
CONSOLIDATED FINANCIAL STATEMENTS

YEAR 2007

FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE AND FLORENCE HEADQUARTERS - P.ZA DELLA LIBERTA 6 - TURIN HEADQUARTERS - CORSO G. GALILEI, 12 - SHARE CAPITAL EURO 168,692,679 FULLY PAID-IN – TAX, VAT AND FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925.



5 YEAR OVERVIEW - CONSOLIDATED*

Euro/thousand

| | 2003 | % | 2004 | % | 2005 | % | 2006 | % | 2007 | % |
|------------------------------------|------------|--------|------------|--------|------------|--------|------------|--------|------------|--------|
| TOTAL PREMIUMS | | | | | | | | | | |
| <i>MOTOR AND MARITIME TPL</i> | 4.115.795 | 44,53 | 4.187.410 | 42,65 | 4.210.494 | 44,30 | 4.307.043 | 43,18 | 4.190.572 | 35,27 |
| <i>NON-LIFE DIVISION</i> | 2.707.779 | 29,29 | 2.822.633 | 28,75 | 2.933.822 | 30,87 | 2.997.751 | 30,05 | 3.127.573 | 26,32 |
| <i>LIFE DIVISION</i> | 2.419.888 | 26,18 | 2.807.567 | 28,60 | 2.360.942 | 24,84 | 2.670.472 | 26,77 | 4.564.123 | 38,41 |
| TOTAL | 9.243.462 | 100,00 | 9.817.610 | 100,00 | 9.505.258 | 100,01 | 9.975.266 | 100,00 | 11.882.268 | 100,00 |
| APE | - | | - | | - | | 244.410 | | 402.757 | |
| investment contracts | - | | - | | 717.752 | | 882.541 | | 171.982 | |
| CLAIMS PAID | | | | | | | | | | |
| <i>and related charges</i> | 5.955.637 | | 6.515.165 | | 6.614.224 | | 7.063.900 | | 8.166.014 | |
| GROSS TECHNICAL RESERVES | | | | | | | | | | |
| <i>UNEARNED PREMIUM RESERVE</i> | 2.400.713 | | 2.456.758 | | 2.490.917 | | 2.567.470 | | 2.621.820 | |
| <i>CLAIMS RESERVE</i> | 8.783.862 | | 9.010.996 | | 8.949.726 | | 9.083.916 | | 8.969.398 | |
| <i>OTHER TECHNICAL RESERVES</i> | 26.749 | | 25.153 | | 10.825 | | 10.501 | | 14.463 | |
| <i>LIFE TECHNICAL RESERVES</i> | 13.659.635 | | 15.135.113 | | 13.908.135 | | 15.264.706 | | 19.737.383 | |
| TOTAL | 24.870.959 | | 26.628.020 | | 25.359.603 | | 26.926.593 | | 31.343.064 | |
| TECHNICAL RESERVES/PREMIUMS | 269,1% | | 271,2% | | 266,8% | | 269,9% | | 263,8% | |
| SHAREHOLDERS' EQUITY | | | | | | | | | | |
| <i>SHARE CAPITAL AND RESERVES</i> | 2.761.256 | | 2.829.741 | | 3.922.539 | | 4.453.774 | | 4.550.883 | |
| <i>NET PROFIT</i> | 321.417 | | 445.027 | | 586.350 | | 600.768 | | 620.050 | |
| | 3.082.673 | | 3.274.768 | | 4.508.889 | | 5.054.542 | | 5.170.933 | |
| INVESTMENTS | | | | | | | | | | |
| | 24.506.267 | | 26.297.585 | | 30.065.020 | | 33.812.476 | | 38.020.751 | |
| EMPLOYEES PARENT COMPANY | 6.157 | | 6.031 | | 5.852 | | 5.991 | | 6.154 | |

* The data relating to the year 2003 refers to the financial statements prepared in accordance with Italian GAAP; the data relating to the year 2004 refers to the financial statements prepared in accordance with IAS/IFRS with the exclusion of IAS 32, 39 and IFRS 4 which were applied from 1/1/2005; the data relating to the years 2005 and 2006 refer to the financial statements prepared in accordance with IAS/IFRS.

MISSION VISION AND VALUES

The capacity to combine ethics and social responsibility and profit, without sacrificing any of these objectives means developing a broader concept of wealth than that of a simple economic return, evolving toward an intangible goal in which collective well being and satisfaction encompasses all of its members and at the same time also includes a healthy environment - and not simply the work environment - with improved psychological-physical living conditions.

Responsibility, a spirit of teamwork, innovation and communication are the values that systematically guide our actions towards all those with legitimate interests in Fondiaria-SAI Groups's internal and external operational processes.

Responsibility

Responsibility can be divided into actions that are aimed at handling the interests of customers, creating value for shareholders and operating honestly and correctly in management and focusing attention on social and environmental responsibility.

Communication

Communications is not just a corporate function, but an integrated activity that is focussed on the building of the corporate identity. In the era of image, communication and corporate culture are two sides of the same coin, where brands, cultural identity and strategic vision merge together in order to communicate with the market, customers and partners.

Team Spirit

For us, creating a work environment that knows how to serve the needs of the different stakeholders and coordinate their abilities, in order to reach the best possible outcome, means promoting a sense of pride, investing in the development of partners and the integration of skills to optimise team work in consideration of the conduct regulations for the consolidation of the functioning of the processes.

Innovation

Innovation means the ability to face the future by maintaining one's roots anticipating and managing change with any opportunity that presents itself. Tradition and corporate culture are the cornerstones of our Group. Throughout the years, we have managed to innovate and integrate our corporate culture, taking advantage of post-merger economies of scale offered in organisational terms and acquiring the wealth of experience and values that resulted from the merger of the former Fondiaria and the former SAI.

MAIN EVENTS IN 2007

Acquisitions and Bancassurance

Popolare Vita S.p.A.

On September 7, 2007, the Banco Popolare Group and the Fondiaria-SAI Group completed the agreement for an exclusive strategic partnership in the Banco Popolare Group bancassurance Life and Pension sectors.

Having obtained the necessary authorisations from the relevant Authorities, Fondiaria-SAI acquired from the Banco Popolare Group a total holding of 50% in the share capital of Popolare Vita S.p.A. (formerly BPV VITA) at a price of Euro 530 million.

Specifically, Fondiaria-SAI acquired a holding of 35% in Popolare Vita S.p.A. (formerly BPV VITA) from Banco Popolare Soc. Coop., at a price of Euro 371 million, and a holding of 15% in Credito Bergamasco S.p.A. at a price of Euro 159 million. Within this agreement, Fondiaria-SAI acquired a further share of Popolare Vita S.p.A. (formerly BPV VITA), consequently becoming the majority shareholder in the company.

The Banco Popolare Group and the Fondiaria-SAI Group also signed a shareholder agreement in order to govern the industrial aspects of the partnership and the corporate governance regulations of Popolare Vita S.p.A. (formerly BPV VITA). The agreement provides for reciprocal options in the case of the dissolution of the partnership, valuing the holding of Fondiaria-SAI at the appraisal value.

Also on September 7, 2007, Popolare Vita S.p.A. and the Banco Popolare Group signed a ten year distribution agreement, renewable for a further 5 year period.

This exclusive agreement will commence from January 1, 2008, except in relation to the existing distribution agreements with AVIVA and AURORA (exclusive agreements expiring in May 2009 in the branches of the former Reti Bancarie S.p.A.). Once fully operational, the distribution of Popolare Vita S.p.A. can therefore count on a total network of approximately 2,200 branches.

Banca Gesfid S.A.

On May 31, 2007, Fondiaria-SAI concluded an agreement with Meliorbanca S.p.A. for the residual purchase of 40% of the share capital of Banca Gesfid S.p.A. at a price of SFR 47 million. The operation was completed in July, after obtaining the necessary authorisations from the relevant Italian and Swiss authorities.

DDOR Novi Sad

On November 26, 2007, the sale was concluded through a public auction of the second Serbian insurance company DDOR Novi Sad with Fondiaria-SAI successful in obtaining 83.3% of the share capital at a price of Euro 220 million. On January 31, 2008, the sales/purchase contract of the above quota was completed, sold by the Deposit Insurance Agency of Serbia as shareholder and representative for the minority shareholders.

For further details in relation to the closing of the operation reference should be made to the paragraph “subsequent events after the year end”.

Bipiemme Vita S.p.A.

On June 29, 2007, Milano Assicurazioni, on the basis of the agreements completed on June 14, 2006 with Banco Popolare di Milano, exercised the option for the purchase of a further quota of 1% in the share capital of Bipiemme Vita S.p.A., increasing its total holding to 51%; the operation resulted in the transfer of control of Bipiemme Vita to Milano Assicurazioni.

Banca Italease

On January 8, 2008, following the changed conditions in the proposed industrial partnership, Banca Italease and Fondiaria-SAI mutually agreed to resolve the sales/purchase agreement and the related agreements signed on April 26, 2007.

Banca Italease and Fondiaria-SAI also signed, on the same date, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fondiaria-SAI Group through the branches and networks of the agents and conventional intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

On February 20, 2008, Fondiaria-SAI ceded the distribution agreement with Banca Italease to its subsidiary EFFE VITA S.p.A., the insurance company of the Group which acts as a vehicle for the realisation of distribution agreements with banks in the Life Division.

Novara Assicura

On October 11, 2007, the sale was completed – by the subsidiary Milano Assicurazioni S.p.A. – of 100% of the share capital of Novara Assicura S.p.A. to Banco Popolare S. Coop and Holding di Partecipazioni Finanziarie Popolare di Verona e Novara S.p.A. for 50% each. The sales price was Euro 15.6 million.

Other events**2006 - 2008 Industrial Plan**

On April 12, 2007, at the annual meeting with the Financial Community, the Chief Executive Officer Prof. Fausto Marchionni provided updated information on the 2006-2008 Industrial Plan of the Group, underlining the bancassurance relationships in the Non Life and Life Divisions, on the relaunch of the direct sales channel and on the excess capital.

Rating Standard & Poor's

On June 29, 2007, the rating agency Standard & Poor's improved the rating of the Fondiaria-SAI Group, increasing the rating from BBB to BBB+, confirming the positive outlook.

Acquisition of treasury shares

On June 5, 2007, the buy back programme commenced, in accordance with the programme approved by the shareholders' meeting of April 30, 2007, within the wider programme contained in the 2006-2008 industrial plan of the Group.

Acquisition of savings shares

On September 12, 2007, the buy-back programme of saving shares commenced, in accordance with the buy-back programme approved by the shareholders' meeting of April 30, 2007, within the wider programme contained in the 2006-2008 Industrial Plan of the Group. From October 1, 2007, the Company commenced the purchase of 800,000 saving shares, for a maximum payment of Euro 20 million within the limits of the maximum quantity of ordinary and/or saving shares and the total maximum payment for the two categories of shares authorised by the shareholders' meeting of April 30, 2007.

Stock options

On June 20, 2007, the vesting period established by the regulations of the stock option plan was brought forward, concerning the saving shares of the Company, in favour of the executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company, as approved by the shareholders' meeting of April 28, 2006. The decision takes into account, on the one hand, the reaching of some objectives in the 2006-2008 Industrial Plan of the Group and, on the other hand, the various fiscal regulations to which the plans are subject compared to the date of their approval.

EDS Italia

On February 5, 2007, Fondiaria-SAI signed a ten-year contract with EDS Italia for the supply of services for the management of the Information Technology infrastructure of the Group. The agreement with EDS has the purpose to improve productivity and operational flexibility permitting Fondiaria-SAI and the companies of the Group to be even more competitive.

NEW INSURANCE PRODUCTS

Non-Life Business

- Launch of the new product “LA MIA ASSICURAZIONE FABBRICATI”. The policy insures the real estate assets of factories against direct damage from fire and other events, in addition to civil protection for the directors of the factories and the owners and occupants of the buildings.
- Launch of the new product “LA MIA ASSICURAZIONE RCpiù, the new Civil Responsibility Policy for the security requirements of persons living and working in the education, sport and leisure areas, as well as owners of factories and land.
- In relation to the programme of revision and rationalisation of the insurance cover relating to the Other Classes, in order to provide the agency network with a valid response to the increasingly more demanding and complex insurance needs, in December the new group policy “INSURANCE FOR INDUSTRIAL CIVIL RESPONSIBILITY” was prepared, with uniform and simplified procedures and solutions for all of the Companies of the Group.
- With the objective to further increase sales and growth of the in-force portfolio, through more competitive tariffs, in October a new edition of the product “LA MIA ASSICURAZIONE CASA” was launched.
- With the objective of promoting sales of the product, a new version of “La Mia Assicurazione NUOVA CARTA AZZURRA” was launched, which includes the insertion of three new insurance formulas:
 - a. **Young +**
 - b. **Class +**
 - c. **Group +**The above-mentioned formulas offer high insurance to respond to the needs of the clients that require increasingly complete and up-to-date insurance services.
- From July 1, 2007, ASSISAT is the new formula of Road Assistance which Fondiaria-SAI proposes to everyone who wants to be secure and protected in their motor vehicle through the installation of satellite equipment VIASAT SAIBOX, the satellite technology VIASAT personalised for Fondiaria-SAI clients.
- Finally, we report the launch in 2007 of three Retail products: LA MIA ASSICURAZIONE BASIC CASA, LA MIA ASSICURAZIONE BASIC CONTENUTO and LA MIA ASSICURAZIONE BASIC CAPOFAMIGLIA.

For further details, reference should be made to the Non-Life Section.

Life Business, Pension & Managed Savings

- In January, a new immediate annuity single premium revaluable product was launched, called “RENDITA ASSICURATA” which provides, in addition to the normal payment of an annuity to the policyholder during their life, a decreasing counter-insurance which guarantees the designated beneficiaries the payment of a capital sum in the case of death, “dread disease» or in the case of invalidity of the policyholder.
- In order to have a strong presence in the market covering risks related to financial operations granted by Banks, Lenders and Credit Institutions in general, in January the new product “PLURAL VITA MUTUI” was launched.
- In February, a new Index Linked product was launched, called MATCH RACE, characterised by an innovative optional mechanism which allows for the comparison between two equity indices, a European and a “general”, representative of the US equity market.
- In April, together with the annual updating required by Circular ISVAP 551/d, the Company launched a new product, OPEN FREE, relating to the Separated Management. OPEN FREE does not provide for loading applied on the premium, but exclusively an annual management commission, based on the amount invested and the duration of the policy.
- In May, the new product “CONTO APERTO RISPARMIO” was launched, in order to be competitive in the market segment composed of businesses, associations and entities that decide to implement pension programmes for their employees, shareholders, subscribers (outside of the normal legislative complementary pensions, such as Pension Funds), utilising instruments capable of offering, on the financial management side, all the typical guarantees of the insurance product, and on the premium side a strong freedom of flexibility and utilisability and the recovery of the investment according to existing requirements.
- At the end of May, the Company launched a further Index Linked tranche called GLOBAL RACE. The product is characterised by the comparison, on the three principal world financial areas, of the performances of an equity index created from a selection of high dividend securities (Select Dividend) and the corresponding general index, representative of the entire market.
- In May COVIP, with relevant resolutions, approved the regulations of the product “PIÙ PENSIONE”, with consequent registration in the list of Pension Funds. The product represents an individual complementary pension realised through insurance contracts on the life at periodic premium with revaluation of the services as per Legislative Decree No. 252 of May 5, 2005.

