 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)

			31/12/09	31/12/08	Change
Gross commissions and other acquisition costs			131,878	135,201	-2.5%
a		Gross commissions and other acquisition costs	98,795	98,975	-0.2%
	a1	Acquisition costs	90,329	90,489	-0.2%
	a2	Premium collection costs	7,150	7,055	1.3%
b		Other acquisition costs	31,794	34,221	-7.1%
c		Change in deferred acquisition costs	1,289	2,005	-35.7%
Profit participation and other commissions received from reinsurers			-8,341	-9,003	-7.4%
Investment management costs			747	873	-14.4%
Other administrative costs			20,154	17,426	15.7%
Total			144,438	144,497	0.0%

REAL ESTATE BUSINESS

The Group's real estate business includes trading and development, brokerage, management of own and third-party property, and investment.
The operating highlights of Group companies are illustrated as follows.

Trading and development

The following companies operate in this segment:

- Vittoria Immobiliare S.p.A. – Milan
  Direct equity interest of 87.24%.
  The company operates in the areas of real estate development and trading, both directly and through specially created property companies; the revenues realised in FY 2009 from the sale of real estate totalled € 3,696 thousand. Final inventories totalled € 81,875 thousand (the amount is shown net of down payments received from promissory buyers on development operations).

- Immobiliare Bilancia S.r.l. – Milan
  Direct equity interest of 100%.
  The company, which operates in the property trading area, realised € 1,937 thousand on the sale of real estate. Final inventories totalled € 12,265 thousand.

- Immobiliare Bilancia Prima S.r.l. – Milan
  Direct equity interest of 100%.
  The company owns a site in the municipality of Parma, for which the development project is now underway. Closing inventory amounted to € 9,850 thousand.

- Immobiliare Bilancia Seconda S.r.l. – Milan
  Direct equity interest of 100%.
  The company, which operates in the property trading area, realised € 927 thousand on the sale of real estate and had inventories of € 919 thousand.

- Lauro 2000 S.r.l. – Milan
  Direct equity interest of 100%.
  The company is active in property development. Closing inventory – consisting of a buildable area earmarked for use by the service industry in the Portello zone of Milan - amounted to € 118,704 thousand. Of this, € 55,288 thousand related to the future HQ of the parent company Vittoria Assicurazioni SpA.

- Acacia 2000 S.r.l. – Milan
  Equity interest of 65% held through Vittoria Immobiliare S.p.A.
  The company operates in the property development sector. Final inventories, comprised by a buildable lot in the Portello area of Milan and zoned for residential use, totalled € 145,542 thousand.

- Forum Mondadori Residenze S.r.l. – Milan
  Direct equity interest of 100%
  The company is currently not operative.

- Cadorna Real Estate S.r.l. – Milan
  Equity interest of 70% held through Vittoria Immobiliare S.p.A.
  The company operates in the trading business, following remodelling and improvement of buildings located on Corso Cairoli in Turin.
  Final inventories totalled € 17,149 thousand at the end of FY 2009.

- V.R.G. Domus S.r.l. – Turin
  Equity interest of 51% held through Vittoria Immobiliare S.p.A.
  The company realised sales revenues of € 103 thousand through the "Spina 1" real estate deal in Turin. Final inventories totalled € 1,402 thousand.

- Vaimm Sviluppo S.r.l. – Milan
  Equity interest of 100% held through Vittoria Immobiliare S.p.A.
  The company operates in the trading business (following remodelling and improvement of buildings). The final inventories of the properties located in Genoa at Piazza De Ferrari, Via Orefici, and Via Conservatori del Mare totalled € 51,265 thousand. A total of € 1,235 thousand in revenues from property sales were realised.

- Valsalaria S.r.l. – Rome
  Equity interest of 51% held through Vittoria Immobiliare S.p.A.
  The company is developing a property in Rome. Final inventories totalled € 5,216 thousand.

Real Estate Brokering Activities

The following companies operate in this segment:

- Interimmobili S.r.l. – Rome
  Equity interest of 80% held through Vittoria Immobiliare S.p.A.
  The company generated € 2,531 thousand in commission revenues from its property brokerage activities, gross of intercompany eliminations. During the financial year, the company continued to sell real estate, mainly in Rome, Turin and Milan, on the basis of

agency retainer agreements with Group companies and major institutional investors, social security institutions, and construction businesses.
The project management contracts made by Interimmobili with Group companies generated revenues of € 2,303 thousand (€ 1,853 thousand as at 31/12/2008).

- Vittoria Service S.r.l. – Milan
  Direct equity interest of 70% and 30% held through Vittoria Immobiliare S.p.A.
  The Company generated € 216 thousand in revenues from the provision of services, gross of intercompany eliminations (€ 258 thousand as at 31/12/2008).

Property management

Gestimmobili S.r.l. of Milan operates in this segment (equity interest of 80% held through Vittoria Immobiliare S.p.A.). This company is active in administrative and technical management of real estate. The revenues generated by this activity totalled € 970 thousand, gross of intercompany eliminations (€930 thousand as at 31/12/2008).

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/09	31/12/08	Change
Personnel expenses	3,392	3,370	0.7%
Other costs	3,091	4,164	-25.8%
Amortisation/Depreciation	428	390	9.7%
Total cost by nature	6,911	7,924	-12.8%

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 € 359 thousand. (€500 thousand as at 31/12/2008).

Overhead costs

The following table shows overhead costs for the service business, before inter-segment eliminations:

(€/000)

ANALYSIS OF COSTS	31/12/09	31/12/08	Change
Personnel expenses	464	603	-23.1%
Other costs	2,649	4,132	-35.9%
Amortisation/Depreciation	8	11	-27.3%
Total cost by nature	3,121	4,746	-34.2%

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

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of € 2,094,030 thousand with an increase of € 134,322 thousand vs. 31/12/2008, i.e. +6.9%.
The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2009	31/12/2008	Change
A	Investments in subsidiaries and associates and interests in joint ventures	99,898	95,653	4.4%
B	Held to maturity investments	94,717	104,858	-9.7%
	Loans and receivables	43,227	44,806	-3.5%
	- Reinsurance deposits	280	404	
	- Other loans and receivables	42,947	44,402	
C	Financial assets available for sale	1,264,299	1,160,251	9.0%
	- Equity investments	43,974	38,217	
	- OEIC units	6,705	6,147	
	- Bonds and other fixed-interest securities	1,213,620	1,115,887	
	Financial assets at fair value through profit or loss	86,010	74,881	14.9%
D	Financial assets held for trading	6,400	4,781	33.9%
	- Bonds and other fixed-interest securities held for trading	6,400	4,781	
E	Financial assets at fair value through profit or loss	79,610	70,100	13.6%
	- Investments where policyholders bear the risk	79,610	70,100	
	Cash and cash equivalents	66,895	97,488	-31.4%
F	Property	438,984	381,771	15.0%
	Property under construction	286,193	254,441	
	Property held for trading	81,547	68,785	
	Owner-occupied property	71,244	58,545	
	TOTAL INVESTMENTS	2,094,030	1,959,708	6.9%
	of which			
	investments where the Group bears the risk	2,014,420	1,889,608	6.6%
	investments where policyholders bear the risk	79,610	70,100	13.6%

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Investments in subsidiaries	157,116	151,611	-	-	-	-	-157,116	-151,611	-	-
Investments in associates	97,898	94,533	3,459	2,178	60	128	-1,519	-1,186	99,898	95,653
Held to maturity investments	94,717	104,858	-	-	-	-	-	-	94,717	104,858
Reinsurance deposits	280	404	-	-	-	-	-	-	280	404
Other loans and receivables	31,780	34,435	11,731	10,628	-	-	-564	-661	42,947	44,402
Financial assets available for sale										
Equity investments	43,750	37,850	174	267	50	100	-	-	43,974	38,217
OEIC units	6,705	6,147	-	-	-	-	-	-	6,705	6,147
Bonds and other fixed-interest securities	1,213,620	1,115,887	-	-	-	-	-	-	1,213,620	1,115,887
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	79,610	70,100	-	-	-	-	-	-	79,610	70,100
Financial assets held for trading: Bonds and other fixed-interest securities	6,400	4,781	-	-	-	-	-	-	6,400	4,781
Cash and cash equivalents	40,969	43,343	24,283	51,520	1,643	2,625	-	-	66,895	97,488
Property under construction	-	-	262,869	231,117	-	-	23,324	23,324	286,193	254,441
Property held for trading	-	-	81,547	68,785	-	-	-	-	81,547	68,785
Owner-occupied property	10,820	11,031	44,390	31,480	-	-	16,034	16,034	71,244	58,545
Total	1,783,665	1,674,980	428,453	395,975	1,753	2,853	-119,841	-114,100	2,094,030	1,959,708

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 € 2,014,420 thousand (€1,889,608 thousand as at 31 December 2008).

The principal transactions carried out during the year are summarised as follows:

B) Investments held until maturity:

- redemption of bonds for € 11,472 thousand.

C) Financial assets available for sale:

- redemption of bonds for € 150,623 thousand;
- purchase of Italian fixed rate government bonds denominated in Euro for € 214,245 thousand;
- purchase of units in a money market fund for € 5,000 thousand;
- acquisition of Eurozone government bonds for € 22,096 thousand after the purchase of the life business of SACE BT SpA;
- sale of Greek government bonds for € 2,000 thousand, realising gains of € 82 thousand;
- sale of Mexican government bonds for € 11,101 thousand, realising losses of € 97 thousand;
- sale of Italian government bonds for € 1,143 thousand, realising gains of € 7 thousand;
- BCC di Signa: further to the merger of the Banca Comprensorio del Cuoio in the BCC di Signa, the Group has been assigned 900 shares in replacement of 100 shares of the merged bank;
- Cam Finanziaria Spa: the parent company exercised the option right and subscribed no. 13,093,299 new shares with related warrants, paying € 3,011 thousand;
- Gpa S.p.A. Group: capitalised shares transfer expenses for € 6 thousand;
- Downall Italia Srl: capitalised units transfer expenses for € 1 thousand and recorded an impairment for € 495 thousand;
- Immobiliare Adamello Srl: € 50 thousand were paid to cover losses;
- Liguria Srl - in liquidation: the company was cancelled by the trade register;
- Mediobanca Spa: further to a bonus capital increase, the parent company received no. 58,350 shares and no.1,167,000 warrants designated to Held for Trading financial assets;
- partial redemption of closed real estate investment trusts for € 118 thousand;
- sale of units in a money market fund for € 5,172 thousand, realising gains of € 84 thousand;

D) Financial assets held for trading:

- Mediobanca warrants: acquired by virtue of a bonus capital increase to which a carrying value of € 240 thousand was attributed as the proportional part of the value of shares present in the portfolio;
- Camfin warrants: coming from subscription of the capital increase, € 799 thousand;
- € 1,189 thousand in acquisitions resulting from redemptions and failure to subscribe policies pursuant to Article 41(2) Legislative Decree 209 of 7 September 2005;
- redemption of bonds for € 792 thousand, generating gains of € 30 thousand.

Investments benefiting Life policyholders who bear related risk and those arising from pension fund management (item E on the previous schedule)

As at 31 December 2009 these investments amounted to € 79,610 thousand, with an increase of +13.6% YoY. Of this amount, € 70,789 thousand related to unit and index-linked policies and € 8,821 thousand to the open-ended pension fund Vittoria Formula Lavoro.
There was total net income of € 14,666 thousand.

Investments in property

As at 31 December 2009, real estate assets totalled € 438,984 thousand (+15.0% vs. 31 December 2008).