-
- To respond to the needs of a prudent client, PREMIUM TFR was launched which, in addition to having low costs and guaranteeing a minimum return, is based on a flexible management model, which allows it to benefit from financial market opportunities while protecting the pension accumulated.
 - From October 1, 2007 and for a placement period terminated on November 7, 2007, a new Index Linked product called GRAND PRIX was available to clients. The product compares the performances between 2 indices:
 - an innovative equity index, the DJ Eurostoxx Select Dividend 30, comprising a selection of securities with high dividend in the Euro area;
 - a traditional index, the DAX index, representative of the German equity market.
 - In January 2008, the Parent Company launched the new version of the Unit Linked products UNIVERSAL LIFE, UNIT ANNUO and UNIT UNICO. This was created, as already illustrated for the GRAND PRIX Index Linked product, from the necessity to apply the new 'Provisions on protection of savings and governance of financial markets' (law 262/2005) and CONSOB Regulation No. 11971 (amended May 3, 2007), enacting Legislative Decree 58/1998, Consolidated Finance Act.
 - Finally we report that, from February 2008, the Parent Company launched a new life product "Vita Temporanea Caso Morte", an annual premium with constant capital, based on the different tariff rates between smokers and non-smokers. Differing from existing products of the Group, the current tariffs in force differentiate the premium based on smoking habits, offering non-smokers a lower tariff.

For further details, reference should be made to the Life Section.

Other Products

In February, the Fondiaria-SAI Group launched a new index linked product called WORLD CUP INDEX LINKED, a new opportunity to grow savings even in the case of negative markets, participating in the performance of the world equity markets.

The products include 9 "exceptional" securities on the respective markets, belonging to the five principal world geographic areas, in competition for 6 years: they must not go below a level which, from year to year, is fixed at an increasingly lower level. A competition which, the winner has a possibility to subscribe to the WORLD CUP and receive a coupon equal to 8%. The competition continues the year after, with the possibility to recover any previous losses.

WORLD CUP in fact provides, after one year, for the payment of a coupon of 5.5% and, in the subsequent years the payment of a coupon of 8% paid against the victory in the WORLD CUP competition. Each year, if the competition is not won, no coupon is paid, but if, in one of the subsequent years, the securities in competition are winners, the subscriber will be paid also the coupons from previous years. The offer of the policy will terminate on March 27, 2008 and can be subscribed with just Euro 2,500.

BANCASAI

During 2007, BancaSAI launched three products relating to real estate mortgages called EASY CASA, characterised by clarity and transparency, with contained expenses, competitive rates and guaranteed assistance, which allows 100% financing on the value of a property:

- EasyCasa Fisso, fixed rate mortgage with the assurance of a fixed rate;
- EasyCasa Variabile, variable rate and payments always in line with the markets;
- EasyCasa Costante, variable rate, fixed payment and duration related to rate changes.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR 2007

These accounts have been translated into English from the original Italian which was issued in accordance with Italian practice. The Italian remains the definitive version and the correctness of the English version was not checked by the Fondiaria Group.

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CORPORATE BOARDS FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Jonella Ligresti*

Chairperson

Giulia Maria Ligresti*

Vice Chairman

Massimo Pini*

Vice Chairman

Antonio Talarico*

Vice Chairman

Fausto Marchionni*

Chief Executive Officer - General Manager

Andrea Brogгинi

Mariella Cerutti Marocco

Maurizio Comoli

Francesco Corsi

Carlo d'Urso

Vincenzo La Russa*

Gioacchino Paolo Ligresti*

Lia Lo Vecchio

Enzo Mei

Giuseppe Morbidelli

Cosimo Rucellai

Salvatore Spiniello

Ezio Toselli

Oscar Zannoni

Alberto Marras

Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino

Chairman

Giancarlo Mantovani

Statutory Auditor

Marco Spadacini

Statutory Auditor

Maria Luisa Mosconi

Alternate Auditor

Alessandro Malerba

Alternate Auditor

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGER

Fausto Marchionni

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

**** Members of the Executive Committee**

The Chairman, Ms. Jonella Ligresti, and the Chief Executive Officer, Prof. Fausto Marchionni are the representatives of the company pursuant to article 21 of the Company By-Laws and have all ordinary and extraordinary administrative powers with all rights thereto, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers;

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of value above Euro 30 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The Chairman and the Chief Executive Officer must report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to atypical, unusual or operations with related parties (where not reserved to the Board) and, in general to the most significant operations.

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 16, 2005 - the exclusive competence to this latter of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

The Board of Directors was appointed by the Shareholders' Meeting of April 28, 2006.

The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2008.

SUBSIDIARY AND ASSOCIATED COMPANIES
AND OTHER SIGNIFICANT HOLDINGS

SOCIETÀ' CONTROLLATE E COLLEGATE(1)

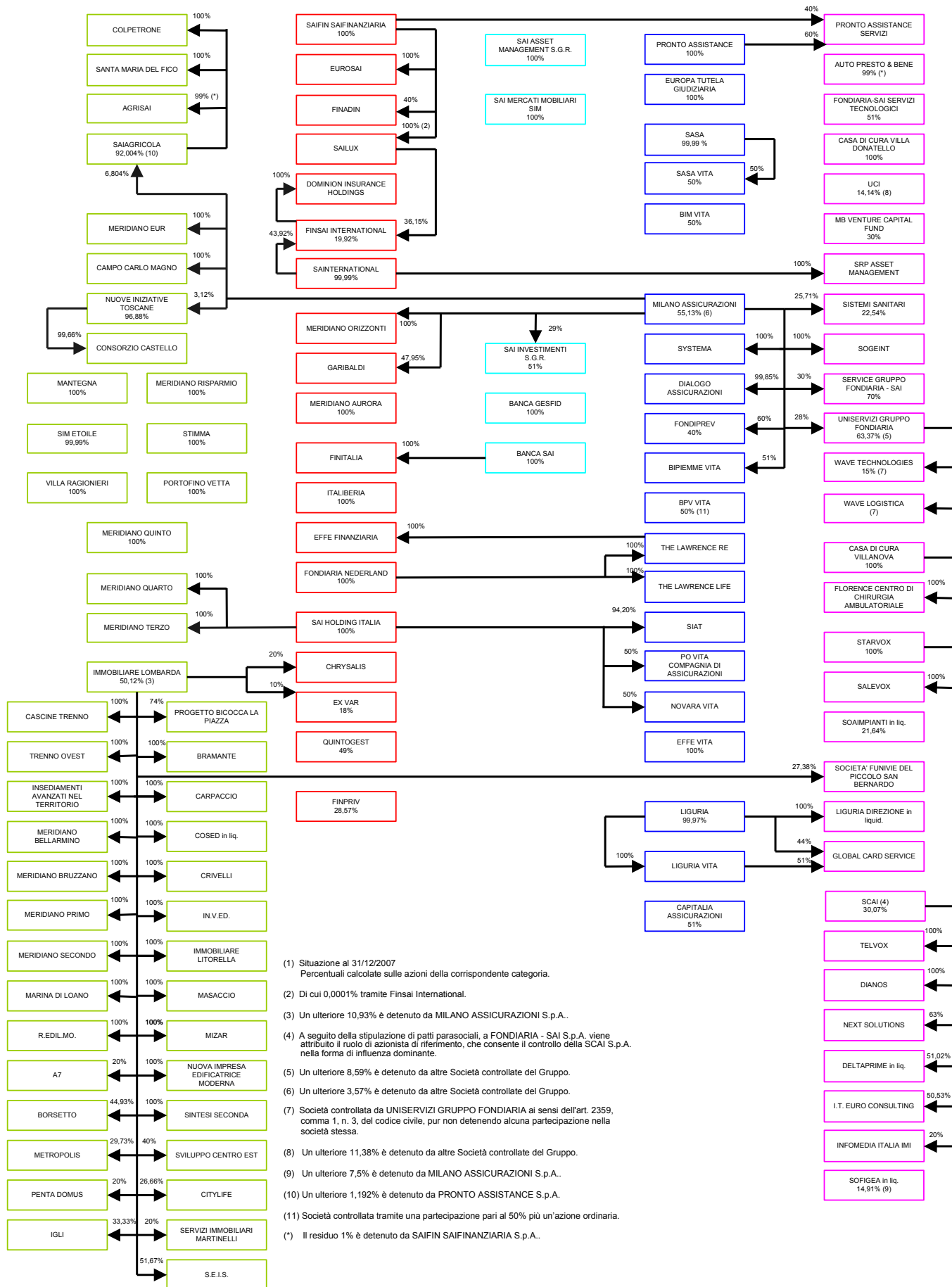
IMMOBILIARI e AGRICOLE

FINANZIARIE

BANCARIE, SIM, SGR e SICAV

ASSICURATIVE

DIVERSE



- (1) Situazione al 31/12/2007
Percentuali calcolate sulle azioni della corrispondente categoria.
- (2) Di cui 0,0001% tramite Finsai International.
- (3) Un ulteriore 10,93% è detenuto da MILANO ASSICURAZIONI S.p.A..
- (4) A seguito della stipulazione di patti parasociali, a FONDIARIA - SAI S.p.A. viene attribuito il ruolo di azionista di riferimento, che consente il controllo della SCAI S.p.A. nella forma di influenza dominante.
- (5) Un ulteriore 8,59% è detenuto da altre Società controllate del Gruppo.
- (6) Un ulteriore 3,57% è detenuto da altre Società controllate del Gruppo.
- (7) Società controllata da UNISERVIZI GRUPPO FONDIARIA ai sensi dell'art. 2359, comma 1, n. 3, del codice civile, pur non detenendo alcuna partecipazione nella società stessa.
- (8) Un ulteriore 11,38% è detenuto da altre Società controllate del Gruppo.
- (9) Un ulteriore 7,5% è detenuto da MILANO ASSICURAZIONI S.p.A..
- (10) Un ulteriore 1,192% è detenuto da PRONTO ASSISTANCE S.p.A.
- (11) Società controllata tramite una partecipazione pari al 50% più un'azione ordinaria.
- (*) Il residuo 1% è detenuto da SAIFIN SAIFINANZIARIA S.p.A..

ALTRE PARTECIPAZIONI DI RILIEVO (1)

FINANZIARIE e BANCARIE

RCS
5,497 % (2)

GEMINA
4,185 %

MEDIOBANCA
3,839 % (3)

MELIORBANCA
6,098 %

PREMAFIN
6,717 % (4)

BANCA INTERMOBILIARE
2,109 % (5)

ASSICURATIVE

GENERALI
2,047 % (6)

DIVERSE

PIRELLI & C.
4,482 % (7)

AEROPORTO DI FIRENZE
2,053 %

ALERION
3,749 % (8)

(1) Situazione al 31/12/2007

Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Partecipazione detenuta direttamente per il 2,243% e indirettamente per il 3,254%

(3) Partecipazione detenuta direttamente per il 3,268% e indirettamente per lo 0,571%

(4) Partecipazione detenuta direttamente per il 4,469% e indirettamente per il 2,248%.

(5) Partecipazione detenuta direttamente per l'1,865% e indirettamente per lo 0,244%

(6) Partecipazione detenuta direttamente per lo 0,880% e indirettamente per l'1,167%

(7) Partecipazione detenuta direttamente per il 4,454% e indirettamente per lo 0,028%

(8) Partecipazione detenuta direttamente per l'1,650% e indirettamente per il 2,099%

Directors' Report Year 2007

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2007

International economic overview

In 2007, the world economy reported good growth in the first half of the year, especially thanks to the contribution of the emerging economies. However, during the second half world growth slowed, accentuated during the summer by the crisis in the United States so-called “sub-prime” mortgages which generated instability in the international financial markets, resulting in an increase in the premiums for the risk and a reduction in the willingness of the intermediaries to offer credit.

This category of mortgages, of which approx. 600,000 were granted in 1998 (equal to 2.5% of all mortgages) grew to 5.8 million at the end of 2006 (equal to 13.5% of the entire segment), essentially due to the low cost of money in the four-year period 2001-2004, in conjunction with the US property speculative bubble.

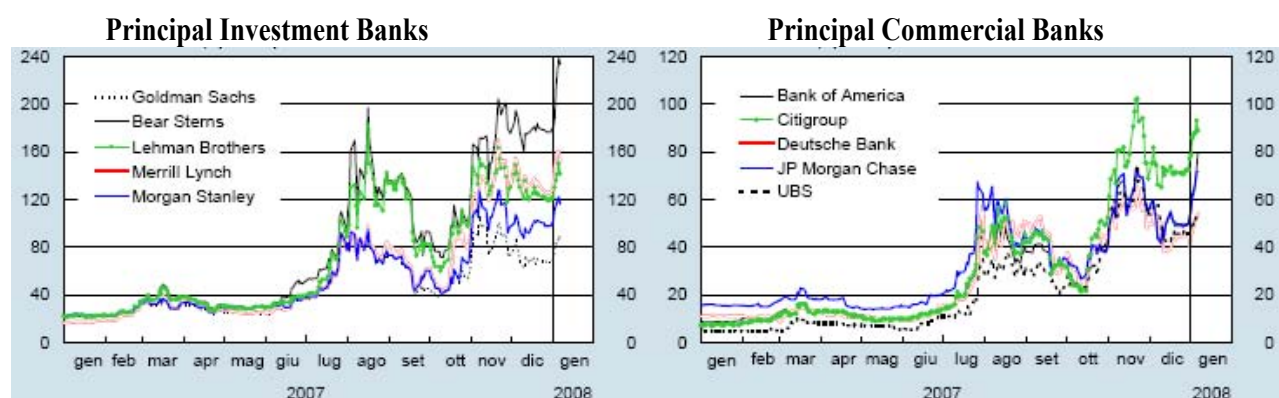
The debt accumulated over time in the American banking system was sold to the market under the form of derivative bonds from the aggregation of the different activities subject to credit risk, among which the “sub-prime” mortgages (the so-called Collateralized Debt Obligations), generating a credit market of approx. USD 34 billion: obviously made more attractive thanks to a nominal return much greater than the risk acquired.

These structured financial products were also negotiated outside of the official stock exchange circuits (“over the counter”), in high-risk traded markets and without regulation.

From the second half of 2004, the cost of money in the US however constantly increased, from 2% to 6.25% in June 2007, generating approx. 500,000 insolvent mortgages. The auctions of properties to cover the credit depreciated the property market with repercussions on the whole financial system, generating liquidity problems which the Central Banks have attempted to mitigate issuing capital into the market, while attempting not to increase the already high level of money with the risk of stimulating inflationary tensions.

These developments gave rise to: a reduction in the creditworthiness of some large banking groups, by the principal rating agencies; unexpected rises in insurance premiums against the Credit Default Swaps (reference Figure 1); a sharp fall in their equity prices; an increase in the differentials between the interbank rates and the corresponding rates on guaranteed loans.

Graph 1 - Premiums on Credit Default Swaps at 5 years on some financial intermediaries (*)
base points on weekly data)



Source: Thomson Financial Datastream.

(*) Premiums for insurance against the credit risk for 5 years on senior debt issued by the intermediaries indicated in the key.

The negative effects deriving from this financial crisis, aggregated by the impact deriving from the protracted high levels of both petroleum (in November Brent reached a high of USD 95 a barrel) and raw materials (in the first nine months of 2007 the price of energy raw materials increased by 31%, +88% from the end of 2004), had immediate repercussions on the forecasts of the analysts.

We report that, in the second half of February 2008, the price of petroleum reached a new record of USD 100 a barrel. The risk of a decrease of the offer on the market also saw a new record for the price of Brent, the European crude reference, which reached an historic high of USD 98.70 per barrel. The risks of a fall in supply from Venezuela and Nigeria also impacted on the prices, even though the situation seems to have normalised in the two countries.

In the US, the GDP grew by 0.6% in the fourth quarter of 2007: the data confirms the slowdown of the economy in the fourth quarter compared to +4.8% in the third quarter of the year. On an annual basis, the GDP grew by 2.2%, a significant slowdown compared to 2006 (+2.9%).

In 2008, according to the latest forecasts of the International Monetary Fund, world growth should experience a slowdown, remaining however at around 4%. In particular, the US represents the country most affected, with an expansion in 2008 reduced to 1.5-1.9% from approx. 2% in 2007.

Particular attention should also be given to emerging countries, where the good performances will not reduce the risk of a speculative bubble and of instability. Although incurring a slowdown, the emerging countries are the drivers of the world economy, with an average estimated growth of 6.9% for 2008.

Euro Area

The relative degree of direct and indirect mortgages at risk provided by American and European financial intermediaries would assume that the prospects for an international economic slowdown are greater for the US than the Euro area.

In 2007, the uncertainty of the international outlook however impacted the Euro area, with an average annual growth of 2.3% (+0.4% in fourth quarter), and lower than the sustained performance in 2006 (+2.9%, +0.8% in the fourth quarter).

For 2008, the International Monetary Fund has estimated a growth of around 1.6% for the Euro area, half a point less than the previous forecasts.

On the registration of cars, in the last month of the year in the enlarging Euro area of 28 countries almost 1,123,000 new registrations were made, with a slight increase of 1.2% on December 2006, while from the beginning of the year the total units sold were approx. 15,959,000, a growth of 1.1% on the volumes in 2006.

Differing from Western Europe, considered a mature and replacement market, the ten new member countries of the European Union recorded double-digit growth rates in new registrations. In December, the growth rate was maintained at 11.6% with almost 96,000 sales, while from the beginning of the year the increase was 14.5% with almost 1,165,000 registrations, over 147,000 units higher than new registrations on 2006.

We report that the registrations in January 2008 were stable (-0.3% compared to January 2007). Only the German market was able to contain the losses (+10.5% compared to January 2007): the Italian market negatively affects the aggregate, with a decrease of 7.3%.

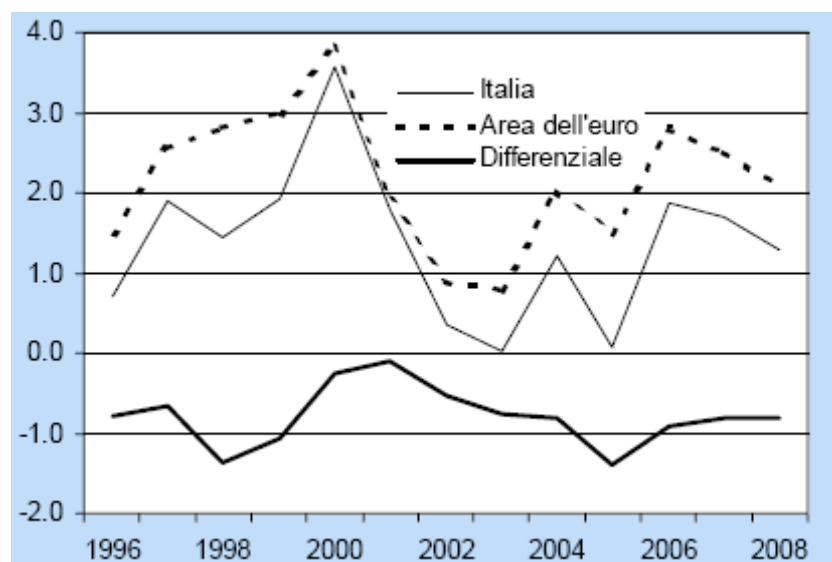
Growth was recorded of 20.1% in registrations however in the minor European Union countries, where the process of mass motorisation is underway.

In general, the prospects of the economy are impacted by the effects of the higher price of petroleum, the uncertainty on the duration and intensity of the expected American slowdown, the further weakness of the Dollar and the consequences of the credit crisis.

The Italian economy

In the context of the above-mentioned slowdown, Italy is suffering a deceleration of its growth, more marked compared to the European average. The growth differential between Italy and the Euro area does not appear to reduce significantly, after the improvement of 2006, when this decreased from -1.4% in 2005 to -0.9%. This value, according to the forecasts of the International Monetary Fund, should remain strongly negative in 2007 and in 2008, amounting to around -0.8%.

Graph 2 – Growth in Italy and in Europe
(% growth on GDP)



Source: Confindustria Centre elaboration on Eurostat data

The provisional Istat data on the industrial production in 2007 illustrates the generalised weakening of the manufacturing activity, registering a monthly fall of 0.9% in November (-0.6% and -1.4% respectively in October and in September) and a deterioration of 2.4% on an annual basis.

Less favourable financial conditions and a certain weakness of both foreign and internal demand (with a poor national domestic consumption growth expected at +1.2% compared to 1.9% at the end of the year), should result in a gradual slowdown of the Italian production activity, which for the year 2008 is expected to experience a moderate deceleration in the coming months, in line with the recovery in Europe. In particular, against the risks on the international economy, the Confindustria Study Centre reduced from 1.3% to 1% the estimated growth in the national GDP.

In the third quarter of 2007, the Italian GDP increased by 0.4% compared to the previous quarter and by 1.9% compared to the third quarter of 2006.

The average expansion estimated by Prometeia for 2007 should be around 1.7%, decreasing by about one percentage point during 2008, as illustrated in the table below.

Table a – GDP growth forecasts

| | OCSE | | FMI | Consensus |
|----------------|------|------|------|-----------|
| | 2007 | 2008 | 2008 | 2008 |
| USA | 2.2 | 2.0 | 1.5 | 2.1 |
| Japan | 1.9 | 1.6 | 1.5 | 1.5 |
| Euro Area | 2.6 | 1.9 | 1.6 | 1.9 |
| France | 1.9 | 1.8 | 2.0* | 1.8 |
| Germany | 2.6 | 1.8 | 2.0* | 1.9 |
| United Kingdom | 3.1 | 2.0 | 2.3* | 1.9 |
| Italy | 1.8 | 1.3 | 1.3* | 1.3 |

Source: OCSE (December 2007), International Monetary Fund (January 2008), Consensus Economics (January 2008)

() forecasts published at October 2007*

At the end of the year, the provisional Istat estimate of the consumer prices recorded a monthly change of +0.3% and +2.6% on an annual basis, the highest since October 2003, due to higher food and energy products together with a reduced demand.

Growth prospects in Italy are affected by, in addition to the possible effects of the world economy described above, consumption and political instability: the greater uncertainty could therefore result in an increase in precautionary saving, contributing to reduce household consumption.

In addition, at the end of 2007, consumer confidence of the Italian households weakened: the general index in the final two months of the year was close to the two-month period of June-July, at around the lowest values of the spring of 2006. The sharp increase in inflation unfortunately impacts on the purchasing powers of households: although there is not a strict connection between the consumer confidence indicators and the actual spending realised, the confirmation of an increasingly more volatile climate has without doubt been a factor in reduced consumption.

The insurance sector

Despite a rapid development in the sector in recent years, in Italy the utilisation of insurance products is still rather low compared to other European countries, both in relation to households and businesses. The divergence is particularly evident in the Non-Life segment where, excluding the Motor Sector which is compulsory everywhere, the premiums written in our country amount to approx. only 1.1% of the GDP, compared to at least double that in the other countries.

Also in the Life sector, despite the ratio between the insurance premiums and GDP increased from a little more than 1% in 1996 to approx. 5% in 2006, the assets managed of the Italian investments is equal to approx. 25% of the GDP, less than half compared to the French values, and the technical reserves compared to the GDP remain at contained values compared to the general values of the other principal countries.

Also on the business front insurance spending amounts to approx. 0.2% of the Italian GDP, compared to 0.3% in France and Germany and 0.5% in the United Kingdom.

The insurance values a “culture of merit”, in that it is capable of awarding the most efficient players in the system, or rather characterised by a more careful management of the risk, allowing for example enterprises to create and confront in an adequate manner operational problems, without the necessity to accumulate precious capital reserves. The enterprises under-insured, generally, are not able to take the new entrepreneurial opportunities, as they invest to a lesser degree in innovation and their presence in the international markets is generally lower.

Insurance is therefore to be considered, for all effects, a production machine, an industry which is founded on an ancient system and tradition, while innovating daily: insurance produces “security”, an essential instrument servicing the social and the economic development of a nation.

In a context of discontinuity and fast evolution in all the economic systems, the continual scientific and technological development, globalisation and the progressive change of the demographic mix represent key concepts to better define the growing importance of the role of the insurance system.

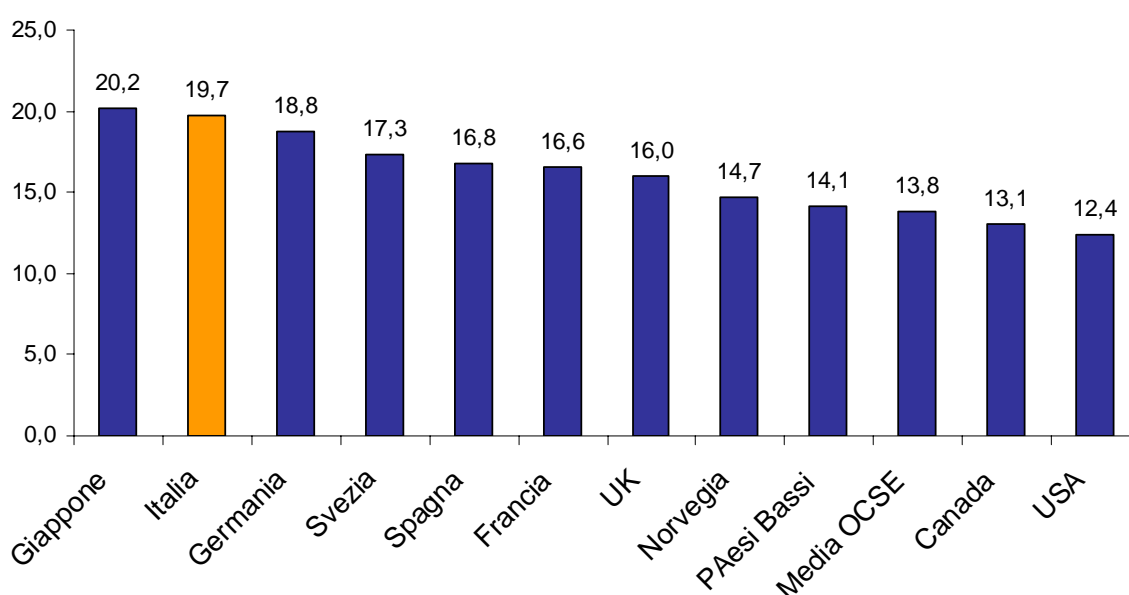
Each of these factors would require a thorough analysis but, in this report, we will only comment on the demographic aspect.

The structure and demographic evolution of the population in fact represents essential elements for the general evaluation of future economic prospects: the ageing of the population highlights a factor which should not be under evaluated in relation to future social development.

The graph shown below illustrates how this phenomenon prevalently concerns the industrialised countries, in particular Europe and Japan.

The latest data available shows that in 2005, among the OCSE countries, Italy in percentage terms of persons over 65 years is in second place (with 19.7%, equal to approx. 11.6 million persons), behind only Japan (with 20.2%).

Graph 3 - % population over 65 years on the total population in 2005.



Source: elaboration The European House Ambrosetti on OECD Demographic and Labour Force Database 2006 data.

In the coming decades the following trends are expected in the Italian population: in 2030, it is expected that Italy will still be in second place (with 27.3% of the population) behind Japan (with 31.8%), in 2050 the population over 65 years should increase further and will be equal to 33.6% of the total, to the detriment of the active population (15-64 years).

In 2050, the number of Italians over 80 years will be almost more than 4 times those between 20 and 24 years, while the total population will decrease from 58.5 million to 55.9 million. In Italy, the percentage of the social security expenses on the GDP will increase from 25.3% in 2005 to 36.6% in 2050 and the rate of the pension replacement of the private employees, which today accounts for 60-65%, in 40 years could fall by 20 points. These are the results of the estimate in the research by AXA 2007 on "Protection of the person and demographic changes: new frontiers and prospects". Today in Italy we have over 2,139,000 disabled persons over 75 years of age, a phenomena which concerns one family in ten. More than seven households out of ten, however, do not receive any type of public domestic assistance. According to the report it would be necessary to allocate Euro 4 billion more in self-sufficiency. In 2050, the coverage of Long Term Care (LTC) will absorb, in fact, an estimated 2% of the GDP, against an emergency which requires increasingly the necessity to meet greater risk of non self-sufficiency. Provisional estimates of Isvap provides for a strong increase in public spending for assistance: from 0.6% of GDP in 2005, to 3.5% in 2050. This latter value, in relation to the most unfavourable scenario, could amount to 5.3%.

The Long Time Care is a specific insurance cover which guarantees a service in the case there is a situation of need deriving from the impossibility (total or partial) to receive income, or from the necessity to incur medical expenses and assistance following the verification of non self-sufficiency. Overseas, one of the most advanced countries in this area is Germany, while in Italy the social protection system in this sector still appears reduced, while regional experimental models are in force in Emilia Romagna, Liguria, Veneto and in the autonomous province of Bolzano.

Currently, some pension funds and individual pension plans have inserted the LTC risk as an accessory. This however is still limited. A report by Il Sole 24 Ore conducted in February 2008 illustrates that, among the 20 largest Italian insurance companies, only 10 individual policies are available.

Presumably, the offer will be extended in the coming years, both for the increased demand due to the rise in the non self-sufficient population and for the affinity with pension funds covering risks related to longevity.

One of the keys to favour the development of the countries, and of Italy in particular, could be the need to value the new requirements which the individual Companies express in multiple fields, transforming, where possible, the service from a cost for the State to a development opportunity. A wider recourse to insurance instruments could therefore contribute in this direction, freeing up public resources, where the institutions are not capable of meeting the new dimensions of the risks, and permitting a more efficient allocation of private resources.

During 2007, corporate reorganisations at a national level continued concerning the acquisition of control in listed banks or the creation of new bancassurance agreements. These strategic choices were undertaken with the objective of creating synergies of a technical and commercial nature, in order to utilise potential alternative channels than the traditional channels, differentiating the target client and assisting in cross-selling activities. In relation to the traditional operators, activities were undertaken to broaden and maintain the customer base. The research and development of new products and the revision and updating of existing products continued to better respond to the needs of the customer base, in particular pension and linked products for the Life segment and Motor policies for the Non-Life segment.

In relation to the international economic crisis related to the “sub-prime” mortgages, the stock exchange values of the European continental insurance companies recorded losses. The direct exposure of the European operators was limited compared to US operators: the insurance companies which are also involved in significant banking activities are clearly more exposed, but this is a factor only at international level and should not have particular impact on the Italian market, traditionally less exposed to such sophisticated risk management portfolios.

A note by Isvap at the end of November communicated that at September 30, 2007 the exposure of the Italian insurance system to the “sub-prime” risk amounted to Euro 810 million, accounting for 0.19% of the total technical reserves equal to Euro 433 billion. The figure therefore confirms the modest exposure of the Italian insurance companies to the market financial crisis.

We also report that, in the first nine months of 2007 the total premiums written in Italy amounted to Euro 72.14 billion, a decrease of 5.5% compared to the corresponding period of 2006. The data, resulting from an evaluation made by Isvap on the information provided by businesses, confirms the slowdown of the Italian market.

The decrease of the market in the first nine months of 2007 follows the decline in 2006 (-2.9%) and the increases in premiums in 2004 (+4.2%) and in 2005 (+8.7%). However, in the first nine months of 2007, Isvap reported the importance of the Life premiums written, amounting to over Euro 7 billion, made by businesses located in the European Union (but belonging to Italian groups) providing services within the national territory.

The analysis by distribution channel continues to highlight the premiums written through brokerage agencies amounting to 85.5% of the Non-Life portfolio (85% in 2006) and 90.9% of the TPL Motor division (91.2% in the first nine months of 2006).

The regulatory environment

The sector in which the Company operates is characterised by strong innovative and dynamic factors, which require a regulatory framework capable of responding, adequately, to the changes in the insurance business models necessary to be able to confront the challenges which the market requires in terms of competitiveness.

The significant new legislative and regulatory norms introduced in 2007 are commented upon below recalling that the national regulatory drive is influenced by the European scenario in which the insurance sector operates.