The following table shows the breakdown of these real estate assets:

(€/000)

	31/12/2009	31/12/2008	Change
Property under construction:			
- Gross carrying amount	276,479	234,100	18.1%
- Payments on account	-21,159	-10,532	100.9%
- Alignment with fair value of property acquired in business combinations	30,873	30,873	0.0%
Total property under construction	286,193	254,441	12.5%
Property held for trading	81,547	68,785	18.6%
Owner-occupied property:			
- Held by the parent	10,820	11,031	-1.9%
- Held by subsidiaries	44,390	31,480	41.0%
- Alignment with fair value of property acquired in business combinations	16,034	16,034	
Total owner-occupied property	71,244	58,545	21.7%
Total	**438,984**	**381,771**	15.0%

Changes occurring in the period were the following:

(€/000)

	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/08	254,441	68,785	58,545	381,771
Purchase and capitalised interests paid				
- MILAN - Portello Area (via Acacia 2000 S.r.l. and Lauro 2000 S.r.l.)	21,167	-	13,052	34,219
- PARMA (via Immobiliare Bilancia Prima S.r.l.)	218	-	-	218
- SAN DONATO MILANESE (MI) - (via Jannozzi S.r.l.)	1,094	-	-	1,094
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)	15,756	-	-	15,756
- ROMA (via Valsalaria S.r.l.)	1,357	-	-	1,357
- TORINO - Villar Focchiardo Street - (via Vittoria Immobiliare S.p.A.)	1,529	-	-	1,529
- GENOVA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	1,739	-	1,739
GENOVA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (adjustment to fair value due to additional purchase)	-	4,069	-	4,069
- GENOVA - Venezia Street (via Immobiliare Bilancia S.r.l.)	-	3,209	-	
- TORINO - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	3,052	-	3,052
- Miscellaneous	186	1,588	61	1,835
Total purchase and capitalised interests paid	41,307	13,657	13,113	68,077
Sales:				
- GENOVA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	(1,235)	-	(1,235)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	(3,609)	-	-	(3,609)
- ROMA - Ugo Ojetti Street (via Immobiliare Bilancia Seconda S.r.l.)	-	(927)	-	(927)
- ROMA - Benedetto Croce Street (via Immobiliare Bilancia S.r.l.)	-	(1,547)	-	(1,547)
- Miscellaneous	- 103.00	-477	0	(580)
Total sales	(3,712)	(4,186)	0	(7,898)
Decrease / (Increase) advance received	(10,627)	-	-	(10,627)
Depreciations	-	-	(414)	(414)
Recognised gains	4,784	3,291	0	8,075
Balance as at 31/12/2009	286,193	81,547	71,244	438,984

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 € 295.0 million (+21.5% from the corresponding value of € 242.7 million at 31 December 2008).

Investments in Subsidiaries, Associates and Joint Ventures (item A on the schedule shown on page 27)

The performance of the main associate companies is illustrated as follows.

Yam Invest N.V. Group – The Netherlands

Direct equity interest of 18.75%.
Yam Invest N.V. Group is a joint venture focusing on European market opportunities, representing a strategic investment for the parent company.
The aggregate net profit at 31 December 2009 was € 70 thousand, for which Vittoria Assicurazioni has recognised a benefit of € 13 thousand, gross of the tax impact.

Laumor Holdings S.a.r.l. – Luxembourg

Direct equity interest of 29.00%.
This associate invests in private equity transactions through closed real estate investment trusts.
At 31 December 2009 its shareholders' equity totalled € 27,361 thousand, net of the € 2,947 thousand loss for the year.

White Finance S.A. – Luxembourg

Direct equity interest of 32.17%.
This associate invests in private equity transactions through closed real estate investment trusts.
Its draft balance sheet at 31 December 2009 shows shareholders' equity of € 19,603 thousand, including € 3,533 thousand in net loss for the year.

Gima Finance S.A. – Luxembourg

Direct equity interest of 32.13%.
This associate company invests in private equity transactions through closed real estate investment trusts.
At 31 December 2009 its draft balance sheet showed shareholders' equity of € 22,694 thousand, net of the € 3,565 thousand profit for the year.

S.In.T. S.p.A. – Italy

Direct equity interest of 48.19%.
This associate realises and manages customer retention and sales network incentive programmes, relational marketing, communication and promotion.
Its draft balance sheet at 31 December 2009 shows IFRS equity of € 2,130 thousand, including € 11 thousand in net loss for the year.

Yarpa S.p.A. – Italy

Direct equity interest of 25.9%.
This associate offers financial services to businesses, from the analysis of pool financing to consultancy for the acquisition or sale of businesses. The subsidiary Yarpa Investimenti SGR operates the closed Italian investment funds "Maestrale" and "RP3 Fund" and the closed real estate investment trusts "Rosso Mattone" and "Ambiente."

Sivim S.r.l. – Italy

Equity interest of 49.50% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
Its draft balance sheet at 31 December 2009 shows shareholders' equity equal to zero.

Rovimmobiliare S.r.l. – Italy
Equity interest of 50.00% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
After accounting for the tax burden resulting from tax transparency, the draft budget at 31 December 2009 shows shareholders' equity of € 1,207 thousand, net of the € 684 thousand net loss for the year.

Mosaico S.p.A. – Italy
Equity interest of 25.00% held through 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 2009 shows shareholders’ equity of € 466 thousand, including € 74 thousand in net profit for the year.

Pama & Partners S.r.l. – Italy
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
At 31 December 2009 its draft balance sheet showed shareholders’ equity of € 1,589 thousand, net of the € 44 thousand loss for the year.

VP Sviluppo 2015 S.r.l. – Italy Equity interest of 40.00% held through Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l. – Italy Equity interest of 49.00% held through Vittoria Immobiliare S.p.A.
These associates, which started operations just a few months ago, are respectively managing a development project in Peschiera Borromeo (in the province of Milan) and a refurbishment operation in Via Don Gnocchi in Milan.

Fiori di S. Bovio S.r.l. – Italy
Equity interest of 40.00% held through Vittoria Immobiliare S.p.A
This associate is a property company involved in a development project in Peschiera Borromeo (MI).

Consorzio Movincom S.c.r.l. – Italy
Direct equity interest of 0.98% and 33.80% through Vittoria.Net S.r.l.
The associate is a company dedicated to the development of payment systems using the mobile phone.

Spefin Finanziaria S.p.A. - Italy
The associate operates as a non-banking intermediary in personal loans (20% salary-assignment loans), focusing on the public administration and state-owned sectors and on pensioners.

Le Api S.r.l. – Italy
30.00% equity interest through Immobiliare Bilancia S.r.l.
The associate is a service company.
Its draft balance sheet at 31 December 2009 shows shareholders’ equity of € 70 thousand, including € 20 thousand in net profit for the year.

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	31/12/2009	31/12/2008	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	79,610	70,100	13.6%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	70,789	64,520	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	8,821	5,580	
Othe financial liabilities	319,804	291,175	9.8%
- Reinsurance deposits	23,554	28,258	
- Payables to banks	265,390	230,874	
- Other financial payables	9,282	9,174	
- Other financial liabilities	17,310	18,605	
- Subordinated liabilities	4,268	4,264	
TOTAL FINANCIAL LIABILITIES	399,414	361,275	10.6%

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	70,789	64,520	-	-	-	-	-	-	70,789	64,520
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	8,821	5,580	-	-	-	-	-	-	8,821	5,580
Reinsurance deposits	23,554	28,258	-	-	-	-	-	-	23,554	28,258
Payables to banks	-	-	265,390	230,874	-	-	-	-	265,390	230,874
Other financial payables	-	-	9,282	9,174	-	-	-	-	9,282	9,174
Other financial liabilities	17,310	18,605	-	-	-	-	-	-	17,310	18,605
Subordinated liabilities	4,268	4,264	-	-	-	-	-	-	4,268	4,264
Total	124,742	121,227	274,672	240,048	-	-	-	-	399,414	361,275

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 2009 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders.

(€/000)

Gains and losses on investments	Interest and other net income	Net realised gains	Unrealised gains	Unrealised losses	FY09 total net realised and unrealised gains	FY08 total net realised and unrealised gains
Investments	47,505	3,752	11,897	1,832	61,322	28,257
From:						
a investment property	-	-	-	-	-	-
b investments in subsidiaries and associates and interests in joint ventures	-1,197	-	-	-	-1,197	6,044
c held to maturity investments	4,426	-	-	-	4,426	5,802
d loans and receivables	525	-	-2	-	523	743
e financial assets available for sale	43,066	103	-	495	42,674	36,106
f financial assets held for trading	20	2	438	230	230	-43
g financial assets at fair value through profit or loss	665	3,647	11,461	1,107	14,666	-20,395
Other receivables	626	-	-	-	626	343
Cash and cash equivalents	1,066	-	-	-	1,066	4,315
Financial liabilities	-4,900	-	-	14,666	-19,566	12,699
From:						
a financial liabilities held for trading	-	-	-	-	-	-
b financial liabilities at fair value through profit or loss	-	-	-	14,666	-14,666	20,395
c other financial liabilities	-4,900	-	-	-	-4,900	-7,696
Payables	-	-	-	-	-	-
Total gains and losses on financial instruments	44,297	3,752	11,897	16,498	43,448	45,614
Real estate business						
From:						
a Gains on property trading	-	4,784	-	-	4,784	2,694
b Revenue from work in progress (percentage of completion)	3,260	-	-	-	3,260	3,295
c Rent income on owner-occupied property and property held for trading	561	-	-	-	561	692
Total real estate business	3,821	4,784	-	-	8,605	6,681
Total gains and losses on investments	48,118	8,536	11,897	16,498	52,053	52,295

The net gains with the risk borne by the Group fell from € 52,295 thousand to € 52,053 thousand, for a decrease of -0.5% from the same period in the previous year. The decrease was attributable to (a) lower margins reported by the real estate companies and (b) lower results reported by the associate companies that invest in private equity deals.

The average weighted yield in the "bonds and other fixed income securities" segment was 3.9% (4.6% in FY 2008).

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	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	230	-43	-	-	-	-	-	-	230	-43
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	4,607	7,586	-387	2,048	5	39	-5,422	-3,629	-1,197	6,044
Gains or losses on other financial instruments and investment property	46,965	43,709	-2,552	-4,136	2	40	-	-	44,415	39,613
Gains on property trading	-	-	4,784	2,694	-	-	-	-	4,784	2,694
Revenue from work in progress (percentage of completion)	-	-	3,260	3,295	-	-	-	-	3,260	3,295
Rent income on owner-occupied property and pro	202	200	358	583	-	-	1	-91	561	692
Total	52,004	51,452	5,463	4,484	7	79	-5,421	-3,720	52,053	52,295

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.

<u>Investment policies: objectives</u>

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.

<u>Procedures</u>

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 31/12/2009	% of breakdown	Amount 31/12/2008	% of breakdown
DEBT SECURITIES	1,313,929	93.4%	1,092,648	93.8%
Listed treasury bonds:	1,236,666	90.5%	1,124,845	88.6%
Fixed-interest rate	931,405	68.2%	750,464	59.1%
Variable interest rate	305,261	22.3%	374,381	29.5%
Unlisted treasury bonds:	2,324	0.2%	2,504	0.2%
Fixed-interest rate	-	0.0%	-	0.0%
Variable interest rate	2,324	0.2%	2,504	0.2%
Listed corporate bonds:	60,036	4.4%	81,200	6.4%
Fixed-interest rate	46,480	3.4%	75,828	6.0%
Variable interest rate	13,556	1.0%	5,372	0.4%
Unlisted corporate bonds:	225	0.0%	2,779	0.2%
Fixed-interest rate	225	0.0%	247	0.0%
Variable interest rate	-	0.0%	2,532	0.2%
Bonds of supranational issuers:	14,678	1.1%	14,198	1.1%
Fixed-interest rate	14,678	1.1%	14,198	1.1%
Variable interest rate	-	0.0%	-	0.0%
of which				
Total fixed-interest securities	992,788	75.6%	840,737	68.6%
Total variable-interest securities	321,141	24.4%	384,789	31.4%
Total debt securities	1,313,929	100.0%	1,225,526	100.0%
of which				
Total listed securities	1,311,380	99.8%	1,220,243	99.6%
Total unlisted securities	2,549	0.2%	5,283	0.4%
Total debt securities	1,313,929	100.0%	1,225,526	100.0%
EQUITY INSTRUMENTS	43,974	3.2%	38,217	3.0%
listed shares	19,060	1.4%	12,755	1.0%
unlisted equity instruments	24,914	1.8%	25,462	2.0%
DERIVATIVES	808	0.1%	-	0.0%
Non-hedging derivatives	808	0.1%	-	0.0%
OEIC UNITS	6,705	0.5%	6,147	0.5%
TOTAL	1,365,415	100.0%	1,269,890	100.0%

The fixed-income securities portfolio has a duration of 4 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 € 992,788 thousand (75.6% of the bond portfolio with investment risk borne by the Group).
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 31/12/2009	904,309 (1)
Change	
100 BP increase	-42,574
100 BP decrease	45,743

(1) of which Euro 504,637 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 € 321,141 thousand (24.4% 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 € +3,135 thousand and € -2,811 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	109,271	11.0%
1<X<2	54,741	5.5%
2<X<3	85,818	8.6%
3<X<4	85,020	8.6%
4<X<5	84,743	8.5%
5<X<10	466,366	47.0%
more	106,829	10.8%
Total	992,788	100.0%

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	32,829	10.2%
Constant mat. Swap	Euroswap 30Y	8,417	2.6%
variabile	3 months tresury bonds	2,324	0.7%
Variable	6 months tresury bonds	267,172	83.2%
Variable	other	10,399	3.3%
Total		321,141	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 € 266,855 thousand. To illustrate its sensitivity, an increase of 100 basis points would result, considering the hedge contracted by Acacia S.r.l., in € 1,791 thousand in greater interest expenses, and vice-versa, a decrease by the same amount would reduce interest expenses by € 1,791 thousand.