Direct compensation

Among the various provisions passed by the Government in the insurance sector, a particular social importance is given to the direct compensation in the TPL Motor class, in force since February 1, 2007. The regulation is within the framework of the liberalisation for the containment of the TPL Motor tariffs and represents a radical change for both the management of the claims and for the quality of the relationship between the insurance Company and the Client.

We recall that this compensation procedure, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

The procedure is applied exclusively to claims between two identified vehicles, regularly insured and registered in Italy, with damages to the driver with invalidity less than 9%. In the case in which a motorcycle is involved, the procedure is applied only if this was in circulation after July 14, 2006.

During 2007, in case of accident, each insurance company was free to compensate its own clients damaged with the amount considered most appropriate, then being reimbursed (by a “clearing house” body created to reconcile the balances between insurance companies) only for a pre-established figure, whose value, respectively of Euro 1,800, Euro 2,000 and Euro 2,300 (and Euro 3,250 for small damages to persons for a maximum of 9 invalidity points) refers to the three territorial areas in which the Italian provinces are divided.

From 2008, also in order to reduce the cost of the Motor TPL costs for motorcycles (sector characterised by high expenses for damages to persons), the Technical Committee created by the Economic Development Ministry decided to divide the direct compensation system following road accident into two parts: the Companies will pay separately to their clients’ for physical damage and property damage consequent to an accident. In particular, the flat-rate in the “clearing house” which will be applied by the insurance companies on the settlements on claims (incurred or provoked by their clients), will be Euro 1,415 for damage to property and vehicles and Euro 3,250 for small damage to drivers.

The objective of this change is to counter the risk of an increase in the TPL Motor tariffs, especially in the two-wheel vehicle segment. Unfortunately, however the presence of Clients in the insurance portfolio which incur a claim, rather than cause the claim, in geographic areas with an average indemnity relative to the parameters of 2007 higher than the values established for 2008, could represent a disadvantage for the insurance Company, as well as for the policyholder, as this latter could find themselves in a less favourable tariff range.

The search for better competitive efficiency is essentially related to the possibility of reducing certain costs, for example relating to disputes before the compensation offer by the company, as well as the limiting of repair costs through directing clients towards tied workshops.

For this purpose Fondiaria-SAI is evaluating a new management approach of the reparation circuit: entering the value chain, the Company could achieve significant savings on the average cost of claims. The Company “Auto Presto & Bene Srl”, a Group company incorporated for this purpose, will undertake the bodywork of owners and the distribution of auto spare parts and will become operative in June, therefore coordinating a network of absolute trust for the clientele.

The Company will also place emphasis on training, both for the repairers and bodywork with the objective of creating a specialised ad hoc “school”.

Liberalisation measures for the Motor TPL segment (Law 248/06)

The liberalisation measures for the Motor TPL segment contained in Law 248 of August 11, 2006 (the so-called “Bersani package”) principally relates to the amount of the discount.

The insurance companies may no longer impose on the distributors minimum prices and maximum coverage discounts to be applied to the purchasers of Motor TPL, but can only establish in a preliminary manner the overall measure of the discounts recognised to the clientele in a determined time period (the so-called “total discount”).

The provision, contained in Law 248/06 which Isvap made available for consultation at the end of December 2007, would make the final retail prices and the contractual conditions of the Motor TPL policies more flexible and transparent, creating the conditions for greater consumer mobility and more intense competition between insurance companies, with the objective of containing the tariffs.

For the purposes of flexibility, the Authority considered compatible with the purposes of the so-called “Bersani packet” the creation of instructions by the companies to the distribution networks, in order to establish the overall measures of the “total discount” assigned to each intermediary. The companies may not however indicate to their agency networks limits on the amount of the discounts allowed to the individual policyholders, compared to the tariff premium.

The solution adopted by Isvap is in line with the opinion of the Competition Authority, in relation to the consultation framework between the authorities.

New rules for Motor TPL policies (Law 40/07)

Law 40 of April 2, 2007 (so-called “Bersani Bis package”) established new rules for the management of the Motor TPL policies. In particular, article 5 contains regulations in relation to:

New bonus/malus regime

Article 5, paragraph 2 of the law establishes that in all cases of the signing of a new contract, relating to an additional vehicle of the same type acquired by the actual person already holder of an insurance policy or by a person permanently living in the same family nucleus, the insurance company may not assign to the contract a class less favourable than that resulting from the last certified risk delivered on the vehicle already insured.

This is a measure which strongly limits the faculty of the insurance Company to classify the vehicle in the correct class, causing a potential increase in the average level of the tariffs as it reduces the number of policyholders applied the malus, inducing people to drive less prudently.

The law has also established that, after the verification of a claim, the insurance Company cannot change the class of its policyholder without first asserting the effective responsibility of the policyholder and without first having provided timely communication.

Introduction of multi-mandates

The entry into force of Law No. 40/2007 results, from January 1, 2008, in nullifying the exclusive clauses for the Non-Life Division contained in the agency contracts.

Up to present the Italian insurance market was characterised by a competitive multi-channel distribution structure, similar to the model in the most advanced and competitive European countries, with common features:

- The brokerage companies or rather mandates operating on the behalf of the client;
- The single and multi-mandate agents, operating on behalf of one or more insurance companies;
- The new distribution channels, such as postal and bank branches;
- The direct sales network through telephone and internet.

The compulsory introduction of the multi-mandate does not however take into account that the exclusive mandates, in addition to expressing the strength and trust of the brand perceived by the Client, represents a guarantee for the Consumer, as confirmed by the provisions in relation to the distribution of financial products in which, for the protection of the savings, the Consolidated Finance Act imposes the obligation of single mandate for financial brokers.

The loyalty of the Client, in a market such as the Motor TPL, is a demonstration of the satisfaction for the service offered and must not be seen as an indicator of inefficiency.

In addition, experience at European level confirms that the exclusive distribution model is the least costly from an organisational and management viewpoint.

The new regulations could result in significant repercussions in relation to the industrial relations with the trade unions of the Agents, giving rise to a thorough review of the contracts applied up to now, with consequent charges to the Company which, if incurred, would result in an increase and not a decrease of the tariffs.

Finally we report, at the present moment, Ania has sent to the European Commission a note to underline the inadequacies of the provision which introduced the prohibition of the exclusive mandates in the Non-Life Division for insurance agents, as this legislation will gravely violate the community right representing an obstacle to the constitution of a European insurance market. In the case of no acknowledgment being issued a potential appeal before the Luxembourg Court is not to be excluded.

Risk certificate

The risk certificate is the document which allows a verification of whether a policyholder was responsible for damage and permits the policyholder to maintain the class acquired at the moment in which the Motor TPL was signed.

Law 40/2007 extended to 5 years the validity of the document in question, in order to permit the policyholder to conserve this class even if, temporarily, he/she is not owner of a vehicle or drives a vehicle already insured.

The insurance Company also has the duty to transmit the certificate to the domicile of the party - together with a written communication indicating the method for the exercise of any notice and information on the premium renewal – also in the case of tacit renewal or in the case of notice, whatever the tariff form and the sales channel utilised, at least 30 days before the expiry of the contract.

The insurance company has the obligation to send the certificates to the domicile of the party also in the case of theft, if after the conclusion of the “observation period” (that is 2 months prior to the annual maturity of the contract).

In the leasing and long term rental contracts less than 12 months the user of the vehicle can, at the expiry date, request the provision of a duplicate of the last risk certificate relating to the vehicle utilised and insured by the insurance company or another insurance company, on the same vehicle, if purchased through redemption, or another vehicle owned with the same class.

Abolishment of the restriction of ten-year duration

With the entry into force of the Decree on the liberalisation, and the consequent transformation into Law, the insurance companies may no longer offer multi-mandate policies in the Non-Life Division with the ten-year restriction, in accordance with the Civil Code (article 1899).

In fact, it is now possible for the contracting party to cancel the contract, from year to year, without costs, by sending a registered letter 60 days before the expiry of the annual instalment. This means that the consumer, against more advantageous conditions from another insurance company, is free to close the contract before the final expiry date and therefore choose the most convenient policy.

Parties that have stipulated a long term contract before the enactment of the decree (April 2, 2007) can cancel the contract at the next annual expiry date, provided three years have passed since the contract date.

Comparability of the policies

Article 5 of Law 40/2007 envisages the realisation of an information system, which permits the consumer to compare the Motor TPL tariffs between the various insurance companies based on the individual's profile.

Isvap, in conjunction with the Economic Development Ministry, in 2007 commenced a European tender process for the creation of a software solution which permits the users to obtain the estimates from the different insurance companies and thus be able to make comparisons.

The new system, which was awarded to the company Engineering SpA, will be operative by September and will utilise the complete tariff system organised by Isvap on the basis of the data provided by the companies.

The objective of the Legislature is for a greater choice for the user and an incentive for greater market competition.

The portals can be consulted on the internet site of Isvap (www.isvap.it) and on the internet site of the Economic Development Ministry (www.sviluppoeconomico.gov.it).

Increase in maximum coverage

The European Union established new minimum levels of compensation to be applied on Motor TPL insurance contracts. A European directive in 2005, enacted recently in Italy in October, fixed the minimum maximum coverage at Euro 5 million per claim, independent of the number of victims. For damage to property the minimum amount will be Euro 1 million. The insurance companies will have five years to adjust, with an intermediary step at December 11, 2009, the term to compulsory comply the minimum maximum coverage for at least half of the new amounts fixed.

Fondiaria-SAI will counter the application of the directive (June 11, 2012) with a gradual adjustment of the minimum maximum coverage which provides for intermediary steps and through a promotional campaign undertaken by the Agencies.

The new maximum levels will have a greater impact, although moderately, on the final price of the Motor TPL guarantee, as the insurance company assumes higher risk with each individual customer. Therefore, Fondiaria-SAI has undertaken an information campaign in the past year concentrated in the Agencies at the moment of the issue of the contract, informing its customer's so that they are updated on the current policy. In addition to the intentions of the Legislature, the increase in the maximum limit represents greater security and tranquillity for both the drivers and owners of the vehicles. In fact, in the case of an accident, where the maximum agreed amount in the policy is exceeded, these parties would by law be financially responsible to compensate from their own resources.

Decree on Road Safety

Each year in Italy there are over 5,000 victims of road accidents - 20,000 seriously injured people and 300,000 injuries. This situation involves in particular young people: road accidents are the leading cause of death of people between 15 and 29 years of age.

The Government, in order to reduce the number of road accidents, in 2007 took action on two fronts, thanks also to the collaboration with regional and local authorities:

- The prevention of accidents through awareness of the risks with campaigns for safer driving;
- Greater sanctions for violations of driving rules and of those considered a greater risk.

In October, Law 160 was approved concerning "urgent modifying provisions of the road code to increase the level of security in circulation".

The provision introduced various modifications to the Road Code (Legislative Decree No. 285/92 and amendments) such as for example:

- As a preventive measure, it will be the obligation, of the owners of nightclubs that sell alcoholic beverage, to show at the entry and at the exit of the premises all information on drink driving and the related penalties;
- As a penalty, the decree punishes especially drunk driving and driving under the effect of drugs, but also speeding and provides a series of limitations for driving without a license, for the use of mobile telephones without an earplug or speakerphone and for persons with a new license, who for the first 3 years may not drive vehicles with a power above 50 kw/t.

Complementary Pensions

Allocation of the employee leaving indemnity

To maintain the Italian pension system in equilibrium, in recent years it was necessary to implement reforms which allow workers to receive a pension in the future which varies as little as possible from the disposable income.

The 2007 Finance Act brought forward to January 1, 2007 the entry into force of Legislative Decree 252/2005 and the consequent possibilities for workers to provide for their pension over time based on two “pillars”: the first is represented by the obligatory pension (provided by the state bodies such as Inps, Inpdap, etc.) and assures the basic pension, while the second represented by the complementary pension whose purpose is to provide future pensioners with an adequate pension.

The employees of the private sector with the exception of domestic workers, with an employment contract as at December 31, 2006, must indicate before June 30, 2007 the wish to confer the employee leaving indemnity matured to a complementary pension form, or maintain the employee leaving indemnity with the employer, or within 6 months from the date of employment in the case of persons employed after December 31, 2006.

Where the worker has not expressed any indication in relation to the allocation of the employee leaving indemnity, the employer will transfer the future employee leaving indemnity to a collective pension in accordance with agreements and collective contracts.

The Law was welcomed with a certain caution: the change of the pension system in fact has not been perceived by all parties concerned, in particular, young people, due both to the lack of information received and deficient financial education and for the still limited offer of pension funds and the limited confidence in them. This is what emerges from the first research by Eurisko. It will be possible to have a clearer indication in a couple of months: for further information reference should be made to the section “Life Pension Funds and Managed Savings”.

Versatility of the Pension Funds

Recent studies on European community pensions highlight that numerous European workers are penalised by the regimes which impose long contribution periods, as an average 40% of the employees remain less than 5 years in the same employment.

The proposal of the directive adopted by the European Commission, which has the objective of reducing the existing obstacles in relation to some pension regimes in order to facilitate the mobility of workers, was transmitted by the European Parliament on April 20, 2007: this latter adopted a legislative resolution on June 20, 2007.

The obstacles refer to the conditions to acquire pension rights and the conditions based on which the rights in question are taken into consideration once the person has changed work, and the need for a uniform fiscal approach.

In spite of the fact that the question on the versatility has still to be defined, this represents the first step in harmonising complementary pensions at European level.

Solvency II

In order to introduce a new prudent supervision system (called Solvency II), capable of allowing the Supervision Authority to have appropriate instruments to evaluate the total solvency of an insurance company, in 2007 the CEIOPS (Committee of European Insurance and Occupational Pension Supervisors) provided the European Commission with a consultation paper for the introduction of new prudent standards. The new system has among the principal objectives that of establishing a supervision capital measured to the risks assumed.

In April, the CEIOPS proposed to the European insurance companies the undertaking of the third quantitative impact study (called QIS3). In addition to the recalibration of the parameters for the calculation of the equity requisites (Solvency Capital Requirement and Minimum Capital Requirement), the QIS3 created the foundations for the calculation of the capital available and extended the test not only to the individual companies, but also to insurance groups.

The Solvency Capital Requirement is the principal equity test contained in the new regime: it corresponds to the Var (Vale at Risk) of the own funds of the company, with reference to a confidence level of 99.5% and a time horizon of one year. This must cover the unexpected losses and will be calibrated in order to consider all the principle quantifiable risks which the company is exposed to, calculated through the standard formula, defined by the European community regulation, or through an internal model adopted by the individual companies.

The Minimum Capital Requirement represents, however, the minimum equity threshold below which the level of risk becomes unacceptable. The proposal of the directive requires that this is calculated in a verifiable, clear and simple manner and it is calibrated at a value at risk of own funds of the company with reference to a confidence level between 80% and 90%, over a period of 1 year and has a minimum threshold of Euro 2 million for the Life Division. The calculation method is however subject to European community debate.

The risk categories and the relative parameters considered for the calculation of the capital requirements were reviewed following the results of the previous study (QIS2) and the suggestions of the analysts and of the insurance companies.

The results of the QIS3, made available by the European Commission for public consultation in December, together with the collaboration between insurance companies, analysts and supervision authorities will result in a new proposal for the QIS4 (expected in April 2008) and, especially, for the future developments of the directive.

Another important new element in Solvency II is the proposal of the community directive relating to regulations on the solvency of the insurance companies, published by CEIOPS on July 10, 2007, and having the purpose of coordinating the regulations on Life and Non-Life insurance and increase the protection of the policyholders, the competitiveness of the European insurance market and the efficiency of the supervision process. The Draft Directive encompasses 13 Old Community Directives in one single document and updates the new regulations on Solvability.

We recall that the Fondiaria-SAI group participated at QIS3 with 11 insurance companies, covering 99% of the Non-Life business and 91% of the Life business; for the undertaking of this study, as for the previous QIS, the collaboration between the various functional areas of the Company and of the Group was particularly important.