The equity instruments are shown net of their price risk, i.e. the possibility that their market value fluctuate both due to changes in specific factors of the individual instrument or its issuer and to factors that influence all the instruments negotiated on the market.
If the listed shares classified as "Financial assets available for sale" had posted a loss of 10% at 31 December 2009, the Group's interest in shareholders' equity would have decreased by € 1,906 thousand.

The Group is not exposed to currency risk since almost all of its risk investments at 31 December 2009 were denominated in Euro.

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 31.12.2009 financial assets listed in a regulated market accounted for over 95% of financial assets owned.

The following table shows the financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/09	31/12/08
< 1 year	54,261	175,501
1 < X < 3	8,630	14,722
3 < X < 5	5,494	909
5 < X < 10	30,734	9,516
more	300,295	160,627
Total	399,414	361,275

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 31.12.2009 nearly all bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)	Amounts	% of breakdown
AAA	250,482	19.1%
AA+ / AA-	49,568	3.8%
A+ / A-	996,297	75.8%
BBB+ / BBB-	17,580	1.3%
Total investment grade	1,313,928	100.0%
Non investment grade	1	0.0%
Not rated	-	0.0%
Totale	1,313,929	100.0%

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 2009 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	356	11,731	17,310	180	2,010
Fees:	-	-	-	-	-
Directors	-	-	-	-	1,792
Statutory auditors	-	-	-	-	176
Managers with strategic responsibility	-	34	-	-	1,470
Total	356	11,765	17,310	180	5,448

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. e Interbilancia S.r.l..

As regards 2009, 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 Lauro 2000 S.r.l., 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..

Vittoria Assicurazioni SpA has also renewed the option for 2010 for all the aforementioned subsidiaries except for Lauro 2000 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 companies Yafa Holding B.V., The Netherlands, and Yafa S.p.A.

Relations and transactions with associates, parent companies and joint ventures

Yam Invest N.V. – Netherlands	Direct equity interest of 18.75%
White Finance S.A. – Luxembourg	Direct equity interest of 32.17%
Yarpa S.p.A. – Genoa	Direct equity interest of 25.90%

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

Laumor Holdings S.a.r.l. – Luxembourg
Direct equity interest of 29.00%.
Vittoria Assicurazioni has recognised € 178 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
Direct equity interest of 32.13%.
Vittoria Assicurazioni has recognised € 17,132 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
Direct equity interest of 48.19%.
The parent company used the services of S.In.T. S.p.A. in FY 2009 for the Formula Salute policies and other commercial agreements made by the parent company, for an aggregate cost of € 669 thousand plus VAT.

Mosaico S.p.A. – Turin
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate as a non-interest bearing shareholder loan, which has a balance of € 607 thousand.

Pama & Partners S.r.l. – Genoa
Equity interest of 25.00% held through 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 € 500 thousand.

Sivim S.r.l. – Milan
Equity interest of 49.50% held through 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 € 1,116 thousand.

Rovimmobiliare S.r.l. – Rome
Equity interest of 50.00% held through Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l. billed the indirect associate € 15 thousand for administrative services, and trade receivables totalled € 5 thousand at 31 December 2009.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 280 thousand.

VP Sviluppo 2015 S.r.l. – Milan
Equity interest of 40.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of € 5,120 thousand.

VZ Real Estate S.r.l. – Turin
Equity interest of 49.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 3,513 thousand.

Fiori di S.Bovio S.r.l. – Milan
Equity interest of 40.00% held through 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 € 594 thousand.

Le Api S.r.l. - Milan
30.00% equity interest through Interbilancia S.r.l.
The associate provided the parent company with services for € 1,323 thousand plus VAT.

Consorzio Movincom S.c.r.l. – Turin
Direct equity interest of 0.98% and of 38.80% through Vittoria.Net S.r.l.
The associated billed the parent company for fees of € 17 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.

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.

Performance in the early months of FY 2010 and expected business progress

Insurance Business

On 15 January 2010, the Board of Directors of Lauro 2000 S.r.l. decided to call in part of the capital increase resolved by the Shareholders' Meeting on 16 July 2009.
The parent Company Vittoria Assicurazioni S.p.A. thus paid in € 5,000 thousand, of which € 1,250 thousand for share capital and € 3,750 thousand for the share premium reserve.

The Board of Directors

Milan, 9th March 2010

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FY 2009

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

(€/000)

		Note	31/12/2009	31/12/2008
1	INTANGIBLE ASSETS		31,940	21,437
1.1	Goodwill	1	1,795	0
1.2	Other intangible assets	2	30,145	21,437
2	PROPERTY, PLANT AND EQUIPMENT		443,125	386,075
2.1	Property	2	438,984	381,771
2.2	Other items of property, plant and equipment	2	4,141	4,304
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	74,226	66,088
4	INVESTMENTS		1,588,151	1,480,449
4.1	Investment property		0	0
4.2	Investments in subsidiaries and associates and interests in joint ve	4	99,898	95,653
4.3	Held to maturity investments	5	94,717	104,858
4.4	Loans and receivables	5	43,227	44,806
4.5	Financial assets available for sale	5	1,264,299	1,160,251
4.6	Financial assets at fair value through profit or loss	5	86,010	74,881
5	OTHER RECEIVABLES		196,542	175,137
5.1	Receivables relating to direct insurance	6	151,404	144,869
5.2	Receivables relating to reinsurance business	7	5,303	6,230
5.3	Other receivables	8	39,835	24,038
6	OTHER ASSETS		66,667	66,566
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	9	7,154	8,168
6.3	Deferred tax assets	10	21,306	19,196
6.4	Current tax assets	11	33,782	34,675
6.5	Other assets	12	4,425	4,527
7	CASH AND CASH EQUIVALENTS	13	66,895	97,488
	TOTAL ASSETS		2,467,546	2,293,240

Vittoria Assicurazioni S.p.A.
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BALANCE SHEET - EQUITY AND LIABILITIES

(€/000)

		Note	31/12/2009	31/12/2008
1	EQUITY		382,923	363,092
1.1	attributable to the shareholders of the parent		356,056	333,846
1.1.1	Share capital	14	65,789	65,766
1.1.2	Other equity instruments	14	319	323
1.1.3	Equity-related reserves	14	31,412	31,378
1.1.4	Income-related and other reserves	14	216,124	207,129
1.1.5	(Treasury shares)	14	0	0
1.1.6	Translation reserve	14	-197	-757
1.1.7	Fair value reserve	14	25,635	9,888
1.1.8	Other gains or losses recognised directly in equity	14	50	-51
1.1.9	Profit for the year attributable to the shareholders of the parent		16,924	20,170
1.2	attributable to minority interests	14	26,867	29,246
1.2.1	Share capital and reserves attributable to minority interests		27,502	29,336
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-635	-90
2	PROVISIONS	15	3,021	3,758
3	TECHNICAL RESERVES	16	1,556,341	1,448,844
4	FINANCIAL LIABILITIES		399,414	361,275
4.1	Financial liabilities at fair value through profit or loss	17	79,610	70,100
4.2	Other financial liabilities	17	319,804	291,175
5	PAYABLES		64,216	64,703
5.1	Payables arising from direct insurance business	18	7,098	8,226
5.2	Payables arising from reinsurance business	19	7,451	8,233
5.3	Other sums payable	20	49,667	48,244
6	OTHER LIABILITIES		61,631	51,568
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	21	33,607	27,555
6.3	Current tax liabilities	22	230	933
6.4	Other liabilities	23	27,794	23,080
	TOTAL EQUITY AND LIABILITIES		2,467,546	2,293,240

(€/000)

INCOME (LOSS) STATEMENT		Note	31/12/09	31/12/08
1.1	Net premiums		622,350	578,884
1.1.1	*Gross premiums*	24	654,736	612,086
1.1.2	*Ceded premiums*	24	32,386	33,202
1.2	Commission income	25	827	1,146
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	230	-43
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	1,523	9,022
1.5	Gains on other financial instruments and investment property	26	49,907	46,990
1.5.1	*Interest income*		49,503	60,162
1.5.2	*Other income*		206	1,063
1.5.3	*Realised gains*		200	1,335
1.5.4	*Unrealised gains*		-2	4
1.6	Other income	27	17,724	15,609
1	TOTAL REVENUE		692,561	573,576
2.1	Net charges relating to claims		492,450	375,909
2.1.1	*Amounts paid and change in technical reserves*	24	526,718	466,058
2.1.2	*Reinsurers' share*	24	-34,268	-21,496
2.2	Commission expense	28	155	197
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	2,720	2,978
2.4	Losses on other financial instruments and investment property	26	5,492	22,951
2.4.1	*Interest expense*		4,900	7,696
2.4.2	*Other expense*		0	0
2.4.3	*Realised losses*		97	221
2.4.4	*Unrealised losses*		495	15,034
2.5	Operating costs		150,259	151,860
2.5.1	*Commissions and other acquisition costs*	29	120,549	122,112
2.5.2	*Investment management costs*	29	747	873
2.5.3	*Other administrative costs*	29	28,963	28,875
2.6	Other costs	30	13,465	9,479
2	TOTAL COSTS		664,541	521,707
	PROFIT FOR THE YEAR BEFORE TAXATION		28,020	51,869
3	Income taxes	31	11,731	15,075
	PROFIT FOR THE YEAR		16,289	36,525
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT (LOSS)		16,289	36,525
	of which attributable to the shareholders of the parent		16,924	20,170
	of which attibutable to minority interests	14	-635	-90

Basic EARNINGS per share		0.26	0.31
Diluted EARNINGS per share		0.25	0.30

(€/000)

OTHER COMPREHENSIVE INCOME (LOSS)		31/12/2009	31/12/2008
	CONSOLIDATED PROFIT (LOSS)	16,289	20,080
	Translation reserve	560	-802
	Fair value reserve	15,747	-1,607
	Hedging reserve	0	0
	Gains or losses on hedging instruments of net investment in foreign operations	0	0
	Reserve for changes in the equity of investees	101	-113
	Intangible asset revaluation reserve	0	0
	Property, plant and equipment revaluation reserve	0	0
	Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0
	Other reserves	0	0
	OTHER COMPREHENSIVE INCOME (LOSS) NET OF TAX	16,408	-2,522
	COMPREHENSIVE INCOME (LOSS)	32,697	17,558
	of which attributable to the shareholders of the parent	33,332	17,648
	of which attibutable to minority interests	-635	-90

Earning per share

As required by IAS 33, the following table sets out the way in which Base and Diluted EPS are calculated.

		31/12/09	31/12/08
Profit for the year attributable to the shareholders of the parent	Euro	16,924,241	20,169,981
Average number of shares	N.	65,788,948	65,766,210
Basic earnings per share	Euro	0.26	0.31
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	206,998	206,817
Number of potential shares	N.	1,711,052	1,733,790
Adjusted profit for the year attributable to the shareholders of the parent	Euro	17,131,239	20,376,798
Adjusted average number of shares	N.	67,500,000	67,500,000
Diluted earnings per share	Euro	0.25	0.30

Adjustments refer to the number of potential shares arising from conversion of the remaining part of the convertible subordinated bond loan and to interest expense incurred on the loan itself.

STATEMENT OF CHANGES IN EQUITY

(€/000)

		Balance at 31/12/2007	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2008	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2009
Equity attributable to the shareholders of the parent	Share capital	32,666	0	33,100		0	65,766	0	23		0	65,789
	Other equity instruments	404	0	-81		0	323	0	-4		0	319
	Equity-related reserves	30,518	0	860		0	31,378	0	34		0	31,412
	Income-related and other reserves	156,008	0	56,674		-5,553	207,129	0	20,175		-11,180	216,124
	(Treasury shares)	0	0	0		0	0	0	0		0	0
	Profit /(Loss) for the year	89,572	0	-69,402		0	20,170	0	-3,246		0	16,924
	Other comprehensive income	11,602	0	-2,522	0	0	9,080	0	16,565	-157	0	25,488
	Total attributable to the shareholders of the parent	320,770	0	18,629	0	-5,553	333,846	0	33,547	-157	-11,180	356,056
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	6,249		-93		23,180	29,336		-90		-1,744	27,502
	Profit for the year	-93		3			(90)		-545			-635
	Other comprehensive income	0					0					0
	Total attributable to minority interests	6,156	0	-90	0	23,180	29,246	0	-635	0	-1,744	26,867
Total		326,926	0	18,539	0	17,627	363,092	0	32,912	-157	-12,924	382,923

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STATEMENT OF SOURCES AND APPLICATION OF FUNDS

(€/000)

	31/12/2009	31/12/2008
Profif for the year before taxation	28,020	35,155
Change in non-monetary items	106,892	14,394
Change in non-life premium reserve	13,423	23,388
Change in claims reserve and other non-life technical reserves	32,553	29,028
Change in mathematical reserves and other life technical reserves	53,383	-21,020
Change in deferred acquisition costs	1,014	2,005
Change in provisions	-737	-308
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-1,692	-8,990
Other changes	8,948	-9,709
Change in receivables and payables arising from operating activities	-21,892	-29,566
Change in receivables and payables relating to direct insurance and reinsurance	-7,518	1,083
Change in other receivables and payables	-14,374	-30,649
Taxes paid	-11,731	-15,075
Net cash flow generated by/used for monetary items from investing and financing activities	-1,619	189
Liabilities from financial contracts issued by insurance companies	9,510	-34,144
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	-11,129	34,333
NET CASH FLOW FROM OPERATING ACTIVITIES	99,670	5,097
Net cash flow generated by/used for investment property	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-2,947	7,489
Net cash flow generated by/used for loans and receivables	1,579	-1,213
Net cash flow generated by/used for held to maturity investments	10,141	68,248
Net cash flow generated by/used for financial assets available for sale	-87,806	-50,664
Net cash flow generated by/used for property, plant and equipment	-67,553	-25,664
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-146,586	-1,804
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-11,180	-5,553
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-1,126	23,359
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	28,629	7,122
NET CASH FLOW FROM FINANCING ACTIVITIES	16,323	24,928
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	97,488	69,267
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-30,593	28,221
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	66,895	97,488

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.

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.

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-redemption and some type of whole-life contracts, 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. Such assumptions, as far as line of business is concerned, are based on premiums collected before the acquisition date and on the first data available in the second half of 2009;

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 2009).

▪ 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.

Property, plant, and equipment

▪ Owner-occupied property

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

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

Ordinary maintenance costs are directly expensed when incurred.

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

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

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

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

▪ Property held for trading - Property under construction

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

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

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

<u>Property held for trading</u>

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

<u>Property under construction</u>

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

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

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

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

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

- ### Other items of property, plant, and equipment

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

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

Ordinary maintenance costs are expensed when incurred.

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

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

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

Reinsurers' share of technical reserves

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

Investments

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

All financial assets are initially recognised at fair value.

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

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

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

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

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

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

Recognition date

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

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.

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.

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, definite monetisability, 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 ordinance no. 1380 G of 21 December 1999, in turn based on the requirements of paragraph 14 of Article 25 of Italian Legislative Decree no. 174/95, 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. 1801-G of 21 February 2001, 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.

- 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.

Initial measurement
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.

Subsequent measurement

Non-conversion
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.

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

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

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

Payables

This category consists of:

- **Payables arising from direct insurance transactions**

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

- **Payables arising from reinsurance transactions**

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

These payables are recognised at nominal value.

- **Other payables**

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

Other liabilities

- **Current and deferred tax liabilities**

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

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

- **Sundry liabilities**

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

Income Statement

REVENUES

Revenue recognition

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

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

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

Net premiums

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

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

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

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

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

Commission income

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

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

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

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

Income from investments in subsidiaries, associates, and joint ventures

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

Income from other financial instruments and investment property

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

Other revenue

This item includes:

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

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

COSTS

Claims costs

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

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

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

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

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

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

Commission expense

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

Losses on investments in subsidiaries, associates, and joint ventures

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

Losses on other financial instruments and investment property

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

Operating costs

This category comprises:

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

  In particular, the item includes:

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

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

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

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

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

Other costs

This category includes:

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

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

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

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

Current and deferred taxes

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

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

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

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

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

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

Additional information

Inward insurance

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

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

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

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

Retrocession

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

Shadow accounting

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

The procedure envisages the following steps:

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

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

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

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

Liability Adequacy Test (LAT)

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

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

Life business

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

Non-life business

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

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

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

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

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

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

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

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

Accrued, deferred, and prepaid items

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

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

Financial expense

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

Conversion into euro

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

Notes to the consolidated interim financial statements

The notes to the consolidated interim financial statements comprise:

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

Notes of a general nature

A) Consolidation scope

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	65,788,948			
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	20,000,000	100.00%		
Forum Mondadori Residenze S.r.l.	Milan	100,000	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	1,000,000		100.00%	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		51.00%	Vittoria Immobiliare S.p.A.
Aspevi S.r.l.	Milan	10,400		100.00%	Interbilancia S.r.l.
Vittoria.Net S.r.l.	Milan	50,000		100.00%	Interbilancia S.r.l.

Changes occurring in FY09

Vittoria Immobiliare S.p.A.- direct equity interest of 87.24%

The share capital of Vittoria Immobiliare was raised to € 22,000 thousand in FY2009, pursuant to the authority granted to the Board of Directors to increase the share capital to € 40,000 thousand by 2012.

The parent company participated in the capital increase, proportionally to its interest owned.

Immobiliare Bilancia S.r.l.- direct equity interest of 100%

On 30 March 2009 Jannozzi S.r.l. was merged into its parent company Immobiliare Bilancia S.r.l..

As the taking-over company held the whole share capital of the merged company, the share representing the entire share capital of the Jannozzi S.r.l. was cancelled without any share capital increase of Immobiliare Bilancia S.r.l..

Immobiliare Bilancia Seconda S.r.l.- direct equity interest of 100%

On 26 November 2009 the Quotaholders' Meeting of Immobiliare Seconda Srl resolved the reimbursement to the parent company of € 7,250 thousand as part of additional paid-in capital and of € 852 as profit brought forward reserve, totalling € 8,102 thousand.

Lauro 2000 S.r.l.- direct equity interest of 100%

On 6 July 2009 the Extraordinary Quotaholders' Meeting of Lauro 2000 S.r.l. resolved the capital increase envisaging a total investment by Vittoria Assicurazioni of € 20,000 thousand, of which € 5,000 for capital and € 15,000 for the premium reserve, to be executed by 30 June 2010. In parallel with the resolution and subsequently, Vittoria Assicurazioni subscribed a first tranche of the capital increase decided by the subsidiary, paying in € 10,000 thousand, of which € 2,500 thousand for capital and € 7,500 thousand for the premium reserve.

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

On 18 March 2009, Vittoria Immobiliare S.p.A. acquired a 30% equity interest in the company Forum Mondadori Residenze S.r.l., becoming its sole partner as it already held a 70% share.
Successively, on 26 November 2009, Vittoria Immobiliare S.p.A. ceded to the parent company the 100% of the subsidiary, that is currently not operative.

Vaimm Sviluppo S.r.l.- Equity interest of 100% held through Vittoria Immobiliare S.p.A.

On 29 December 2009 Vittoria Immobiliare S.p.A. invested € 3,149 thousand to purchase the 49% equity interest in the company Vaimm Sviluppo S.r.l., becoming its sole partner as it already held a 51% share. In parallel, the Quotaholders' Meeting of the subsidiary resolved a capital increase to € 1,000 thousand with € 8,500 of additional paid-in capital, fully paid by Vittoria Immobiliare S.p.A..

Vittoria Service S.r.l.- Direct equity interest of 70% and 30% held through Vittoria Immobiliare S.p.A.

During the period the Parent company and Vittoria Immobiliare S.p.A. paid the subsidiary Vittoria Service S.r.l. € 1,200 thousand against a future capital increase, each proportionally to its interest owned.

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

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Yam Invest N.V.	Amsterdam Netherlands	63,083,168	18.75%		
S.In.T. S.p.A.	Turin	1,000,000	48.19%		
Yarpa S.p.A.	Genoa	38,201,424	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	103,100	0.98%	38.80%	Vittoria.Net 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.
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 occurring in FY09

Yarpa S.p.A. - direct equity interest of 25.9%

In the course of the year the parent company increased to 25.9% its equity interest in the associate with an investment of € 478 thousand. During the month of September 2009 the Board of Directors of Yarpa S.p.A. executed the capital increase of € 29,375 thousand resolved by the Extraordinary Shareholders' Meeting on 7 August 2008, with simultaneous payment of 25% of the amount subscribed. On 30 September 2009 Vittoria Assicurazioni paid its part of the increase, equal to € 1,862 thousand.

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

A total of € 967 thousand was paid to the associate by the parent company towards an increase in share premium reserve.

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

A total of € 329 thousand was paid to the associate by the parent company towards an increase in share premium reserve.

Spefin Finanziaria S.p.A. - equity interest of 21.00% held through Vittoria Service S.r.l.

On 15 January the subsidiary Vittoria Service S.r.l. subscribed to a rights offering by its equity investment Spefin Finanziaria S.p.A., raising its equity interest from 11.17% to 21.00%.
On 27 February 2009 Spefin Finanziaria S.p.A. increased its capital without consideration from € 932,500.00 to € 2,000,000.00, issuing no. 10,675 new share with a par value of € 100.00 each. Following this operation, Vittoria Service S.r.l. holds no. 4,200 shares of Spefin Finanziaria S.p.A., equal to the 21% of the share capital.

Fiori di S.Bovio S.r.l.- equity interest of 40.00% held through Vittoria Immobiliare S.p.A
In July Vittoria Immobiliare SpA acquired 40% of the company Fiori di San Bovio Srl (Milan) for the price of € 238 thousand, also taking over the loans underway between Fiori di San Bovio Srl and the seller Quotaholders with a further outlay of € 308 thousand.

Sivim S.r.l.- equity interest of 40.00% held through Vittoria Immobiliare S.p.A
Vittoria Immobiliare S.p.A. increased by € 20 thousand its investment in the associate, waiving a shareholders loan for a same amount.

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 "Appendices to Consolidated Half-Year 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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Debt instruments	982,836	847,979	316,415	346,303	14,678	31,244	1,313,929	1,225,526
Equity instruments and OEIC units	55,397	47,038	94,678	92,978	-	-	150,075	140,016
Property (incl. owner-occupied propert	438,984	381,771	-	-	-	-	438,984	381,771
Other assets	564,558	545,927	-	-	-	-	564,558	545,927
Total	2,041,776	1,822,714	411,093	439,281	14,678	31,244	2,467,546	2,293,240

(€/000)

Deferred costs	Italy North		Italy Centre		Italy South and Islands		Total external deferred costs	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Other property, plant and equipment	3,929	3,987	212	317	-	-	4,141	4,304
Other intangible assets	30,125	21,417	20	20	-	-	30,145	21,437
Owner-occupied property	69,297	56,553	1,289	1,318	659	674	71,244	58,545
Total	103,351	81,957	1,521	1,655	659	674	105,530	84,286

(€/000)

Revenue (gross of intersegment eliminations)	Italy North		Italy Centre		Italy South and Islands		Total	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Insurance premiums - direct business	364,104	335,371	229,035	224,289	74,813	66,148	667,952	625,808
Trading and construction profits	7,382	4,858	662	1,131	-	-	8,044	5,989
Services and rent income	4,432	7,094	1,406	1,749	-	-	5,838	8,843
Total	375,918	347,323	231,103	227,169	74,813	66,148	681,834	640,640

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2009	31/12/2008	Change
Goodwill	1,795	0	1,795

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

Note 2	31/12/2009	31/12/2008	Change
Other intangible assets	30,145	21,437	8,708
Other items of property, plant and equipment	4,141	4,304	-163
Property	438,894	381,771	57,213

<u>Other intangible assets and Other items of property, plant, and equipment</u>

The following table shows the breakdown of the items and the changes occurred in the year:

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2008	48,963	1,142	431	50,536	4,820	11,054	6,295	202	22,371
Acquisitions	7,148	1,870	4,343	13,361	345	488	504	16	1,353
Improvement costs	161	0	0	161	0	0	0	0	0
Sales	-3	0	0	-3	0	-19	-465	-12	-496
Gross carrying amount at 31/12/2009	56,269	3,012	4,774	64,055	5,165	11,523	6,334	206	23,228
Accumulated Depreciation at 31/12/2008	28,699	0	398	29,097	4,017	8,960	4,952	139	18,068
Depreciation	3,635	0	1,178	4,813	241	542	664	24	1,471
Decrease due to disposals	0	0	0	0	0	-14	-426	-12	-452
Accumulated Depreciation at 31/12/2009	32,334	0	1,576	33,910	4,258	9,488	5,190	151	19,087
Net value as at 31/12/2008	20,264	1,142	33	21,439	803	2,094	1,343	63	4,303
Net value as at 31/12/2009	23,935	3,012	3,198	30,145	907	2,035	1,144	55	4,141

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 of property, plant and equipment and intangible assets can be summarised as follows:
- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;
- 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.

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

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. During the 2009, after significant maintenance operations and several additional modules developed in the course of time, the NewAge application has been estimated to be usable for 10 years, generating lower amortisations for € 900 thousand;

- the value of the portfolio acquired 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.