At the end of the year the Draft of the Technical Specifications relating to QIS4 was published. The document shows that the test was based on the outcome of previous studies, requiring a greater level of analysis on Group data. The document was in public consultation and amendments were requested to the document.

With reference to the regulative modifications mentioned, Fondiaria-SAI and the Companies of the Group are active in the management and monitoring of the impacts deriving from their application.

The new ABI-ANIA Federation

The widespread transformation taking place within the markets both from a political viewpoint and from an economic-social viewpoint renders necessary a reflection on the representation models of the insurance and banking industry.

In November, the Executive Committees of ABI and ANIA approved the constitution of a Federation between the two Associations, with a protocol signed in April 2007.

The creation of a Federation, which represents almost half of the capitalisation of the Italian Stock Exchange, is within the framework of a “second level” aggregation model between representative bodies of enterprises which have numerous contact points, such as the undertaking of similar activities in the asset management sector, the undertaking of complementary activities for non life insurance and the presence of common control authorities in some areas.

The new body will define the strategic guidelines relating to the relationships with the external representatives of the finance, banking and insurance world, managing all the relationships at a high level: both the sector and the representatives (Institutions, Consumers, Public Opinion) can count on a more adequate representation, through more direct and simplified dialogue.

In the coming months the constitution details of the new body will be defined, whose costs will be equally divided between the two associations. The new structure, which will have its headquarters at Rome and whose executive will be composed by a total of 16 members (8 for ABI and 8 for ANIA), will be led by a representative of the two associations with strict annual alternation. In addition, one association will act as president, while the other as general secretary; this latter will provide coordination of the overall activities of the federation, including for the activities undertaken by the two associations.

The MIFID European Directive

With the enactment in November 2007 of the European directive MIFID (Markets in Financial Instruments Directive), Italy has also implemented the market for services and investment activities providing maximum protection for the savers with the objective of defining a European single market for the most competitive and efficient financial services. The intermediary must be aware of the economic and financial situation of the Client, applying criteria of adequacy and appropriateness, in order to permit an adequate classification of the profile.

Although the European directive excludes insurance in the application of the directive, the Italian regulations however were extended to insurance companies.

These regulations also apply to policies with financial content, or rather Unit Linked, the Index Linked and the securitisation policies: they are also applicable to agents and partners of financial brokers. At the current moment, Consob and Isvap have published the joint communication draft in relation to the distribution of “multi class” insurance products, characterised by the combination of Class I Life insurance cover and Class III financial insurance products on the basis of which they will agree a protocol of understanding in order to coordinate the exercise of the respective supervision functions.

The detailed publication of the regulations is expected by June 30, 2008.

Class Action

From July 1, 2008, the provisions on class actions will become law, approved by the 2008 Finance Act, demonstrating the growing sensibility to the protection of the consumers and the liberalisation process in course in recent years in Italy.

The class actions may be promoted by large consumer associations represented in the National Consumers and Users Council (CNCU), a body created in July 1998 in Italy with the responsibility to protect consumers and users and to act as official representative body of their organisations. They may also legitimately act for other associations and for collective interests appropriately identified; they may not be promoted by single consumers, however the individual right by the Constitution exists to take legal action.

The class action may be taken out against unfair commercial practices, illegal non-contractual acts, anti competitive behaviour and violation of standard contracts. The premise is always that a large number of consumers and users must be harmed. The individual consumer adheres to the class action by means of written communication from the representative, which must provide adequate public notice of the action; it is possible to adhere up to the final conclusive judicial appeal. The court will decide on the admission of the class action: the request may be refused if unfounded, if there is a conflict of interest or where the judge does not consider there is a collective interest.

The associations may request, in protection of the collective interest of consumers and users, the right of compensation or the restitution of sums. The damage effectively incurred and demonstrated is all that will be recognised, differing from the American class actions where there exists the possibility of punitive damages. The sum to be paid will be defined, if possible, by the court, otherwise it will be the company to propose compensation within 60 days. Where this amount is not accepted, the president of the court will request conciliation, composed of three lawyers: one nominated by the person proposing the class action, one by the company and one by the president of the court.

At the present moment some corrections are being studied such as for example, limits to the interests which may be protected and the non retroactiveness of the action; this latter, in particular, is not explicitly specified in the current provision. The proposal is that the class action must relate to illicit contracts, unfair commercial practices and anti-competitive behaviour from a certain date, or after entry into force of the norm. In addition, the new provision may not be applied to the actions in course and not yet defined, nor to illegal acts of the past, in order to avoid damage to companies whose management have undertaken, for example, following bankruptcy, restructuring and relaunch programmes.

OPERATIONAL PERFORMANCE

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006 and CESR recommendation in relation to alternative performance indicators, it is reported that the principle indicators utilised in the present report are in line with best market practices and the principle academic theories. Where indicators are utilised which are not in accordance with the previous requisites stated, the necessary information is provided in order to understand the basis of the calculations utilised.

The year 2007 marked for the Fondiaria-SAI Group further confirmation of the technical excellence and profitability recorded in the past, although within difficult market conditions related to the new liberalisation measures and the new challenges imposed by the new direct compensation regulation.

The good results were also achieved thanks to the high levels of efficiency in the technical management, featuring a wide clientele base, a broad competitive product portfolio, and unequivocal policy to underwrite the risks as well as the optimisation in the management of claims through a well distributed and strong settlements network.

Consolidated Income Statement

The key financial results in the year are shown below:

| (Euro thousand) | 31/12/2007 | 31/12/2006 | Change |
|--|----------------|----------------|-----------------|
| Net premiums | 11,501,073 | 9,649,838 | 1,851,235 |
| Net charges relating to claims | 9,359,735 | 7,833,827 | 1,525,908 |
| Net commissions | 48,820 | 36,745 | 12,075 |
| Net income of the investments (*) | 1,255,930 | 986,153 | 269,777 |
| Net Income from financial instruments recorded at fair value in the income statement | (255,725) | 80,267 | (335,992) |
| Management expenses | 1,854,366 | 1,633,816 | 220,550 |
| Management expenses on investments and interest expense | 131,790 | 98,559 | 33,231 |
| Other income and charges | (312,001) | (277,917) | (34,084) |
| Profit before taxes | 892,206 | 908,884 | (16,678) |
| Income taxes | 273,235 | 308,116 | (34,881) |
| Net Profit | 618,971 | 600,768 | 18,203 |
| Profit from discontinued operations | 1,080 | - | 1,080 |
| Consolidated profit | 620,051 | 600,768 | 19,283 |
| Minority interest profit | 113,085 | 119,564 | (6,479) |
| Group profit | 506,966 | 481,204 | 25,762 |

(*) Consolidated income statement accounts +1.4 + 1.5 – 2.3 – 2.4 (excluded 2.4.1)

The key consolidated results were as follows:

- The **consolidated profit** for the year was Euro 620 million, of which Euro 507 million attributable to the Group and Euro 113 million attributable to minority interests;
- The **overall technical performance in the insurance sectors** reports a consolidation of the premiums written in the Non-Life sector (+0.2%) and a strong increase in the Life sector (+70.9%). For an analysis of the performance of the premiums written reference should be made to the comments on the insurance sectors;
- The **Non-Life Insurance Division** reports a pre-tax profit of Euro 662 million (Euro 685 million in 2006). The technical account in the segment in accordance with the traditional reporting statements reports a profit of approx. Euro 366 million (Euro 422 million in 2006). In this context the Motor Division continues to report good economic performances in spite of a general decline in the premiums written due to the effects of the liberalisation measures of the Berrisani Decrees and the uncertainty related to the commencement of the direct compensation rules. This was considered a good result, especially thanks to the reinsurance policies, from the other non-life sectors, while still negatively impacted by the performance in the Health division and a prudent reservation policy in the General Motor TPL;
- Premiums in the **Life insurance sector** grew by 70.9%, thanks to the significant contribution of the subsidiaries operating in the bancassurance sector, where the premiums written were based on products with high insurance risk in addition to the change in the consolidation scope with the entry of 100% of the premiums of Bipiemme Vita in the second half of the year. The higher quality of the premiums should favour, in the medium term, the achievement of better results from a margin viewpoint. The application of international accounting standard IFRS 4 also resulted in the reversal of premiums on financial contracts for approx. Euro 172 million, principally relating to index and unit linked policies for which a significant insurance risk was not identified. The result for the sector amounted to Euro 54 million (Euro 25 million in 2006) deriving from the application of the shadow accounting which permitted, although in compliance with the minimum guarantees, to recognise the part of the value adjustments of the policyholders against the insurance liabilities. The pre-tax profit was Euro 158 million (Euro 191 million in 2006);
- The **Real Estate sector** reported a pre tax profit of Euro 36 million (Euro 19 million in 2006) thanks principally to the significant gains realised by Immobiliare Tikal R.E. Fund derived from the sale of the property located at Rome, Piazzale delle Industrie. The result in the real estate sector, in addition to consolidating growth, also reflects the important investment activity undertaken in the year with the development of specific initiatives in specialised companies;
- The **Other Activities sector** which includes the companies operating in the financial sector and asset management, report a pre tax profit of Euro 36 million (Euro 13 million in 2006), thanks to the contribution of the newly acquired Banca Gesfid for Euro 6.4 million;
- The **gross technical provisions** amounted to Euro 31,343 million (Euro 26,927 million in 2006). The ratio between the total technical provisions and the total premiums issued was 263.8% (269.8% in 2006). This ratio was 158.6% in the Non-Life sector (159.6% in 2006);
- The total **management expenses** amounted to Euro 1,868 million (Euro 1,644 million in 2006). In the Non-Life sector these expenses, net of those strictly related to the management of the investments, amounted to Euro 1,500 million and represent 20.5% of the premiums (19.5% in 2006), while in the Life sector the total amount of the expenses was Euro 283 million and accounted for 6.2% of premiums (5.6% in 2006);

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- The **net commissions** for financial services amounted to Euro 49 million compared to Euro 37 million in 2006;
 - **Net income from financial instruments recorded at fair value in the income statement** was a cost of Euro 256 million (income of Euro 80 million in 2006) This account includes the net income from financial assets where the risk is borne by the policyholders and derived from the management of pension funds, and a significant amount of dividends on shares classified for trading in the non-life division. Contributing to this result was a loss of Euro 201 million of net charges relating to contracts with the risks borne by the policyholders. these amounts are off-set by similar positive changes in the commitments to towards policyholders;
 - **Investment income from subsidiaries, associated companies, and joint ventures** refers to the gains realised by the Parent Company for the sale of shares in the subsidiary Milano Assicurazioni S.p.A. only for the quota assigned to the separated management of the Life sector.
 - Excluding the contribution of the net income deriving from financial instruments at fair value through the income statement, the **total net income from investments**, including income from investment in subsidiaries, associated companies and joint ventures of Euro 23 million, amounted to Euro 1,256 million (Euro 986 million in 2006). Interest income contributed Euro 865 million, other net income Euro 184 million, net gains to be realised Euro 224 million and valuation losses, net of the relative revaluations, approx. Euro 40 million;
 - The **investment management expenses and interest expenses** amounted to Euro 132 million (Euro 99 million in 2006) of which Euro 118 million referred to interest on Group debt;
 - **Other revenues and income** amounted to a cost of Euro 312 million (Euro 278 million in 2006). This residual balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties, prior year income and charges as well as net changes in provisions, risks and charges. The account includes amortisation and depreciation on intangible and fixed assets totalling Euro 71 million;
 - The **income tax for the year** amounted to Euro 273 million, with a small reduction in the tax rate for the year, equal to 31%, compared to approx. 34% in the previous year.
This effect is principally related to the revision of the deferred tax liabilities and assets following the reduction of the nominal IRES income tax and IRAP regional tax rates, which resulted in a net reduction in the total tax charge.
In addition, the positive results achieved by some Group companies, in particular Immobiliare Lombarda, resulted in the re-absorption of significant tax losses on which it was not considered appropriate to record the correlated deferred tax assets.
 - The net equity amounts to Euro 5,171 million (Euro 5,055 million in 2006) and the Group share amounts to Euro 3,858 million (Euro 3,897 million in 2006);
 - The **Group ROE**, calculated on the average net equity, less dividends deliberated and minority interests, reached 13.7% (13.7% in 2006). The total ROE, including the result and the minority interest share, was 12.7% (13.2% in 2006). The decrease is principally attributable to the increase in net equity.

Premiums Written

The consolidated premiums written amounted to Euro 11,882.3 million compared to Euro 9,975.2 million in 2006, an increase of 19.1%.

Premiums in the Non-Life Division remained substantially unchanged which were impacted upon by the liberalisation measures which, in particular in the Motor TPL sector, resulted in a contraction in the average premium. Strong growth in the Life Division principally driven by the bancassurance channel. It is also reported that, excluding the Life division contribution by Bipiemme Vita (consolidated fully from second half 2007, while proportionally consolidated in 2006 for 50% from the final quarter), the increase in premiums written would have amounted to +58.8%.

The contribution of the newly consolidated Popolare Vita (formerly BPV Vita) was limited and contributed premiums since the acquisition date of control of only Euro 4 million.

| (Euro Millions) | 31/12/2007 | 31/12/2006 | Change % |
|---------------------------------|-----------------|----------------|--------------|
| <u>DIRECT PREMIUMS</u> | | | |
| Non-Life Division | 7,309.5 | 7,294.8 | 0.20 |
| Life Division | 4,557.9 | 2,658.5 | 71.45 |
| Total direct premiums | 11,867.4 | 9,953.2 | 19.23 |
| <u>INDIRECT PREMIUMS</u> | | | |
| Non-Life Division | 8.7 | 10.0 | (13.00) |
| Life Division | 6.2 | 12.0 | (48.33) |
| Total indirect premiums | 14.9 | 22.0 | (32.27) |
| TOTAL | 11,882.3 | 9,975.3 | 19.12 |
| of which: | | | |
| Non-Life Division | 7,318.2 | 7,304.8 | 0.18 |
| Life Division | 4,564.1 | 2,670.5 | 70.91 |

The following pages report the performance in the year by business segment.