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2009	31/12/2008	Change
Owner-occupied property	71,244	58,545	12,699
Property held for trading	81,547	68,785	12,762
Property under construction	286,193	254,441	31,752
Total	438,984	381,771	57,213

- Owner-occupied property

The book value of owner-occupied property at 31 December 2009 includes € 10,820 thousand for property owned by the parent company, € 2,799 thousand for property owned by the subsidiary Vittoria Properties S.r.l., € 2,047 thousand for property owned by Vittoria Immobiliare S.p.A., € 55,287 thousand for property owned by the subsidiary Lauro 2000 S.r.l., and € 291 thousand for property owned by the subsidiary Acacia 2000 S.r.l.

The following table shows the reconciliation of changes occurring during FY09:

(€/000)

Owner-occupied property	31/12/2008	Acquisitions	Improvement costs	Sales	Depreciation	31/12/2009
Gross carrying amount	60,184	0	13,082	0	0	73,266
Accumulated depreciation	1,639	0	0	0	383	2,022
Carrying amount	58,545	0	13,082	0	-383	71,244

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 2009 is equal to € 82,342 thousand.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during FY09:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2008	68,785	254,441	323,226
Acquisitions, net of capitalised financial charges	8,249	36,053	44,302
Capitalised financial charges	1,339	5,254	6,593
Revaluations due to work in progress	2,549	4,607	7,156
Sales	-4,186	-14,339	-18,525
Fair value of property acquired in business combinations	4,069	0	0
Recognised gains	742	177	919
Carrying amount as at 31/12/2009	81,547	286,193	363,671

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year. The margins recognised on construction in progress, measured according to their percentage of completion, reflect revenues allocated to the pertaining period and discount all revenues from units already pledged for sale and recognised in previous years according to the stage of work progress.

Note 3	31/12/2009	31/12/2008	Change
Reinsurers' share of technical reserves	74,226	66,088	8,138

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Non-life reserves	53,467	46,635	437	589	53,904	47,224
Premium reserve	9,586	9,403	43	66	9,629	9,469
Claims reserve	43,881	37,232	394	523	44,275	37,755
Other reserves	-	-	-	-	-	-
Life reserves	20,322	18,864	-	-	20,322	18,864
Reserve for payable amounts	373	-	-	-	373	-
Mathematical reserves	19,926	18,841	-	-	19,926	18,841
Other reserves	23	23	-	-	23	23
Total reinsurers' share of technical reserves	73,789	65,499	437	589	74,226	66,088

Note 4	31/12/2009	31/12/2008	Change
Investments in subsidiaries and associates and interests in joint-ventures	99,898	95,653	4,245

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2009	31/12/2008
Yam Invest N.V.	65,942	65,277
White Finance S.A	6,306	7,443
Gima Finance S.A	7,276	5,164
S.In.T. S.p.A.	4,740	4,746
Yarpa. S.p.A.	4,735	2,468
Laumor Holdings S.a.r.l.	7,933	8,459
VP Sviluppo 2015 S.r.l.	21	40
VZ Real Estate S.r.l.	29	49
Sivim S.r.l.	0	1
Rovimmobiliare S.r.l	603	945
Mosaico S.p.A.	167	148
Pama & Partners S.r.l.	774	785
Le Api S.r.l.	21	88
Consorzio Movincom S.c.r.l.	41	40
Spefin Finanziaria S.p.A.	1,090	0
Fiori di S. Bovio S.r.l.	220	0
Total carrying amount	99,898	95,653

The Group's interest in net income and losses totals € -1,499 thousand (with revaluations of € 1,216 thousand and write-downs for € -2,175 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 € 4,245 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 31/12/2008	95,653
Acquisitions and subscriptions	5,159
Gima Finance S.A	967
Yarpa. S.p.A.	2,340
Laumor Holdings S.a.r.l.	329
Sivim S.r.l.	20
Spefin Finanziaria S.p.A.	1,265
Fiori di S. Bovio S.r.l.	238
Change to equity method measurement	-1,499
Yam Invest N.V.	13
White Finance S.A	-1,137
Gima Finance S.A	1,145
S.In.T. S.p.A.	-6
Yarpa. S.p.A.	-76
Laumor Holdings S.a.r.l.	-855
VP Sviluppo 2015 S.r.l.	-19
VZ Real Estate S.r.l.	-20
Sivim S.r.l.	-21
Rovimmobiliare S.r.l	-342
Mosaico S.p.A.	18
Pama & Partners S.r.l.	-11
Le Api S.r.l.	5
Spefin Finanziaria S.p.A.	-175
Fiori di S. Bovio S.r.l.	-18
Dividend distribution	-134
Other changes	719
Carrying amount at 31/12/2009	99,898

The impairment test of goodwill related to the investments in the associates Sint S.p.A. (€ 3,714 thousand) and Spefin S.p.A. (€ 834 thousand) was based on fair value determined by independent external appraisals.

Note 5	31/12/2009	31/12/2008	Change
Held to maturity investments	94,717	104,858	-10,141
Loans and receivables	43,227	44,806	-1,579
Financial assets available for sale	1,264,299	1,160,251	104,048
Financial assets at fair value through profit or loss	86,010	74,881	11,129

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 “Appendices to Consolidated Financial Statements”.

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

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 31/12/2008	104,858	38,217	6,147	1,115,887	1,160,251	70,100	4,781	1,339,990
Acquisitions and subscriptions	-	3,011	5,000	236,340	244,351	15,362	2,228	261,941
Sales and repayments	-11,472	-144	-5,289	-164,866	-170,299	-21,538	-792	-204,101
Other changes:								
- effective interest adjustments	1,718	-	-	2,613	2,613	-	-	4,331
- fair value adjustments	-	4,371	847	25,406	30,624	4,449	208	35,281
- impairment loss	-	-495	-	-	-495	-	-	-495
- rate changes	-387	-	-	-1,760	-1,760	-11	-25	-2,183
- other changes	-	-986	-	-	-986	11,248	-	10,263
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

<u>Loans and receivables</u>

As at 31 December 2009 loans and receivables totalled € 43,227 thousand (€ 44,806 thousand as at 31 December 2008).
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 2009 is € 17,310 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., VP Sviluppo S.r.l.,VZ Real Estate S.r.l. and Fiori di S. Bovio S.r.l. for a total of € 11,731 thousand;
- loans granted by the parent company to third parties and secured by mortgages for a total of € 3,038 thousand;
- € 3,885 thousand in loans against life insurance policies;
- loans granted to employees and agents of the parent company for € 1,646 thousand;
- € 5,336 thousand in interests-bearing loans granted to other subsidiaries and associates (€ 2,000 thousand to Immobiliare Adamello S.r.l., € 500 thousand to the Gruppo GPA S.p.A. and € 2,800 thousand to the company Spefin Finanziaria S.p.A.);
- reinsurance deposit assets for € 280 thousand.

The amount of € 24,255 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	94,717	87,461
Loans and receivables	43,227	43,227
Financial assets available for sale	1,264,299	1,264,299
Financial assets held for trading	6,400	6,400
Financial assets at fair value through profit or loss	79,610	79,610
Total	1,488,253	1,480,997

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	
		31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Financial assets Available for sale		1,239,385	1,134,788	7,330	7,303	17,584	18,160	1,264,299	1,160,251
Financial assets at fair value through profit or loss	Financial assets held for trading	6,400	4,781	-	-	-	-	6,400	4,781
	Financial assets at fair value through profit or loss	79,610	70,100	-	-	-	-	79,610	70,100
Total		1,325,395	1,209,669	7,330	7,303	17,584	18,160	1,350,309	1,235,132
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-		
	Financial liabilities at fair value through profit or loss	75,800	69,467	3,810	633	-	-	79,610	70,100
Total		75,800	69,467	3,810	633	-	-	79,610	70,100

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	18,160	-	-	-	-
Purchases/ Issues	57	-	-	-	-
Sales/Repurchases	-54	-	-	-	-
Redemptions	-1	-	-	-	-
Gains or losses charged to profit and loss	-494	-	-	-	-
Moves to other Levels	-1	-	-	-	-
Other changes	-83	-	-	-	-
Closing balance	17,584	-	-	-	-

No transfers to level 3 occurred during the year.

Note 6	31/12/2009	31/12/2008	Change
Receivables relating to direct insurance	151,404	144,869	6,535

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2009	31/12/2008
Premiums due from policyholders	51,474	48,469
Receivables due from brokers and agents	53,052	55,173
Receivables due from insurance companies - current accounts	10,846	12,332
Amounts to be recovered from policyholders and third parties	36,032	28,895
Total	151,404	144,869

These receivables are stated net of related bad-debt provisions.

Note 7	31/12/2009	31/12/2008	Change
Receivables relating to reinsurance business	5,303	6,230	-927

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	31/12/2009	31/12/2008	Change
Other receivables	39,835	24,038	15,797

This item refers to trade receivables and to advances paid to third parties.
The most significant sub-item as up to 31 December 2009 consisted of advances of € 18,735 thousand paid by the real estate companies and of € 9,070 thousand of advances on policyholders' tax due.

Note 9	31/12/2009	31/12/2008	Change
Deferred acquisition costs	7,154	8,168	-1,014

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2009 € 2,768 thousand referred to the life business and € 4,386 thousand to the non-life business.
The table below shows the changes in the item:

(€/000)

Deferred acquisition costs	Carrying amount
Carrying amount at 31/12/2008	8,168
Portfolio transfers	0
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	-1,014
Carrying amount at 31/12/2009	7,154

Note 10	31/12/2009	31/12/2008	Change
Deferred tax assets	21,306	19,196	2,110

The item included deferred tax assets pertaining to the direct operating parent company (€ 17,683 thousand) and to the real estate and services sector (€ 1,953 thousand), plus those relating to consolidation adjustments (€ 1,669 thousand).

The breakdown of this item was as follows:

	(€/000)
Deferred tax assets	31/12/2009
Provision for bad debts	2,600
Technical reserves (claims)	12,375
Accruals to the provision for charges	290
Adjustments to life insurance liabilities	1,669
Elimination of intragroup profits	173
Tax benefit for property revaluation	2,209
Anticipated IRES for temporary non-deductibility of interests payable (real estate segment)	1,218
Anticipated IRES for goodwill depreciation	214
Other	558
Total	21,306

Note 11	31/12/2009	31/12/2008	Change
Current tax assets	33,782	34,675	-893

The item includes tax receivables of the direct operating parent company of € 12,699 thousand (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling € 14,879 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12	31/12/2009	31/12/2008	Change
Other assets	4,425	4,527	-102

The item includes € 233 thousand of deferred commission expenses relating to investment contracts and € 3,660 thousand of prepayments, mainly relating to G&A costs.

Note 13	31/12/2009	31/12/2008	Change
Cash and cash equivalents	66,895	97,488	-30,593

The item refers to bank balances of € 66,854 thousand and cash amounts of € 41 thousand.

Note 14	31/12/2009	31/12/2008	Change
Equity attributable to shareholders of the parent		333,846	
Equity attributable to minority interests		29,246	

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	31/12/2009	31/12/2008
Total equity attributable to the shareholders of the parent	356,056	333,846
Share capital	65,789	65,766
Other equity instruments	319	323
Equity-related reserves	31,412	31,378
Income-related and other reserves	216,124	207,129
Translation reserve	-197	-757
Fair value reserve	25,635	9,888
Other gains or losses recognised directly in equity	50	-51
Group profit for the year	16,924	20,170
Total equity attributable to minority interests	26,867	29,246
Share capital and reserves attributable to minority interests	27,502	29,336
Minority interests' profit for the year	-635	-90
Total consolidated equity	382,923	363,092

At their meeting on 26 April 2001, shareholders approved the issue of 3,750,000 shares for the purpose of conversion of the "Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares" (ISIN: IT0003184758).
During FY09 conversion continued of the bond loan into parent company shares: 11,369 bonds were converted, for a nominal amount of € 54,571.
As at 31 December 2009 the direct operating parent company's share capital consists of 65,788,948 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 € 5,553,235 and € 11,180,256 respectively for FYs 2008 and 2009.