GRUPPO FONDIARIA-SAI

FONDIARIA - SAI GROUP Segment P&L

(thousands of euro)

| | | Non Life Business | | Life Business | | Property Segment | | Other Activities Segment | | Intersegmental Elisions | | Total | |
|----------|---|-------------------|------------------|------------------|------------------|------------------|----------------|--------------------------|----------------|-------------------------|-----------------|-------------------|-------------------|
| | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| 1.1 | Net Retained Premium | 6.958.179 | 7.003.653 | 4.542.894 | 2.646.185 | 0 | 0 | 0 | 0 | 0 | 0 | 11.501.073 | 9.649.838 |
| 1.1.1 | Gross premiums written | 7.263.968 | 7.316.233 | 4.564.123 | 2.670.473 | | | | | | | 11.828.091 | 9.986.706 |
| 1.1.2 | Outwards reinsurance | -305.789 | -312.580 | -21.229 | -24.288 | | | | | | | -327.018 | -336.868 |
| 1.2 | Commissino income | | | 64.685 | 50.528 | | | 56.267 | 26.434 | -1.355 | -463 | 119.597 | 76.499 |
| 1.3 | Net income on financial instruments at fair value through profit and loss | -41.541 | 45.117 | -218.024 | 32.176 | -7 | 15 | 4.271 | 3.388 | -424 | -429 | -255.725 | 80.267 |
| 1.4 | Income from subsidiaries, associates and joint ventures | 100 | -310 | 22.507 | 12.826 | 2.561 | 2.541 | 3.888 | 4.443 | 0 | | 29.056 | 19.500 |
| 1.5 | Income from other financial instruments and investment property | 567.713 | 404.446 | 727.791 | 640.057 | 107.617 | 59.271 | 108.249 | 81.664 | -45.515 | -49.041 | 1.465.855 | 1.136.397 |
| 1.6 | Other revenues | 228.331 | 172.405 | 51.414 | 18.616 | 95.050 | 92.427 | 308.805 | 287.845 | -201.910 | -170.347 | 481.690 | 400.946 |
| 1 | TOTAL REVENUES | 7.712.782 | 7.625.311 | 5.191.267 | 3.400.388 | 205.221 | 154.254 | 481.480 | 403.774 | -249.204 | -220.280 | 13.341.546 | 11.363.447 |
| 2.1 | Net charges relating to claims | 4.895.589 | 4.936.188 | 4.464.570 | 2.898.068 | 0 | 0 | 0 | 0 | -424 | -429 | 9.359.735 | 7.833.827 |
| 2.1.1 | Amounts paid and change in technical reserves | 5.151.613 | 5.096.273 | 4.487.910 | 2.922.330 | | | | | -424 | -429 | 9.639.099 | 8.018.174 |
| 2.1.2 | Reinsurers' share | -256.024 | -160.085 | -23.340 | -24.262 | | | | | | | -279.364 | -184.347 |
| 2.2 | Commission expense | | | 49.811 | 28.782 | | | 20.966 | 10.978 | | -6 | 70.777 | 39.754 |
| 2.3 | Charges relating to subsidiaries, associates and joint ventures | 595 | | 3 | 49 | 4.948 | 5 | 11 | | -20 | | 5.537 | 54 |
| 2.4 | Chargers relating to other financial instruments and investment property | 153.107 | 129.608 | 133.769 | 82.206 | 60.295 | 50.168 | 45.742 | 40.831 | -41.433 | -45.026 | 351.480 | 257.787 |
| 2.5 | Management expense | 1.506.354 | 1.431.051 | 291.463 | 155.480 | 270 | 266 | 71.163 | 57.614 | -1.130 | -133 | 1.868.120 | 1.644.278 |
| 2.6 | Other costs | 494.917 | 443.208 | 93.940 | 44.897 | 103.432 | 84.507 | 307.619 | 280.937 | -206.217 | -174.686 | 793.691 | 678.863 |
| 2 | TOTAL COSTS AND CHARGES | 7.050.562 | 6.940.055 | 5.033.556 | 3.209.482 | 168.945 | 134.946 | 445.501 | 390.360 | -249.224 | -220.280 | 12.449.340 | 10.454.563 |
| | PROFIT (LOSS) FOR THE YEAR BEFORE TAX | 662.220 | 685.256 | 157.711 | 190.906 | 36.276 | 19.308 | 35.979 | 13.414 | 20 | 0 | 892.206 | 908.884 |

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

In the first 9 months of 2007, the total active insurance premiums written in Italy amounted to Euro 72.14 billion, a decrease of 5.5% compared to the corresponding period of 2006. This data, resulting from an evaluation made by Isvap on information supplied to the companies confirming the slowdown in the Italian market.

Within the Non-Life Division the Motor TPL, with premiums totalling Euro 13.5 billion, recorded a small decrease of 0.7%, accounting for 51.4% (52.4% in the same period of 2006) and 18.8% on the total premiums (17.8% in the first nine months of 2006).

Among the other Non-Life Divisions, those with the highest levels of growth were: land vehicles, with an increase of 3.83% and a percentage on the portfolio of 9% (8.7% in 2006), Accidents with an increase of 3.05% and a percentage on the total portfolio of 8% (7.9% in 2006), Health with an increase of 10.76% and a percentage on the total portfolio of 5% (4.6% in 2006).

One year on from the introduction of the direct compensation system, 76% of the claims presented from February to December 2007 have been settled (against 65% pre-direct compensation), with more than 1.7 million claims reported paid. The average settlement time according to the data of the Economic Development Ministry is 40 days.

During the entry into force of the regulation on the direct compensation the decrease in the average premium intensified in the Motor TPL insurance sector. Preliminary estimates of Ania indicate a reduction of 2.1% compared to the previous year.

The decrease in premiums is also evident in a wider competition scenario, which were also impacted by the liberalisation measures contained in the Bersani decree (abolishment of the maximum discounts, bonus classes attributable for further vehicles acquired, delays in the attribution of the malus class at the moment of the claim and not on the settlement).

All of the above matters contributed to a decrease in premiums written (0.7%), while the total number of policies written increased (+1.7%).

Considering however the strong mutual character of the Motor TPL insurance, the decrease in the average premium recorded was not necessarily extended to all policyholders.

Although still awaiting the definitive data on the claims contested, it would appear the procedure has permitted a reduction in the number of disputes, as initially expected as the damaged party, accepting the compensation offer, does not undertake a long civil case, which would result in a consequent increase in the average costs recorded up to now due to the professional assistance expenses not justified for the simplest claims.

From an initial study made by Il Sole 24 Ore at the end of November on the direct compensation system in the Italian market, the amounts reimbursed to the claimants, although faster, would appear to be lower compared to the flat rate which the companies recognise monthly through the "clearing house": on more than Euro 2 billion cleared between the insurance companies, total claims amounted to Euro 1.4 billion. It should be underlined however that an exact and reliable estimate may only be made in a couple of months, when the procedure will be fully operational, allowing an analysis of a series of historical data, which, at the moment, are not yet available, in particular relating to the reimbursement for physical damage, even where not serious, notoriously more costly.

In addition to these considerations is the fact that the cost of the damaged materials continue to incorporate significant inflation effects (both in the spare parts and cost in the labour), which, in the current context are difficult to transfer onto the tariffs.

The direct compensation system also has the potential to exclude potential fraudsters which must request the claim from their own agency, generating suspicion in the case of an excessive number of accidents.

In relation to the Fondiaria-SAI Group, it will be possible to obtain savings on the cost of claims thanks to the new personalisation parameters of the insurance policies, introduced in March 2007, in which the contracting party declares that the vehicle is driven exclusively by persons over the age of 26 years and holding a license for at least 2 years.

Confirmation therefore that the procedure utilised functions, but valid technical indicators are still not available to evaluate the impact on the costs even though, contrary to the general held belief, the tendency in our country in the last three years was of a gradual reduction in the average price of Motor TPL policies, as demonstrated unequivocally by the contraction of the premiums by the insurance companies against an increase in the number of policies.

Recent studies conducted by ANIA have demonstrated, analysing the ratio between premiums written of the insurance companies and the number of vehicles insured, an index which measures the expenses effectively incurred by the Italian population for insurance coverage. The indicator takes into account the prices actually quoted in the free competitive market and not of the pure reference tariffs which have little significance. The data currently available therefore shows that the average price of the Motor TPL policies decreased by 0.8% in 2006 and by 1.5% in 2005. In the three-year period 2004-2006, the average price of the policies decreased, in real terms or rather net of inflation, by 8%.

Further reductions in price irrespective of the demagogic viewpoint, must take place through additional legislative measures which act upon:

- On the conditions of road safety, still too far behind the European objectives in the reduction of victims from accidents;
- On the reduction of the number of frauds, through a specific public agency financed by the insurance sector. An intervention in this area will permit a reduction in the cost of claims by up to 30%.
- On conciliation criteria alternative to the Motor TPL disputes;
- On the compensation regulation of physical damage, as there still exists non-uniform jurisprudence on the economic valuation of the so-called “serious injuries”.

Finally, the potential of the current direct compensation system could be further improved, introducing appropriate corrective elements in the compensation procedure between companies capable of differentiating the flat-rate based on the type of vehicles and not of the damage incurred in order to achieve the objectives of all parties.

The total premiums of the Fondiaria-SAI Group amounted to Euro 7,318.2 million compared to Euro 7,304.8 million in 2006, an increase of 0.2%.

The direct premiums written amounted to Euro 7,309.5 million compared to Euro 7,294.7 million in 2006, an increase of 0.2%.

The decrease in the Motor TPL division is due to the liberalisation measures contained in the Bersani decrees which, as illustrated in the introduction caused a significant decrease in the average premium.

Added to this are the restructuring of the Motor TPL contracts in the subsidiary Milano, where the decrease in the premiums is due to the effect of the increase in notices of the individual portfolio policies and the resizing of the fleet in line with the 2007 plan.

The increase in the premiums in the Non Motor division benefits from growth initiatives in the retail sector, characterised by higher profit margins, against a careful policy selection in the corporate section which has seen contracts with particular high claims in the past.

The breakdown of the gross premiums written is shown below:

(Euro Millions)

| | 2007 | 2006 | Cge. % | Percentage | |
|-----------------------------------|----------------|----------------|--------------|--------------|--------------|
| | | | | 2007 | 2006 |
| Accident & health | 701.4 | 672.0 | 4.4 | 9.6 | 9.2 |
| Marine, aviation and transport | 191.7 | 196.0 | (2.2) | 2.6 | 2.7 |
| Fire and other damage to property | 797.1 | 751.1 | 6.1 | 10.9 | 10.3 |
| General TPL | 513.6 | 499.9 | 2.7 | 7.0 | 6.8 |
| Credit & Guarantees | 85.1 | 72.0 | 18.2 | 1.2 | 1.0 |
| General pecuniary losses | 25.7 | 26.5 | (3.0) | 0.4 | 0.4 |
| Legal expenses | 17.1 | 15.7 | 8.9 | 0.2 | 0.2 |
| Assistance | 40.1 | 34.9 | 14.9 | 0.5 | 0.5 |
| Total Division – Non Motor | 2,371.8 | 2,268.1 | 4.6 | 32.4 | 31.1 |
| Land Motor TPL | 4,190.6 | 4,307.0 | (2.7) | 57.3 | 58.9 |
| Motor vehicles – other classes | 755.8 | 729.7 | 3.6 | 10.3 | 10.0 |
| Total Division – Motor | 4,946.4 | 5,036.7 | (1.8) | 67.6 | 68.9 |
| TOTAL GENERAL | 7,318.2 | 7,304.8 | 0.2 | 100.0 | 100.0 |

The data of the previous year includes the premiums of Liguria Assicurazioni and Capitalia Assicurazioni from the date of acquisition of control during the year. On a like-for-like basis, considering therefore the full premiums of the two subsidiaries for 2006, total premiums written would have decreased by 1.1%.

The premiums ceded amounted to Euro 290.3 million (Euro 307.7 million in the previous year).

The gross technical provisions amounted to Euro 11,606 million (Euro 11,662 million in 2006) and the ratio with the premiums issued was 158.6% (159.6% in 2006).

The management expenses, excluding those strictly related to the management of the investments, totalled Euro 1,500 million (Euro 1,427 million in 2006), an increase of approx. 5.2%. This increase is attributable to higher holding costs, and specific technical managerial processes undertaken in accordance with new regulations during 2007.

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

| TECHNICAL RATIOS (%) | 2005 | 2006 | 2007 |
|---------------------------------|--------------|--------------|--------------|
| Loss ratio | 70.8 | 70.5 | 70.4 |
| Expense ratio | 19.7 | 20.4 | 21.5 |
| Combined operating ratio | 90.5 | 90.9 | 91.9 |
| OTI ratio (*) | 1.6 | 3.1 | 2.8 |
| Combined ratio | 92.1 | 94.0 | 94.7 |
| Reserve ratio (**) | 160.3 | 159.6 | 158.6 |

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

(**) Gross technical reserves

The ratio of claims to premiums in the period was 70.4% (70.5% in 2006): this ratio is in line with the previous year. The substantial stability of the ratio in 2007 is due to the good performance of the current claims in the Motor TPL Sector, which is in part offset by an average cost paid on the claims incurred well above inflation and the persistent negative impact of damage to the person especially on the previous generation.

The expense ratio, equal to 21.5%, deteriorated by a percentage point due to lower benefits deriving from the securitisation of long term commissions due to the higher amortisation of the commissions from the past years and from the reduction of the capitalised expenses following the new provisions introduced by the "Bersani decree".

The combined ratio was 94.75% (93.97% in 2006). This ratio continues to represent a strong sign of managerial efficiency in the insurance processes, in relation to the risks assumed and the management thereof and claims settlements, as the year 2007 was characterised by the previously mentioned higher percentage of management costs.

Claims paid and reported

A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

| | - Claims paid (Euro thousand) | | | Claims reported by year Number | | |
|---------------------------------|----------------------------------|------------------|-------------|-----------------------------------|------------------|---------------|
| | 2007 | 2006 | Cge % | 2007 | 2006 | Cge % |
| Accidents | 207,449 | 205,307 | 1.04 | 97,648 | 97,431 | 0.22 |
| Health | 181,818 | 179,754 | 1.15 | 215,088 | 191,280 | 12.45 |
| Railway | - | 10 | (100.00) | - | 1 | (100.00) |
| Aviation | 862 | 1,751 | (50.77) | 33 | 44 | (25.00) |
| Maritime | 18,401 | 12,634 | 45.65 | 638 | 574 | 11.15 |
| Merchandise transport | 21,728 | 23,478 | (7.45) | 4,116 | 4,024 | 2.29 |
| Fire and other natural elements | 203,403 | 192,856 | 5.47 | 64,311 | 75,124 | (14.39) |
| Other damage to goods | 234,133 | 218,163 | 7.32 | 138,810 | 133,548 | 3.94 |
| Aviation TPL | 619 | 459 | 34.86 | 105 | 161 | (34.78) |
| Maritime TPL | 354 | 586 | (39.63) | 109 | 122 | (10.66) |
| General TPL | 344,784 | 331,686 | 3.95 | 101,820 | 103,754 | (1.86) |
| Credit | 249 | 1,202 | (79.28) | 3 | 7 | (57.14) |
| Guarantees | 50,384 | 50,052 | 0.66 | 1,305 | 1,253 | 4.15 |
| Pecuniary losses | 6,483 | 5,478 | 18.35 | 7,204 | 5,131 | 40.40 |
| Legal expenses | 1,786 | 1,540 | 15.97 | 2,147 | 1,848 | 16.18 |
| Assistance | 17,317 | 13,901 | 24.57 | 83,803 | 79,242 | 5.76 |
| TOTAL NON MOTOR | 1,289,770 | 1,238,857 | 4.11 | 717,140 | 693,544 | 3.40 |
| Motor TPL | 3,342,718 | 3,354,913 | (0.36) | 967,396 | 991,961 | (2.48) |
| Other land vehicles | 379,580 | 352,782 | 7.60 | 277,328 | 264,394 | 4.89 |
| TOTAL MOTOR | 3,722,298 | 3,707,695 | 0.39 | 1,244,724 | 1,256,355 | (0.93) |
| TOTAL NON-LIFE DIVISION | 5,012,068 | 4,946,552 | 1.32 | 1,961,864 | 1,949,899 | 0.61 |

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as “Operator” within the new direct compensation system, net of those recovered as a flat-rate in the Consap compensation procedure. With reference to claims reported it is noted that, for comparison with the previous year, they only refer to claims caused and do not include the relative number of customers in the “Card Operation” system.

Once again we repeat that the new provisions introduced in the Motor TPL division in relation to the new direct compensation system introduced strong differences with the past and the assumptions, on the future trend of the cost of the claims (in particular those of the “Card Operator”) are not yet supported by significant historical data.

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

| (Euro thousand) | 2007 | 2006 | Change |
|------------------------------|----------------|----------------|------------------|
| Motor TPL | 176,087 | 189,657 | (13,570) |
| Land vehicles | 156,830 | 185,883 | (29,053) |
| Other Non-Life Classes | 28,448 | 127,374 | (98,926) |
| TOTAL DIRECT NON-LIFE | 361,365 | 502,914 | (141,549) |

In relation to the Motor TPL the technical balance is positive, although deteriorating by Euro 14 million compared to the previous year. The deterioration is in part due to the costs incurred by the subsidiary Dialogo for the commencement of the advertising campaign to render the brand visible with potential clients, with a negative impact on the division's technical balance of over Euro 6 million.

Net of this effect there was a substantial stability compared to the previous year, although a decline in the premiums consequent of the programmed interventions in the geographic areas and in the tariff sectors whose technical performances are still not satisfactory and, in particular, a restructuring of the fleet portfolio. Therefore, in line with the expectations, along with the decrease in premiums there is also a significant decrease in claims reported and, limited to the subsidiary Milano Assicurazioni, an improvement in the combined ratio.

Also at group level the claims reported decreased (-2.5% compared to 2006) in addition to stability in the claims frequency and an improvement in the speed of settlement, relating to the claims managed on both the current and previous generations.

With reference to the previous generations the average cost is substantially in line with the evolution of the payments in the previous years, while the indices of the current year show substantial stability on the claims managed.

The decrease in profitability in the Motor Vehicle Body class is correlated to the more competitive scenario seen up to last year: historically, the class reports good performance for the group, however the new contracts acquired have increasingly lower margins due to the tensions reported on the coverage price.

Less favourable was the performance of the other classes characterised by the negative impact in the Health and General TPL classes. Against a prudent underwriting policy, the margins on new contracts are not capable of compensating the negative performance in the older contracts in portfolio. In addition, with reference to Sasa and Siat, the significant impact of some large claims in the Marine and Aviation sectors, to which is added the exceptional number of serious claims (also in terms of size) occurred in 2007 in the maritime vehicle division, with an extraordinary impact on the technical result of this division.

However, the adequate reinsurance policy undertaken by the Group permitted to mitigate the losses deriving from the above positions, achieving a good margin on the retained result.

For further details on the costs of the claims by year, relating to the Motor and General TPL classes, reference should be made to part F.

Direct Compensation - IT System for the management of the claims

The settlement structure in 2007 operated through the new Claims Department created following the review of the "claims processes", made in terms of procedures and functions by the individual Claims Offices; this reorganisation was necessary to comply with the regulations contained for direct compensation introduced by the reform to the Insurance Code effective from February 1, 2007.

The evolution of the claims at year end in the different types contemplated by the direct compensation appears in line with the expectations and the organisational size of the new operating functions.

The IES claims management IT system was extended to all the claims offices of the Group companies: during the year the functioning was optimised with the necessary implementations for an efficient management of the procedures contained in the Direct Compensation, which permitted the reaching of high levels of quick settlement.

The management of the direct compensation concerned only 11 months, as it commenced on February 1, 2007, and appears appropriate for the valuation of the effects in the Motor TPL division of the introduction of the new system awaiting development which will occur in 2008.

In the second half of the year the analysis on test phases were undertaken in the Auto Presto & Bene project which responds to the objective to contain the material damage costs, through the realisation of “value”, consequent of its insertion in the spare parts distribution chain, in order to improve the service provided to the customer base.

In the first months of 2008 the progressive extension of the project will commence within the national territory.

Motor Repair Project

Fonditaria-SAI incorporated a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.) , to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime.

Taking into account that Fonditaria-SAI settled in 2006 just over Euro 1 billion for auto repair, it is highlighted that the direct indemnity extends the possibility to extract value from the auto repair system and to achieve a market share that allows the Company and the group to seize the market opportunity.

The channels, obligatory or optional, contained in the new regulation represents one of the drivers for the creation of value, together with the possibility to control the level of service and to participate in the supply chain through agreements with suppliers and workshops. All this with the objective to pay the correct price, offer a service of excellence and obtain margins in the value chain.

The project will permit the reduction of labour costs and spare part costs. The first step to reduce the repair costs is to ensure an adequate control in order to identify the critical actions in the auto repair activities.

Given the complete diversity of the auto repair business to that of insurance, it was necessary - in line with that undertaken by other insurance companies, to separate the two activities. For this purpose the special purpose company was incorporated, which will undertake the following activities:

- Aggregation of the demand and negotiation with suppliers;
- Control of repair costs through specialist resources;
- Control of IT infrastructure;
- Control of working capital and inventories;
- Audit auto repair development.

Both the vehicle company and the development of the models with high local level integration could benefit partnerships and/or acquisitions.

The business model will be versatile, with multi local selective integration throughout the territory. The panorama of auto claims is in fact very varied throughout the territory and the local specifically suggests a variable approach with strong integration limited to the areas of high density in the centre-north of Italy.

The model has the following principal objectives:

- Implementation of the suburban control system by experts and workshops;
- Optimisation of the system of fiduciary controls;
- Involvement of the agents for a more efficient channel system;
- Rapid activation of the IT interface.

New products

With reference to the new products issued by the Non-Life divisions, in 2007 the new product “LA MIA ASSICURAZIONE FABBRICATI” was launched. The policy insures the real estate assets of factories against direct damage from fire and other events, in addition to civil protection for the directors of the factories and the owners and occupants of the buildings. The advantage of this new product is represented by the assistance service: LA MIA ASSICURAZIONE FABBRICATI makes available to the customer base an operating centre open 24 hours a day throughout the year for all emergencies, repair interventions, private surveillance and legal consultation in relation to security regulations of the plant and, if necessary, temporary moving of furniture. In addition, for a complete utilisation of the assistance, the policy provides that the request can be made by a representative of a condominium so that it is always possible to confront problems also in the case of the absence of the administrator of the condominium.

The new product “LA MIA ASSICURAZIONE RCpiù” was launched, the new Civil Responsibility Policy for the security requirements of persons living and working in the education, sport and leisure areas, as well as owners of factories and land. LA MIA ASSICURAZIONE RCpiù also guarantees civil responsibility towards third parties and employers, offering the policyholder a complete insurance cover guaranteeing assistance and legal protection. This policy covers a wide range of activities and guarantees assistance relating to damage incurred to visitors and those caused by visitors themselves (whether active or passive), losses of assets and claims by the Public Administration for serious fault of the policyholder. The policy also guarantees for protection against material damage caused by third party trainees and apprentices, including any damage to machinery and equipment in use. LA MIA ASSICURAZIONE RCpiù offers insurance cover also in sport and leisure time: from voluntary cultural circuits, management of sporting arenas to professional sporting instructors and tour operator guides.

In relation to the programme of revision and rationalisation of the insurance cover relating to the Other Classes, in order to provide the agency network with a valid response to the increasingly more demanding and complex insurance needs, in December the new group policy “INSURANCE FOR INDUSTRIAL CIVIL RESPONSIBILITY” was prepared, with uniform and simplified procedures and solutions for all of the Companies of the Group.

Particular attention was given to the evaluations contained in Legislative Decree 276/2003 (so-called Biagi law), and to the provisions contained in the new Private Insurance Code (article 166 of Legislative Decree 209/2005), and evaluating carefully the two provisions it was considered appropriate to evaluate the content in terms of:

a) in relation to Legislative Decree 276/2003 (so-called Biagi law)

- It was considered extending the policy to new workers, both for damage incurred by them and damage caused to third parties;
- It was considered appropriate to consider among the persons subject to the coverage, within a more complete service and responding to the needs of the policyholders, also those of the contractor in that the current regulations renders the awarding of the contract economically more convenient compared to the undertaking of the work (for example article 12 contains the obligation for the Agencies undertaking the work, and not the contractor, to pay each worker a contribution for professional training), especially in order to favour the growth and development of new enterprises;

b) in relation to Legislative Decree 209/2005 (New Code on Private Insurance)

- A new regulation was prepared taking into account the requirements of transparency required by regulations in all the passages where this formulation was considered necessary.

The new product can be an excellent opportunity for the Group to revise its in-force portfolio, in particular for the most dated contracts, in addition to develop new opportunities of coverage for all businesses in this insurance segment.

With the objective to further increase sales and growth of the in-force portfolio, through more competitive tariff, in October a new edition of the product “LA MIA ASSICURAZIONE CASA” was launched.

The new edition principally differs from the previous version due to the elimination of some lower limits for the “Fire and other material damage” guarantees.

With the objective of promoting sales of the product, a new version of “La Mia Assicurazione NUOVA CARTA AZZURRA” was launched, which includes the insertion of three new insurance formulas:

- **Young +**
- **Class +**
- **Group +**

The above-mentioned formulas offer high levels of insurance to respond to the needs of clients requiring increasingly complete and up-to-date insurance services.

From July 1, 2007, ASSISAT is the new formula of Road Assistance which Fondiaria-SAI proposes to all persons which desire to be secure and protected in their motor vehicle through the installation of satellite equipment VIASAT SAIBOX, the satellite technology VIASAT personalised for Fondiaria-SAI clients.

In addition to this the presence of the VIASAT SAIBOX equipment permits the application of a further discount on the Fire and Theft tariffs for auto vehicles with anti theft satellite.

ASSISAT is the new guarantee package of Road Assistance for motor vehicles which Fondiaria-SAI proposes to the Clients which have already installed or intend to install the VIASAT SAIBOX satellite equipment - the satellite system for the complete security of the vehicle and its occupants, deriving from the partnership between Fondiaria-SAI and VIASAT, European leader in the sector. The services offered by the ASSISAT package, provided by the Fondiaria-SAI Group Service Assistance Central Operations, includes motor vehicle assistance, personal assistance and health assistance.

VIASAT SAIBOX is the latest generation personalised satellite device offered by Fondiaria-SAI which provides for the monitoring of the vehicle and the provision of a series of assistance services to the Customer base through its operational "Services Centre" of VIASAT, and is always operational.

Finally, it is recalled the importance of this initiative, as the project will permit Fondiaria-SAI to avail of important useful information to study any further tariff forms also on the utilisation of the vehicle and on the conduct of the owner.

Finally we report the three retail products: LA MIA ASSICURAZIONE BASIC CASA, LA MIA ASSICURAZIONE BASIC CONTENUTO and LA MIA ASSICURAZIONE BASIC CAPOFAMIGLIA, launched on the market in December 2006, and in fact marketed from the beginning of 2007.

In relation to the major insurance companies of the Group, key financial information relating to the year 2007 is summarised in the table below:

| (Euro thousand) | GROSS PREMIUMS | CGE % | INVESTMENTS | GROSS RESERVES | RESULT |
|--------------------------------------|-------------------|---------|-------------|-------------------|---------|
| NON-LIFE INSURANCE SECTOR (*) | | | | | |
| CAPITALIA ASSICURAZIONI S.p.A. | 21,434 | 193.77 | 50,788 | 50,799 | 706 |
| DIALOGO ASSICURAZIONI S.p.A. | 14,220 | 12.63 | 25,691 | 22,900 | (5,904) |
| EUROPA TUTELA GIUDIZIARIA S.p.A. | 1,628 | (14.28) | 9,226 | 4,592 | 13 |
| LIGURIA ASSICURAZIONI S.p.A. | 204,956 | 113.03 | 222,419 | 253,292 | 2,839 |
| MILANO ASSICURAZIONI S.p.A. (**) | 2,687,756 | (4.24) | 4,743,207 | 4,297,325 | 189,192 |
| PRONTO ASSISTANCE S.p.A. | 33,439 | 15.18 | 6,793 | 2,420 | 371 |
| SASA S.p.A. | 379,072 | 2.87 | 474,594 | 613,142 | 13,976 |
| SIAT S.p.A. | 193,647 | 3.76 | 86,757 | 307,415 | 1,076 |
| THE LAWRENCE RE LTD | 181,705 | 10.44 | 285,385 | 330,423 | 22,878 |

(*) data as per IAS/IFRS

(**) consolidated data of the Non-Life Sector

The comments below refer to the separate financial statements of the subsidiary companies prepared in accordance with Italian GAAP.

CAPITALIA ASSICURAZIONI S.p.A.
Share Capital Euro 5,200,000.
(Direct Holdings 51%)

The financial statements for the year ended December 31, 2007 report a net profit of Euro 408 thousand (Euro 896 thousand in 2006). The most significant factors on the performance in 2007 were:

- Premiums written substantially in line with the previous year (decrease of 1%);
- The outward reinsurance balance in favour of reinsurers was Euro 806 thousand (Euro 525 thousand in 2006);
- The considerable increase in the net technical reserves from Euro 34,147 thousand to Euro 49,649 thousand due to the increase in the premium reserve in the year;
- Increase in the net investment income (Euro 718 thousand);

The premiums written amounted to Euro 37,077 thousand (Euro 37,593 thousand in 2006) comprising of 94.1% from the fire and other damage to assets: In fact these policies are related to mortgages provided by banking institutions. The products of the Company are marketed, in individual forms or through the stipulation of cumulative policies, prevalently through the banking networks Banca di Roma, Banco di Sicilia and Bipop Carire.

The financial management of the securities portfolio is undertaken by Capitalia Asset Management S.p.A. The investments amounted to Euro 57,997 thousand (Euro 40,644 thousand in 2006) and were comprised of 83.82% from bonds and other fixed income securities. The investment income net of the charges amounted to Euro 1,512 thousand (Euro 794 thousand in 2006) recording an increase of 90.4%.

The gross technical reserves at the end of the year amounted to Euro 51,421 thousand (Euro 36,113 thousand at December 31, 2006) and principally comprised of premium reserves amounting to Euro 47,492 thousand (Euro 31,847 thousand at December 31, 2006).

In consideration of the limited size of the Company and of its premium portfolio, for 2007 it was decided to maintain, in line with the guidelines of the group of the parent company Fondiaria-SAI, a low net retention level, and in some classes below that of previous years. To implement these guidelines the major part of the risks in portfolio were reinsured with attention, in the selection of the counterparties, of the economic and financial soundness and to the economic conditions offered, through the subsidiary The Lawrence Re Ireland Ltd, with exclusion of the reinsured Assistance class with the subsidiary Pronto Assistance.

DIALOGO ASSICURAZIONI S.p.A.

Share Capital Euro 8,831,774.

(Indirect Holding 99.85%)

The Company operates in the marketing, through the call centre and Internet channels, of motor insurance products and Personal and Wealth protection. .

In June, the Company commenced an advertising campaign in order to promote the “DIALOGO” brand through radio and television and national and local free press. In September the follow up to the June campaign was launched and the first phase of the online advertising campaign, directed at developing the Internet channel.

The cost of these campaigns for the full year 2007 amounted to Euro 5.4 million, entirely expensed in the income statement.

Parallel, the company undertook significant investments in the IT sector to upgrade the pre-existing technology structure to the updated development plan and the objectives deriving from being the Fondiaria-SAI Group’s company dedicated to the call centre and internet channels.

The advertising campaign has already produced positive effects on the portfolio, halting the decreasing trend in recent years: the premiums written amounted to Euro 14.2 million, a growth of 12.6% compared to Euro 12.6 million of premiums written in 2006.

The technical account was significantly impacted by the total allocation of the above-mentioned advertising campaign and resulted in a loss of Euro 6.4 million (profit of Euro 2.5 million in 2006).

The result for the year was a loss of Euro 6.1 million, compared to a profit of Euro 2.7 million in the previous year.

LIGURIA ASSICURAZIONI S.p.A.

Share Capital Euro 23,000,000.

(Direct Holdings 99.97%)

The year 2007 reports a profit of Euro 2,113 thousand (loss of Euro 3,913 thousand in 2006) after income taxes of Euro 3,845 thousand.

The year just ended experienced intense development activities aimed at the consolidation and growth of premiums, as well as extracting value from the internal specialist resources of Liguria, enriched by the integration with the know-how of Fondiaria-SAI.

Total premiums amounted to Euro 225 million, an increase of 31.3% on the previous year.

The claims ratio to premiums in the direct non-life segment decreased to 71.7% compared to 77.5% in 2006, which corresponds to a gross technical result of Euro 3,757 thousand, compared to a negative result of Euro 6,607 thousand in 2006. The gross claims paid in the year, including the settlement expenses, amounted to Euro 125,286 thousand, compared to Euro 104,841 thousand in the previous year, an increase of 19.5%. Significant growth was recorded in the Motor TPL division (+33.0%), where the largest proportion of the portfolio

lio is concentrated (65.6%). Also the other principal non- life sectors recorded important growth: accident (+33.0%), health (+10.6%), land vehicles (+31.7%), fire (+21.8%), general TPL (+40.0%). The guarantee class, after the decrease in the previous year, due to the adoption of the prudent policies of the parent company and the reorganisation of the technical support services, has increased significantly (+31.1%).