Below we provide greater detail on the breakdown of equity as at 31 December 2009:

- "Other equity instruments": the item, which as at 31 December 2009 amounted to € 319 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 € 4 thousand vs. 31 December 2008 reflects the conversions that took place in the period May-October 2009, 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 € 34 thousand was due to conversion of the convertible bond loan;

- "Earnings reserves and other reserves": the item, which totalled € 216,124 thousand, mainly consisted of:
  - The direct operating parent company's legal reserve = € 8,430 thousand;
  - Retained earnings = € 205,379 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 (€ 25,635 thousand, net of the portion attributable to policyholders (shadow accounting) of € 11,990 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
31/12/2008	19,548	5,078	14,469
Decrease due to sales	-123	34	-157
Decrease due to fair value changes	30,735	7,422	23,313
Total change for the period/year	30,612	7,457	23,156
31/12/2009	50,160	12,535	37,625

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2008	6,768	2,188	4,581
Change in shadow accounting reserve	10,948	3,538	7,410
31/12/2009	17,716	5,726	11,990

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

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2008	12,779	2,891	9,888
Decrease due to sales	-123	34	-157
Decrease due to fair value changes	30,735	7,422	23,313
Change in shadow accounting reserve	-10,948	-3,538	-7,410
Total change for the period/year	19,665	3,918	15,746
31/12/2009	32,444	6,809	25,635

Gains recognised directly in equity in FY09 of € 15,746 thousand were the result of the increase of € 23,156 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the increase of € 7,410 thousand in the shadow accounting reserve.

The following table, which refers to 31 December 2009, 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	2009 profit	Equity excluding year's profit	2009 profit
Parent company's financial statements compliant with Italian GAAPs	248,604	24,290		
IFRS adjustments (net of related tax effects)	25,009	(1,730)	-	-
Parent company's financial statements based on IFRSs	273,613	22,560	-	-
Consolidated companies' equity	202,451	(2,405)	24,521	(495)
Allocation of consolidation differences and eliminations	28,099	-		
Consolidated companies' carrying value	(157,116)	-		
Minority interest	(3,087)	140	3,087	(140)
Elimination of infragroup profits	(767)	-	(106)	
Profits not yet attributed to life policyholders in the year and in previous years	(7,709)	2,545		
Dividend elimination	5,398	(5,398)		
Deferred taxes on profits not yet attributed to life policyholders in the year and in previous years	2,492	(822)		
Deferred taxes on consolidated companies' results	(4,242)	304		
IFRS-compliant consolidated financial statements	339,132	16,924	27,502	(635)

Note 15	31/12/2009	31/12/2008	Change
Provisions	3,021	3,758	-737

This account refers mainly to the provisions made for € 2,280 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	31/12/2008	Accruals of the year	Utilisations of the year	31/12/2009
Provision for costs to be incurred	3,017	129	-966	2,180
Other provisions	741	100	-	841
Total	3,758	229	-966	3,021

Note 16	31/12/2009	31/12/2008	Change
Technical reserves	1,556,341	1,448,844	107,497

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Non-life reserves	778,941	726,143	903	1,045	779,844	727,188
Premium reserve	226,484	212,873	78	106	226,562	212,979
Claims reserve	548,683	509,496	825	939	549,508	510,435
Other reserves	3,774	3,774	-	-	3,774	3,774
Life reserves	776,207	721,243	290	413	776,497	721,656
Reserve for payable amounts	19,487	21,545	11	10	19,498	21,555
Mathematical reserves	721,622	673,765	274	395	721,896	674,160
Other reserves	35,098	25,933	5	8	35,103	25,941
Total technical reserves	1,555,148	1,447,386	1,193	1,458	1,556,341	1,448,844

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line, while the Life "Other reserves" item mainly consisted of:

- € 22,881 thousand = reserve for deferred liabilities to policyholders (of which € 17,716 thousand stemming from fair value measurement of available-for-sale financial assets and € 5,165 thousand from reserving against subsidiaries' profits allocated to segregated accounts)
- € 12,037 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): € 530 thousand and € 82 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	510,435
Portfolio transfers	9
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	39,064
Carrying amount at 31/12/2009	549,508

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 3 years (and thus to just 2 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 1998-2009. or Motor TPL, the estimate is made separately for each type of management.

The analysis showed the soundness of the projections and thus the adequacy of the reserve posted until run-off of the claim generations still open. Motor TPL reserves have been 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	674,160
Portfolio transfers	22,713
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	25,023
Carrying amount at 31/12/2009	721,896

Portfolio transfers relate to life business acquisition from Sace BT.

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€ '000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis	
				Financial	Demographic
Temporary	8.793.578	123.670	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% e 70%
Adjustable	24	27	1969 - 1979	3% *	SIM 51
Indexed	4	5	1980 - 1988	3% *	SIM 51
Other types	103	119			
Revaluable	886.110	598.120	1988 - 1989	3% *	SIM 71
			1990 - 1996	4% *	SIM 81
			1997 - 1999	3% *	SIM 91
			since 2000	2% *	SIM 81-91
L.T.C.	104.047	1.345	2001 - 2004	2,5%	(1)
			since 2004	2,5%	(2)
Dread Disease	3.704	31	since 2003	2,5%	(3)
Pension fund	8.821	8.821	since 1999	----	----
Index-linked	13.708	14.189	since 1997	0%	SIM 91
Unit-linked	52.733	52.835	since 1998	0%	SIM 91
Total ordinary	9.862.832	799.162			
AIL revaluable	14.844	10.512	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	**9.877.676**	**809.674**			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:
indexed policies: 4.88% adjustable policies: 3.75% AIL revaluable policies: 3.54%
revaluable policies: Vittoria Valore Crescente 3.24% Vittoria Rendimento Mensile 3.03%

(1) SIM 91 (mortality table, by individual age, for Italian males, based on the Italian 1991 census) reduced to 62%; SIF 91 (similar mortality table for Italian females) reduced to 53%; mortality rates and LTC (long-term care) rates taken from reinsurers' studies.

(2) SIM 91 reduced to 60%; mortality rates and LTC (long-term care) rates taken from reinsurers' 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	31/12/2009	31/12/2008	Change
Financial liabilities at fair value through profit or loss	79,610	70,100	9,510
Other financial liabilities	319,804	291,175	28,629

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 "Appendices 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 2009.

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2008	64,520	5,580	70,100
Investment of net fund assets	989	2,384	3,373
Profits attributable to policyholders	13,706	960	14,666
Amounts paid	-8,426	-103	-8,529
Carrying amount at 31/12/2009	70,789	8,821	79,610

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 178 thousand to the associate Laumor Holdings Sarl and of € 17,132 thousand to the associate 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 € 277,026 thousand falling due after more than 12 months – mainly refers to:

- Reinsurance deposits of € 23,554 thousand
- Bank loans issued to the Group's real estate companies for a total of € 274,672 thousand (of which € 194,414 thousand backed by collateral)
- Subordinated liabilities of € 4,268 thousand.

Subordinated liabilities relate to the "Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares" (ISIN: IT0003184758), issuance of which was approved by the Extraordinary Meeting of Shareholders of Vittoria Assicurazioni SpA on 26 April 2001. The bonds are fully subscribed.
The main characteristics of the convertible subordinated bond issue are as follows:

- Total nominal amount of € 18,000,000; residual nominal value of € 4,106,524.80 following exercise of bond conversion option as up to the end of 31/12/2009;
- Originally consisting of 3,750,000 bonds with a nominal value of € 4.80 each, as at 31/12/2009 855,526 bonds remained;
- Nominal interest rate:
  - Fixed 5.5% until 31 December 2010 - annual coupons
  - Variable 6-month Euribor plus a spread of 2.5%, six-monthly coupons as from 1 January 2011.

The Board of Directors of Vittoria Assicurazioni S.p.A. on 12 November 2009 resolved the early repayment of the "Vittoria Assicurazioni – Fixed/Floater 2001-2016" convertible bond. Given this, as allowed by Article 9.2 of the loan's Regulation, on 1 January 2011 the Company will repay all bonds outstanding on that date.
On 5 February ISVAP approved the early repayment. As an alternative to repayment, bondholders will be given the option of exercising the bonds' conversion right. The repayment to the bondholders who will not exercise their conversion right will take place at par, including the interest accrued (5.50% gross of withholding tax).

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	79,610	79,610
Other financial liabilities	319,804	319,920
Total	399,414	399,530

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 € 4,384 thousand, the commitment to Laumor Holdings S.a.r.l. and Gima Finance S.A. for a total of € 17,310 thousand, and to reinsurance deposits and loans granted to the real estate companies for € 298,226 thousand. The fair value of the subordinated loan was determined on the basis of market prices for similar instruments.

Note 18	31/12/2009	31/12/2008	Change
Payables arising from direct insurance business	7,098	8,226	-1,128

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2009	31/12/2008
Payables to insurance brokers and agents	3,651	5,017
Payables to insurace companies - current accounts	2,496	2,439
Guarantee deposits paid by policyholders	199	224
Payables to guarantee funds in favour of policyholders	752	546
Total	7,098	8,226

Note 19	31/12/2009	31/12/2008	Change
Payables arising from reinsurance business	7,451	8,233	-782

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	31/12/2009	31/12/2008	Change
Other sums payable	49,667	48,244	1,423

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2009	31/12/2008
Payments on accounts received by real estate companies for preliminary sales agreements	8,625	3,861
Trade payables	14,896	15,854
Payables to employees	1,986	1,888
Employee benefits - provisions for termination benefits	5,127	5,174
Policyholders' tax due	11,903	10,159
Sundry tax liabilities (withholdings)	1,535	1,211
Social security charges payable	2,188	2,092
Payables to associate companies	-	3
Sundry payables	3,407	8,002
Total	49,667	48,244

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 31/12/2008	1,379	5,174	938	7,491
Accruals	180	1,909	17	2,106
Utilisations	(96)	(2,033)	0	(2,128)
Other changes (exchange rate gains or losses, acquisitions)	0	76	0	76
Carrying amount at 31/12/2009	1,463	5,128	955	7,546

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	159	1,744	17	1,920
Interest	21	147	0	168
Net actuarial gains	0	18	0	18
Total charges	180	1,909	17	2,106

The principal actuarial and financial assumptions made here refer to:

- Inflation rate (assumed to be a constant 2.0% and 2.25%over time, respectively, for T.F.R. and P.A.)
- 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	31/12/2009	31/12/2008	Change
Deferred tax liabilities	33,607	27,555	6,052

The account includes deferred tax liabilities allocated to the insurance business for € 12,443 thousand, the real estate and services business for € 8,097 thousand, and to reversals totalling € 13,066 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	31/12/2009
Alignment with fair value of assets held by investee companies acc	18,411
Financial assets available for sale	7,166
Owner-occupied property	2,084
Dividends	3,943
Nettable deferred tax assets (shadow accounting)	2,003
Total	33,607

Note 22	31/12/2009	31/12/2008	Change
Current tax liabilities	230	933	-703

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	31/12/2009	31/12/2008	Change
Other liabilities	27,794	23,080	4,714

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 € 11,294 thousand, the deferred commission income of € 179 thousand connected with investment contracts, invoices and notes to be received from suppliers totalling € 13,371 thousand, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for € 2,418 thousand.

Consolidated Income Statement

Note 24	31/12/2009	31/12/2008	Change
Gross premiums	654,736	612,086	42,650
Ceded premiums for reinsurance	32,386	33,202	-816
Amounts paid and change in technical reserves	526,718	466,058	60,660
Reinsurers' share	-34,268	-21,496	-12,772

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

(€/000)

	31/12/2009				31/12/2008			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	498,129	124,221	-	622,350	471,043	107,841	-	578,884
Gross premiums	528,302	126,434	-	654,736	501,983	110,103	-	612,086
Gross premiums written	542,013	126,434	-	668,447	516,208	110,103	-	626,311
a Direct business	541,519	126,433	-	667,952	515,706	110,102	-	625,808
b Indirect business	494	1	-	495	502	1	-	503
Change in premium reserve	-13,711	-	-	-13,711	-14,225	-	-	-14,225
a Direct business	-13,735	-	-	-13,735	-14,259	-	-	-14,259
b Indirect business	24	-	-	24	34	-	-	34
Ceded premiums	30,173	2,213	-	32,386	30,940	2,262	-	33,202
Gross premiums ceded	30,443	2,213	-	32,656	30,536	2,262	-	32,798
a Outward reinsurance	30,230	2,213	-	32,443	30,257	2,262	-	32,519
b Retrocession	213	-	-	213	279	-	-	279
Change in premium reserve	-270	-	-	-270	404	-	-	404
a Outward reinsurance	-291	-	-	-291	383	-	-	383
b Retrocession	21	-	-	21	21	-	-	21
NET CHARGES RELATING TO CLAIMS	365,425	129,570	-2,545	492,450	340,128	106,892	-2,458	444,562
Amounts paid and change in technical reserves	397,608	131,655	-2,545	526,718	359,848	108,668	-2,458	466,058
Direct business	397,494	131,612	-	529,106	359,499	108,596	-	468,095
Indirect business	114	43	-	157	349	72	-	421
Shadow accounting of investee companies' profits	-	-	-2,545	-2,545	-	-	-2,458	-2,458
Reinsurers' share	32,183	2,085	-	34,268	19,720	1,776	-	21,496
Outward reinsurance	32,133	2,085	-	34,218	19,431	1,776	-	21,207
Retrocession	50	-	-	50	289	-	-	289

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.

Note 25	31/12/2009	31/12/2008	Change
Commission income	827	1,146	-319

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	31/12/2009	31/12/2008	Change
Gains or losses on financial instruments at fair value through profit or loss	230	-43	273
Gains on investments in subsidiaries and associates and interests in joint ventures	1,523	9,022	-7,499
Gains or losses on other financial instruments and investment property	49,907	62,564	-12,657
Losses on investments in subsidiaries and associates and interests in joint ventures	-2,720	-2,978	258
Losses on other financial instruments and investment property	-5,492	-22,951	17,459

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific section called "Appendices 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 € 22 thousand, whilst unrealised income amounted to € 208 thousand (net capital gain).

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 FY09 amounted to € 14,666 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

The net result of investments in subsidiaries, associates, and joint ventures includes losses for € 1,499 thousand related to equity-accounted Group companies; in more detail gains amount to € 1,216 thousand and losses amount to € 2,715 thousand.
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:

Gains and losses on other financial instruments and investment property (€/000)

	Gains 31/12/09	Gains 31/12/08	Losses 31/12/09	Losses 31/12/08
Investment property	-	-	-	-
Held to maturity investments	4,426	5,802	-	-
Loans and receivables	523	743	-	-
Financial assets available for sale	43,266	51,361	592	15,255
Other receivables	626	343	-	-
Cash and cash equivalents	1,066	4,315	-	-
Other financial liabilities	-	-	4,900	7,696
Total	49,907	62,564	5,492	22,951

The impairment test performed on financial assets classified as Available for sale, described under accounting policies chapter, determined an impairment of € 495 thousand of the investment in Downall Italia S.r.l..

Note 27	31/12/2009	31/12/2008	Change
Other income	17,724	15,609	2,115

The following table details the breakdown of this item.

(€/000)

Other income	31/12/09	31/12/08
Trading profits	4,784	2,694
Revenue from construction work in progress	3,260	3,295
Revenue from services: real estate brokerage	964	1,927
Revenue from services: real estate management	106	103
Revenue from services: administration, real estate appraisals and other income	272	10
Revenue from services: insurance commission income with third parties	444	527
Revenue from services: other revenue from services	504	1,005
Rent income	561	692
Technical income on insurance contracts (*)	5,349	3,543
Gains on the sale of property, plant and equipment	42	1
Exchange rate gains	-	187
Incidental non-operating income	1,066	504
Other income	372	247
Total	17,724	15,609

(*) Of which:

- € 156 thousand (€ 33 thousand in 2008) referring to reversal of commissions on cancelled premiums;
- € 3,448 thousand (€ 3,509 thousand in 2008) referring to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events;
- € 1,745 thousand (€ 1 thousand in 2008) of utilisation of bad-debt provision.

Note 28	31/12/2009	31/12/2008	Change
Commission expense	155	197	-42

The item includes commission expense, i.e., acquisition and maintenance costs incurred in FY09 for investment contracts classified as financial liabilities (index-linked, unit-linked and pension funds).

Note 29	31/12/2009	31/12/2008	Change
Commissions and other acquisition costs	120,549	122,112	-1,563
Investment management costs	747	873	-126
Other administrative costs	28,963	28,875	88

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 "Appendices to Consolidated Financial Statements".

The following table details the breakdown of "Commissions and other acquisition costs" as at 31 December 2009.

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/09	31/12/08
Acquisition commissions	88,265	87,395
Other acquisition costs	30,869	33,229
Change in deferred acquisition costs	1,289	2,005
Premium collection commissions	8,466	8,486
Profit participation and other commissions received from reinsurers	-8,340	-9,003
Total	120,549	122,112

Personnel expenses, other G&A costs and depreciation & amortisation charges allocated to operating costs totalled € 44,175 thousand (€ 42,879 thousand as up to 31/12/2008).

Note 30	31/12/2009	31/12/2008	Change
Other costs	13,465	9,479	3,986

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/09	31/12/08
Technical costs on insurance contracts (*)	4,337	3,015
Accruals to the provision for bad debts	-	-
Foreign-exchange losses	72	-
Incidental non-operating costs	1,804	598
Annual.depreciation & amortisation	6,668	5,533
Other costs	584	333
Total	13,465	9,479

(*) Of which:

- € 2,307 thousand (€ 585 thousand in 2008) for technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning;
- € 2,030 thousand (€ 2,430 thousand in 2008) for services supporting insurance covers and costs for premiums under litigation.

Note 31	31/12/2009	31/12/2008	Change
Income taxes	11,731	15,075	-3,344

Of this item, € 14,049 thousand related to current taxes and € 2,318 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.

The following table reconciles – as regards current Italian corporate income tax (Italian acronym = IRES) –theoretical and effective taxation.

(€/000)

Reconciliation between the tax charge recognised in the financial statements and theoretical tax charge (IRES)			
Profit before taxation		28,020	
Permanent differences:			
Non-deductible interest and taxes	1,534		
Non-deductible accruals, costs and expenses	830		
Participating interest impairment	490		
Revaluation of associates under the equity method	1,168		
Benefit from property revaluation	0		
Dividends received	-450		
Tax-exempt capital gains/(losses)	-294		
Other captions	-844		
Total Change	2,434		
Taxable base		30,454	
Theoretical IRES		7,706	27.50%
Current IRES		8,375	29.89%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 492 as at 31 December 2009 vs. 483 present as at 31 December 2008.
The average number of in-force employees on the payroll, split by contractual grade, was as follows:

	31/12/2009	31/12/2008
Managers	21	20
Officers	122	116
Administrative staff	347	346
Total	490	482

Disclosure of auditing fees

As required by Article 149/12 of CONSOB Regulation 11971 of 14 May 1999, below we report the fees relating to FY2009 for services rendered to the Group by the auditing company BDO S.p.A. and by entities forming part of its network.

(€/000)

Type of services rendered	Auditing company	Entities forming part of its network
Independent audit services	393	-
Verifications for issue of attestations	48	-
Other services	27	-

Tax status

Group companies, availing themselves of the provisions (paragraph 44, Article 2) of Italian Law no. 350 of 24 December 2003 (2004 National Budget Law), published in the Official Italian Gazette of 27 December 2003, settled both direct and direct taxes for all financial years up to and including 2002

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. In December 2009 a tax reassessment totalling € 140 thousand of higher taxes for 2004 was notified. Tax reassessments have not yet been notified for 2005 and 2006, for which the parent company estimates that higher charges of some € 345 thousand will be assessed.
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.

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.

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 2012) 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 Company has created a specific equity reserve for an amount equal to revaluation minus substitute taxes.

Real Estate Business

During FY2009 Vitoria Immobiliare S.p.A. was served with notices of tax reassessments for corporate tax, regional business tax, VAT, taxes withheld as a withholding agent, and stamp duty relating to the 2004 tax year. Between December 2009 and January 2010 the company accepted and paid these reassessments, using € 128 thousand of the specific tax provision accrued in prior years.

The Board of Directors

Milan, 9th March 2010

Appendices to Consolidated Financial Statements

FY 2009

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
Vittoria Properties S.r.l.	Italy	G	10	99.87	99.87	100.00	100.00
Interbilancia S.r.l.	Italy	G	9	97.45	97.45	100.00	100.00
Vittoria Service S.r.l.	Italy	G	11	96.17	96.17	100.00	100.00
Acacia 2000 S.r.l.	Italy	G	10	56.71	56.71	65.00	100.00
Gestimmobili S.r.l.	Italy	G	11	69.79	69.79	80.00	100.00
Interimmobili S.r.l.	Italy	G	11	69.79	69.79	80.00	100.00
V.R.G. Domus S.r.l	Italy	G	10	44.49	44.49	51.00	100.00
Vaimm Sviluppo S.r.l.	Italy	G	10	87.24	87.24	100.00	100.00
Cadorna Real Estate S.r.l.	Italy	G	10	61.07	61.07	70.00	100.00
Valsalaria S.r.l.	Italy	G	10	44.49	44.49	51.00	100.00
Aspevi S.r.l.	Italy	G	11	97.45	97.45	100.00	100.00
Vittoria.Net S.r.l.	Italy	G	11	97.45	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 2009

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	-	65,942
White Finance S.A	Luxembourg	9	b	32.17	32.17	-	6,306
S.In.T. S.p.A.	Italy	11	b	48.19	48.19	-	4,740
Yarpa S.p.A.	Italy	9	b	20.91	20.91	-	4,735
Laumor Holdings S.a.r.l.	Luxembourg	9	b	29.00	29.00	-	7,933
Gima Finance S.A.	Luxembourg	9	b	32.13	32.13	-	7,276
Sivim S.r.l.	Italy	10	b	-	43.18	49.50	-
Rovimmobiliare S.r.l	Italy	10	b	-	43.62	50.00	603
Mosaico S.p.A.	Italy	10	b	-	21.81	25.00	167
Pama & Partners S.r.l.	Italy	10	b	-	21.81	25.00	774
Le Api S.r.l.	Italy	11	b	-	29.23	30.00	21
Consorzio Movincom S.c.r.l.	Italy	11	b	0.98	38.79	38.80	41
VP Sviluppo 2015 S.r.l.	Italy	10	b	-	34.90	40.00	21
VZ Real Estate S.r.l.	Italy	10	b	-	42.75	49.00	29
Spefin Finanziaria S.p.A.	Italy	9	b	-	20.20	21.00	1,090
Fiori di S. Bovio S.r.l.	Italy	10	b	-	34.90	40.00	220

(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 2009

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
1	INTANGIBLE ASSETS	25,429	20,320	5,656	440	855	675	0	2	0	0	31,940	21,437
2	PROPERTY, PLANT AND EQUIPMENT	14,691	14,959	0	0	389,048	331,726	28	32	39,358	39,358	443,125	386,075
3	REINSURERS' SHARE OF TECHNICAL RESERVES	53,904	47,223	20,322	18,865	0	0	0	0	0	0	74,226	66,088
4	INVESTMENTS	821,848	778,703	910,028	841,902	15,364	13,074	110	228	-159,199	-153,458	1,588,151	1,480,449
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	195,349	190,074	59,665	56,070	3,459	2,178	60	128	-158,635	-152,797	99,898	95,653
4.3	Held to maturity investments	10,687	10,858	84,030	94,000	0	0	0	0	0	0	94,717	104,858
4.4	Loans and receivables	17,311	18,606	14,749	16,233	11,731	10,628	0	0	-564	-661	43,227	44,806
4.5	Financial assets available for sale	598,375	559,165	665,700	600,718	174	268	50	100	0	0	1,264,299	1,160,251
4.6	Financial assets at fair value through profit or loss	126	0	85,884	74,881	0	0	0	0	0	0	86,010	74,881
5	OTHER RECEIVABLES	150,839	139,619	23,149	19,209	26,063	20,332	694	416	-4,203	-4,439	196,542	175,137
6	OTHER ASSETS	30,212	30,530	9,452	9,923	25,178	24,555	156	401	1,669	1,157	66,667	66,566
6.1	Deferred acquisition costs	4,386	5,415	2,768	2,753	0	0	0	0	0	0	7,154	8,168
6.2	Other assets	25,826	25,115	6,684	7,170	25,178	24,555	156	401	1,669	1,157	59,513	58,398
7	CASH AND CASH EQUIVALENTS	22,393	26,558	18,576	16,785	24,283	51,520	1,643	2,625	0	0	66,895	97,488
	TOTAL ASSETS	1,119,316	1,057,912	987,183	907,124	480,791	441,882	2,631	3,704	-122,375	-117,382	2,467,546	2,293,240
1	EQUITY											382,923	363,092
2	PROVISIONS	741	741	0	0	2,280	3,017	0	0	0	0	3,021	3,758
3	TECHNICAL RESERVES	779,844	727,188	771,332	713,947	0	0	0	0	5,165	7,709	1,556,341	1,448,844
4	FINANCIAL LIABILITIES	23,475	30,557	101,266	90,670	274,673	240,048	0	0	0	0	399,414	361,275
4.1	Financial liabilities at fair value through profit or loss	0	0	79,610	70,100	0	0	0	0	0	0	79,610	70,100
4.2	Other financial liabilities	23,475	30,557	21,656	20,570	274,673	240,048	0	0	0	0	319,804	291,175
5	PAYABLES	43,983	43,017	5,048	5,765	18,060	17,367	1,840	2,282	-4,715	-3,728	64,216	64,703
6	OTHER LIABILITIES	21,077	22,787	7,174	4,793	20,281	11,580	82	574	13,017	11,834	61,631	51,568
	TOTAL EQUITY AND LIABILITIES											2,467,546	2,293,240

Vittoria Assicurazioni S.p.A.
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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	
		31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
1.1	Net premiums	498,128	471,043	124,222	107,841	0	0	0	0	0	0	622,350	578,884
1.1.1	*Gross premiums*	528,301	501,982	126,435	110,104	0	0	0	0	0	0	654,736	612,086
1.1.2	*Ceded premiums*	30,173	30,939	2,213	2,263	0	0	0	0	0	0	32,386	33,202
1.2	Commission income	0	0	827	1,146	0	0	0	0	0	0	827	1,146
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-113	0	343	-43	0	0	0	0	0	0	230	-43
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	2,752	7,921	3,935	2,412	253	2,279	5	39	-5,422	-3,629	1,523	9,022
1.5	Gains on other financial instruments and investment property	19,140	26,147	29,911	34,421	849	1,963	7	54	0	-21	49,907	62,564
1.6	Other income	7,110	5,225	343	234	10,598	9,967	3,448	5,139	-3,775	-4,956	17,724	15,609
1	TOTAL REVENUE	527,017	510,336	159,581	146,011	11,700	14,209	3,460	5,232	-9,197	-8,606	692,561	667,182
2.1	Net charges relating to claims	365,425	340,127	129,570	106,893	0	0	0	0	-2,545	-2,458	492,450	444,562
2.1.2	*Amounts paid and change in technical reserves*	397,608	359,848	131,655	108,668	0	0	0	0	-2,545	-2,458	526,718	466,058
2.1.3	*Reinsurers' share*	-32,183	-19,721	-2,085	-1,775	0	0	0	0	0	0	-34,268	-21,496
2.2	Commission expense	0	0	155	197	0	0	0	0	0	0	155	197
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	2,080	2,747	0	0	640	231	0	0	0	0	2,720	2,978
2.4	Losses on other financial instruments and investment property	806	8,362	1,280	8,497	3,401	6,099	5	14	0	-21	5,492	22,951
2.5	Operating costs	126,660	124,024	17,778	20,473	6,483	7,534	3,083	4,700	-3,745	-4,871	150,259	151,860
2.6	Other costs	9,879	8,233	1,271	338	2,302	890	13	18	0	0	13,465	9,479
2	TOTAL COSTS	504,850	483,493	150,054	136,398	12,826	14,754	3,101	4,732	-6,290	-7,350	664,541	632,027
	PROFIT FOR THE YEAR BEFORE TAXATION	22,167	26,843	9,527	9,613	-1,126	-545	359	500	-2,907	-1,256	28,020	35,155

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			
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Equity and derivative instruments measured at cost	0	0	0	0	17,584	18,160	0	0	0	0	17,584	18,160
Equity instruments at fair value	0	0	0	0	26,390	20,057	0	0	6,492	5,155	32,882	25,212
of which listed	0	0	0	0	19,060	12,755	0	0	6,492	5,155	25,552	17,910
Debt securities	94,717	104,858	0	0	1,213,620	1,115,887	5,592	4,781	30,681	26,744	1,344,610	1,252,270
of which listed	92,168	99,575	0	0	1,213,620	1,115,887	5,592	4,781	30,681	26,744	1,342,061	1,246,987
OEIC units	0	0	0	0	6,705	6,147	0	0	36,940	33,272	43,645	39,419
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	280	404	0	0	0	0	0	0	280	404
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	25,637	25,797	0	0	0	0	0	0	25,637	25,797
Non-hedging derivatives	0	0	0	0	0	0	808	0	0	0	808	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	17,310	18,605	0	0	0	0	5,497	4,929	22,807	23,534
Total	94,717	104,858	43,227	44,806	1,264,299	1,160,251	6,400	4,781	79,610	70,100	1,488,253	1,384,796

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2009

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					
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	4,268	4,264	4,268	4,264
Liabilities from financial contracts issued by insurers arising from:	0	0	79,610	70,100	0	0	79,610	70,100
Contracts where policyholders bear investment risk	0	0	70,789	64,520	0	0	70,789	64,520
Pension-fund management	0	0	8,821	5,580	0	0	8,821	5,580
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	23,554	28,258	23,554	28,258
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	274,672	240,048	274,672	240,048
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	17,310	18,605	17,310	18,605
Total	0	0	79,610	70,100	319,804	291,175	399,414	361,275

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Non-life reserves	778,941	726,143	903	1,045	779,844	727,188
Premium reserve	226,484	212,873	78	106	226,562	212,979
Claims reserve	548,683	509,496	825	939	549,508	510,435
Other reserves	3,774	3,774	0	0	3,774	3,774
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	776,207	721,243	290	413	776,497	721,656
Reserve for payable amounts	19,487	21,545	11	10	19,498	21,555
Mathematical reserves	721,622	673,765	274	395	721,896	674,160
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	35,098	25,933	5	8	35,103	25,941
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	22,881	14,478	0	0	22,881	14,478
Total technical reserves	1,555,148	1,447,386	1,193	1,458	1,556,341	1,448,844

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2009

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Non-life reserves	53,467	46,635	437	589	53,904	47,224
Premium reserve	9,586	9,403	43	66	9,629	9,469
Claims reserve	43,881	37,232	394	523	44,275	37,755
Other reserves	0	0	0	0	0	0
Life reserves	20,322	18,864	0	0	20,322	18,864
Reserves for payable amounts	373	0	0	0	373	0
Mathematical reserves	19,926	18,841	0	0	19,926	18,841
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	23	23	0	0	23	23
Total reinsurers' share of technical reserves	73,789	65,499	437	589	74,226	66,088

Vittoria Assicurazioni S.p.A.
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Financial and investment gains and losses/costs

(€/000)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses FY2009	Net gains and costs/losses FY2008
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		48,729	2,047	3,271	4,375	623	51,257	11,897	0	1,337	495	10,065	61,322	28,257
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	1,523	2,720	0	0	-1,197	0	0	0	0	0	-1,197	6,044
c	Held to maturity investments	4,426	0	0	0	0	4,426	0	0	0	0	0	4,426	5,802
d	Loans and receivables	525	0	0	0	0	525	-2	0	0	0	-2	523	743
e	Financial assets available for sale	42,860	206	0	200	97	43,169	0	0	0	495	-495	42,674	36,106
f	Financial assets held for trading	20	0	0	2	0	22	438	0	230	0	208	230	-43
g	Financial assets at fair value through profit or loss	898	318	551	4,173	526	4,312	11,461	0	1,107	0	10,354	14,666	-20,395
Other receivables		626	0	0	0	0	626	0	0	0	0	0	626	343
Cash and cash equivalents		1,066	0	0	0	0	1,066	0	0	0	0	0	1,066	4,315
Financial liabilities		-4,900	0	0	0	0	-4,900	0	0	14,666	0	-14,666	-19,566	12,699
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	14,666	0	-14,666	-14,666	20,395
c	Other financial liabilities	-4,900	0	0	0	0	-4,900	0	0	0	0	0	-4,900	-7,696
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		45,521	2,047	3,271	4,375	623	48,049	11,897	0	16,003	495	-4,601	43,448	45,614

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2009

Detail of insurance technical items

(€/000)

		31/12/09			31/12/08		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		528,301	30,173	498,128	501,982	30,939	471,043
a	Premiums written	542,013	30,443	511,570	516,207	30,535	485,672
b	Change in premiums reserve	13,712	270	13,442	14,225	-404	14,629
NET CLAIMS COSTS		397,608	32,183	365,425	359,848	19,721	340,127
a	Amounts paid	371,727	23,200	348,527	359,973	35,373	324,600
b	Change in claims reserves	39,112	10,950	28,162	5,577	-15,987	21,564
c	Change in recoveries	13,231	1,967	11,264	6,184	-335	6,519
d	Change in other technical reserves	0	0	0	482	0	482
Life business							
NET PREMIUMS		126,435	2,213	124,222	110,104	2,263	107,841
NET CLAIMS COSTS		131,655	2,085	129,570	108,668	1,775	106,893
a	Amounts paid	107,405	878	106,527	125,289	912	124,377
b	Change in reserve for amounts to be paid	-3,379	123	-3,502	-280	-21	-259
c	Change in mathermatical reserves	26,875	1,085	25,790	-17,199	885	-18,084
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	754	-1	755	858	-1	859

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/09	31/12/08	31/12/09	31/12/08
Gross commissions and other acquisition costs		117,714	117,743	14,164	17,458
a	Acquisition commissions	82,952	80,068	7,377	10,421
b	Other acquisition costs	26,584	29,356	5,210	4,865
c	Change in deferred acquisition costs	1,028	1,264	261	741
d	Premium collection commissions	7,150	7,055	1,316	1,431
Profit participation and other commissions received from reinsurers		-7,924	-8,581	-416	-422
Investment management costs		375	428	371	445
Other administrative costs		16,495	14,434	3,659	2,992
Total		126,660	124,024	17,778	20,473

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2009

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	438,984	-	438,984
Other items of property, plant a	4,141	-	4,141
Other intangible assets	30,145	-	30,145

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	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
On-balance sheet assets	70,789	64,520	8,821	5,580	79,610	70,100
Infragroup assets *	0	0	0	0	0	0
Total assets	70,789	64,520	8,821	5,580	79,610	70,100
On-balance sheet liabilities	70,789	64,520	8,821	5,580	79,610	70,100
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	70,789	64,520	8,821	5,580	79,610	70,100

* Assets and liabilities eliminated in consolidation process

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Translation reserve	560	-802	-	-	-	-	560	- 802	0	0	-197	-757
Fair value reserve	15,904	-1,607	-157	-	-	-	15,747	- 1,607	3,918	2,032	25,635	9,888
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	101	-113	-	-	-	-	101	- 113	0	0	50	-51
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	16,565	-2,522	-157	0	0	0	16,408	-2,522	3,918	2,032	25,488	9,080

Breakdown of financial assets and liabilities by level

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Financial assets Available for sale		1,239,385	1,134,788	7,330	7,303	17,584	18,160	1,264,299	1,160,251
Financial assets at fair value through profit or loss	Financial assets held for trading	6,400	4,781	-	-	-	-	6,400	4,781
	Financial assets at fair value through profit or loss	79,610	70,100	-	-	-	-	79,610	70,100
Total		1,325,395	1,209,669	7,330	7,303	17,584	18,160	1,350,309	1,235,132
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	75,800	69,467	3,810	633	-	-	79,610	70,100
Total		75,800	69,467	3,810	633	-	-	79,610	70,100

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	18,160				
Purchases/ Issues	57				
Sales/Repurchases	-53				
Redemptions	-1				
Gains or losses charged to profit and loss	-494				
Gains or losses charged to other comprehensive income	0				
Moves to Level 3	0				
Moves to other Levels	-1				
Other changes	-84				
Closing balance	17,584				

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2009
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 31/12/2008 of reclassified assets		Fair Value at 31/12/2008 of reclassified assets		Reclassified Assets during 2009		Reclassified Assets up to 2009		Reclassified Assets during 2009		Reclassified Assets up to 2009	
from	to			Reclassified Assets during 2009	Reclassified Assets up to 2009	Reclassified Assets during 2009	Reclassified Assets up to 2009	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
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

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

The undersigned Roberto Guarena and Mario Ravasio, in their respective capacities of Managing Director and Corporate Financial Reporting Manager of Vittoria Assicurazioni SpA, herewith attest, also having taken into account the requirements of Article 154/2, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 [the Italian Consolidated Finance Act]:

- The adequacy of such statements in relation to the enterprise's characteristics, and
- Effective application

of administrative and accounting procedures for formation of consolidated financial statements during the period 1 January 2009-31 December 2009.

It is also attested that consolidated annual financial statements as at 31 December 2009:

a) Having been prepared in compliance with the International Financial Reporting Standards adopted by the European Union pursuant to EC Regulation no. 1606/2002;

b) Match corporate books and accounting records;

c) Provide fair and true representation of the assets and liabilities, profit or loss, and financial position of the issuer and of the undertakings included in consolidation taken as a whole.

Milan, 9 March 2010

Roberto Guarena	Mario Ravasio
Managing Director	*Corporate Financial Reporting Manager*

Report of Independent auditors

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Report of the auditors in accordance with article 156 of legislative decree n. 58 of 24 February 1998 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, 2009, 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.

   Reference should be made to our report issued on 7 April, 2009 for the opinion on the prior year consolidated financial statements, which figures, presented for comparative purposes as required by law, have been reclassified to consider the changes to the financial statements required by the amendment of IAS 1 (2007).

3. In our opinion, the consolidated financial statements of Vittoria Assicurazioni S.p.A. as at and for the year ended 31 December, 2009 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, 2009.

Milan, 1 April, 2010

BDO S.p.A.

Francesca Scelsi
(Partner)