In relation to the financial management, the volume of the total investments increased by 22% from Euro 197 million in 2006 to Euro 241 million in 2007. As in the past the investment policy of the company is based on the purchase of government bonds and low risk bonds. The financial management was appointed to a group company in order to achieve better returns. The management of the assets is based on a low duration portfolio profile, compensated by a higher profitability generated from the variable rate component which benefited from the rise in interest rates experienced on the financial markets.

The sales network consists of 281 agencies, compared to 247 in the previous year with a balanced distribution throughout the country (128 in the North, 87 in the Centre and 66 in the South).

At the beginning of 2008 there was a sustained growth trend which confirmed the growth achieved in 2007. In particular, in relation to the motor sector, the growth in premiums was over 35%, while there was an increase in the other classes of approx. 25%. In relation to the claims, the beginning of 2008 indicates a frequency of reported claims in line with the previous year. The objective of the company is to maintain a high quick settlement, the containment of the average costs and the reduction of the disputes. In 2008, the company continued the ambitious development plan approved by the Board of Directors, which aims for significant growth in premiums written, a stronger and more loyal sales network and an improved portfolio mix. Particular attention will be given to the growth in margins and to the improvement in the combined ratio, in addition to improving the principal balance sheet ratios.

MILANO ASSICURAZIONI S.P.A.

Share Capital Euro 251,217,464

(Direct Holding 55.13%, Total Group Holding 57.94%).

The consolidated net profit for 2007 was Euro 252,104 thousand compared to Euro 247,854 thousand in the previous year (+2.1%).

The key events in 2007 which contributed to this result are summarised below:

- The non-life sector recorded a pre tax profit of Euro 313.2 million, compared to Euro 292.7 million in the previous year. The increase is due to the good performance in direct premiums and very good reinsurance results, also following the recovery of some high claims, included in the excess claims;

-
- The life sector recorded a pre tax profit of Euro 77.2 million, compared to Euro 96.1 million in the previous year. The decrease is due to the lower contribution from the subsidiary Bipiemme Vita and to the turbulence in the financial markets following the American subprime mortgage crisis, which, on the one hand, negatively impacted on the income from the investments and, on the other hand, created a climate of uncertainty affecting strong growth within the premiums portfolio.
 - The asset and financial management recorded net income from financial instruments and property investments of Euro 403 million, an increase of 12.9% compared to the previous year, also due to the greater contribution of Bipiemme Vita, fully consolidated from the second half of 2007.
 - In particular the income deriving from other financial instruments and property investments amounted to Euro 398.6 million (+20.8%), while the net income deriving from fair value financial instruments recorded through the income statement amounted to Euro 3.5 million, compared to Euro 23.7 million in 2006. The decrease is principally due to the lower gains and higher valuation losses, following the negative performance of the financial markets, which deteriorated in the second part of the year;
 - The management expenses in the non-life insurance sector amounted to Euro 493 million, compared to Euro 494.1 million in the previous year, with a percentage on net premiums of 19.0% (18.2% in 2006). In the life division the management expenses amounted to Euro 44.9 million, with a percentage on the premiums of 4.8% (5.6% in 2006);
 - The income taxes in the year amounted to Euro 140.6 million and the tax rate was 35.8%, compared to 36.5% in 2006. The reduction compared to the previous year is principally due to the recalculation of the deferred tax liability, following the changes to the fiscal rates from 2008: the positive impact was approx. Euro 4 million.

The result for the year was not impacted by unusual or atypical events or operations compared to the normal operations of the company.

With reference to the financial statements of the Parent Company, prepared in accordance with Italian GAAP, the year 2007 reported a net profit of Euro 224,716 thousand, an improvement of 14.9% compared to the previous year, equal to Euro 195,492 thousand. The key events in 2007 which contributed to this result are summarised below:

- The technical account in the life division reported a profit of Euro 45,723 thousand, a decrease compared to Euro 52,088 thousand in 2006, but overall satisfactory taking into account the performance of the premiums written, of the financial market turbulence and of the contraction in margins, recorded at market level;
- The technical result in the non-life division reported a profit of Euro 154,204 thousand (gross of income), compared to Euro 142,039 thousand in the previous year. The increase is due to a good performance in direct premiums and a more favourable reinsurance result also following the recovery of some significant claims, included in the excess claims.
- The asset and financial management reported investment income of Euro 342,451 thousand, an increase of 6% compared to Euro 323,192 thousand in 2006. Net profits from the realisation of investments were also reported of Euro 52.2 million, compared to Euro 19.1 million realised in 2006. The value adjustments to the securities portfolio, net of the relative reversals, amounted to Euro 42,362 thousand, compared to Euro 45,485 thousand in 2006. The result in 2007 is net of the recovery in the value of the Unicredit shares in portfolio.

The Unicredit shares in portfolio derive from the Capitalia share swap, following the merger between the two banking institutions. It is recalled that in the previous years these shares were written down following reductions in the relative fair value. The adjustments were necessary due to the losses in the year recorded by Capitalia, which resulted in a significant reduction in the net equity, as well as the consequent negative performance of the stock exchange price.

- The merger between Capitalia and Unicredit, giving rise to the creation of the leading Italian banking group and the second in Europe, resulted in the reversal of the adjustments to the values in the past, restating the original carrying value. The recovery in value had a positive impact on the income statement of Euro 23.2 million (approx. Euro 22 million net of the tax effect);
- The administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 73.7 million and as a percentage on premiums was 2.4% compared to 2.1% in the previous year. The employees at December 31, 2007 amounted to 1,541, a decrease of 44 compared to December 31, 2006. Personnel costs amounted to Euro 103.4 million and recorded an increase of 2.6%, principally due to the effects deriving from the renewal of the National Labour Contract;
- The percentage of the tax charge increased compared to the previous year from 35.9% to 37.3%, following the recalculation of the deferred tax liability, made necessary following the change to the tax rate from 2008.

The gross premiums and accessories of direct and indirect business totalled Euro 3,129,184 thousand, a decrease of 6.03% compared to the previous year.

The composition of the investments at December 31, 2007 prevalently related to bonds and other fixed income securities, equal to 69% of the total portfolio, with a duration of approx. 3.9; the equity component represented 17.8%. The residual part related to land and buildings and mutual investment funds.

SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share Capital Euro 52,000,000

(Direct Holding 99.99%).

In 2007, the Company reported a profit of Euro 12,184 thousand compared to a profit of Euro 12,113 thousand in the previous year. The net result derives from a positive technical account of Euro 11.4 million which was severely impacted by the negative performance of the fire class which, due to the presence of seven “catastrophic” claims, recorded a negative technical balance net of reinsurance of Euro 5,081 thousand.

In 2007, total premiums of the Company amounted to Euro 387.9 million, compared to Euro 379.5 million in 2006 (+2.2%). The decrease in the Marine class (-60.9%), which contributes to contain the growth of the total premiums, derives from the repositioning of the Company in this sector and the progressive focus on business from the Agency sector. The Aviation sector however recorded a decrease, both in relation to Physical damage and Civil Responsibility, due to the “seasonality” of the portfolio. The growth of premiums in the Non-Marine sector (+5.3%) is the result of good growth in the premiums written by the agency network (+8.7%) and a contraction in the subscriptions through the broker channel (-5.2%) where there was an important “reform” undertaken of the portfolio during the second half of 2007. It should be noted that this reform concerned, among other matters, an important “hailstorm” contract for a value of Euro 8.6 million.

At December 31, 2007, the investments of the Company amounted to Euro 489 million (Euro 437 million at December 31, 2006), with an increase of 11.9% compared to the previous year with a higher percentage of bonds and other fixed income securities.

The real estate activity principally relates to the safeguarding of an efficient level of maintenance of the buildings rented to third parties. The investments in securities principally related to the bond sector and increased by Euro 63.8 million.

The increase in the assets related to the investments is consequent of the cash flow generated from the management and the receipt of the last 2 credit instalments from Fintecna (Euro 6.0 million) and relate to the guarantees on the reserves given by the previous majority shareholder, guarantees in which SASA was beneficiary.

The net income from investments amounted to Euro 14,515 thousand, a decrease of 19% on 2006. The write-downs net of reversals, made in the year to adjust the investments classified as current assets, reduced significantly at December 31, 2006 and at the end of 2007 and amounted to Euro 1,537 thousand, almost exclusively on fixed income securities.

SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share Capital Euro 38,000,000

(Indirect Holding 94.2%)

2007 recorded a pre tax profit of Euro 2,927 thousand, a contained decline compared to Euro 3,224 thousand in 2006. The net profit in 2007 was Euro 1,159 thousand compared to Euro 1,435 thousand in the previous year.

The above decrease in the profit is principally due to the technical segment and, more specifically, to the following:

- Significant losses recorded in the other classes (principally delegated to third parties), in particular General TPL, and in the Motor TPL (net of the vehicle TPL component), all in substantial run-off phase. These losses are principally due to the unexpected deterioration in the reserve of some claims from prior years;
- The exceptional number of serious claims (also in terms of size) in 2007 in the Maritime Segment, with an extraordinary impact on the technical result of this class.

However, the adequate reinsurance policy, as well as the performance of the portfolio overall, mitigated the losses deriving from the above events, resulting in an industrial result (before the transfer to the technical segment of the administration expenses and of the investment profits) substantially in line with the previous year. On the other hand, the Merchandise transport class recorded a significant improvement in the technical profit, with an increased contribution from the indirect premiums.

Relating to the administration expenses, which were fully transferred to the technical account, the increase is attributable to the higher charges sustained, in particular from November 2006, for the management of the activities connected to the "Transport Pool".

In general terms, total business in 2007 amounted to Euro 187,851 thousand and has not changed significantly from the previous year (Euro 189,004 thousand). In the Italian direct premiums, the breakdown of business between the various sectors saw further growth in the “Transport” sector. In fact, the breakdown of premiums is transport sector 91.4% (83.1% in 2006), Motor sector 5.6% (9.5% in 2006) and 3.0% residual other classes (7.4% in 2006).

Claims paid in 2007 amounted to Euro 125,116 thousand, a significant increase compared to the previous year (Euro 93,735 thousand). This principally refers to the “Transport” sector (in particular the maritime sector) whose payments, among other matters, were impacted by the depreciation in the US Dollar compared to the Euro.

At December 31, 2007, total investments amounted to Euro 95,622 thousand (Euro 100,470 thousand at December 31, 2006) and increased by 4.8% compared to the previous year. This decrease is principally due to the change in the restricted deposits at credit institutions, which were particularly high at the end of the previous year for contingent reasons.

In relation to the distribution structure in Italy, at December 31, 2007 there were 14 multi mandate agents and 263 brokers (respectively 23 and 253 at December 31, 2006). The geographical distribution is 76.9% in the North (213 brokers) and 23.1% in the Centre-South (64 brokers). As in previous years, distribution abroad is managed by local establishments in Belgium, France, Germany, Holland and Malta.

The technical reserves at December 31, 2007 amounted to Euro 310,992 thousand (Euro 289,012 thousand at December 31, 2006). The premium reserve amounts to Euro 54,423 thousand (Euro 62,161 thousand at December 31, 2006). The claims reserve was however Euro 255,372 thousand (Euro 225,756 thousand at December 31, 2006).

The year 2007 confirmed the general overseas business environment of previous years (overall favourable conditions existing on the insurance and financial markets, with the exclusion of the bond sector) to which were associated the normal selection criteria and careful control in the administration expenses. For the year 2008 the Company believes that if the above conditions are not significantly modified and as there are no particularly unfavourable events currently not foreseeable they can reasonably forecast further positive results.

THE LAWRENCE RE LTD.**Share Capital Euro 635,000****(Indirect Holding 100%)**

The net profit amounted to Euro 22,897 thousand, including the revaluation of Effe Finanziaria S.p.A. for Euro 1.726 million.

Also in 2007 the company operated exclusively as reinsurer of the Fondiaria-SAI Group and service provider for the major insurance companies of the Group.

The company undertakes the analytical valuation of the portfolio of the individual companies of the group, in order to establish, and consequently provide, the necessary reinsurance cover to support specific positions. On this basis, the company ensures uniform portfolio commitments, with particular attention to the cases of inter-group co-insurance, and obtains the necessary reinsurance protection on the international market. The coverage was acquired from primary operators.

Before defining the size of this latter, the company also verified specific further retentions at group level of both the type of business and the results therein.

The technical performance of the portfolio held by the company continues to report positive results with significant growth compared to previous years. The premiums retained for 2007 amounted to Euro 189.3 million, of which Euro 14.5 million are in the Life segment. The premiums ceded to the market amounted to Euro 96.6 million, of which Euro 0.7 million relating to the Life segment. In 2006, the premiums retained amounted to Euro 167.9 million (of which Euro 13.2 million are in the Life segment) while those ceded amounted to Euro 99.8 million (of which Euro 0.7 million relate to the life segment). The increase is largely due to the new business retained by the company under the form of proportional agreements, in large part with the new group company Liguria Assicurazioni.

The Company also continues to undertake the run-off activity of the companies of the Group, which avail of the service. In relation to the reinsurance of previous years the objective of the company is to continue to conclude settlement agreements, which permit the reduction of the administrative charge. The company ceded part of this business, which reported a positive result also in 2007.

In 2007, the company paid a dividend of Euro 10 million.

Life Insurance Sector

THE LIFE INSURANCE MARKET

Our Country has the need for a modern welfare system, capable of combining responsibility and solidarity, guarantees and prevention, capable of providing efficient responses to a demand for security which is destined to grow over time, where in 2006 alone the expenses relating to pension and assistance services grew in Italy by 4.1% on 2005 for a total of 223.629 billion (15.16% of GDP).

The importance of the change in the pension system is however still extremely undervalued by Italians, as many young workers do not properly value the alternative provided by the “second pillar”, either due to minimum financial education or the lack of information on the advantages and of the risks of an insurance programme.

Possibilities for growth are therefore most evident while remaining well behind foreign pension systems: a “funds under management/GDP” ratio equal to 3% in Italy is not comparable with 110% in Switzerland, 100% in the United States and 66% in the United Kingdom. In these Countries, in fact, a complementary pension is a necessity, against an intentionally very limited public pension system.

Margins of intervention are represented by the development of the “second pillar”. At the end of 2006, only 11% of Italians had an integrated pension, a little more than a quarter compared to the European average of 40%. In the next ten years a strong growth could develop to permit a re-equilibrium of the lower services which will be offered at national level by the public pension system.

At the end of January 2008, the Supervision Commission on Pension Funds (Covip) published the preliminary estimates on the subscription to complementary pensions in 2007, highlighting the particular positive aspect represented by the total increase in subscriptions from 3.2 million in 2006 to 4.6 million, a growth of 42% on the previous year. The largest increase relates to traded funds, which increased by approx. 64%, with a high increase in subscribers from 1.2 million to 2 million. The increase in subscribers of employees in the public sectors was more sustained, relating to the employee leaving indemnity, which reached a level of approx. 70%.

In relation to the open pension funds, according to Assogestioni the insurance sector is the second largest provider of complementary pensions, behind the asset management companies, with a market share of 33%. For example, at the end of October 2007 the insurance companies had over 247,000 subscribers with a net inflow of funds of Euro 50.9 million and net assets managed of approx. Euro 1.14 billion which, at national level, represents respectively 34.6%, 25.5% and 28.6% of the total.

In the first nine months of 2007 total Life insurance premiums in Italy amounted to Euro 45.81 billion, a decrease of 9%, with a percentage on the total Life and Non-Life portfolio amounting to 64.5% (65.9% in the same period of 2006). Insurance in Class I (insurances on the duration of human life) recorded a reduction of 18.9% compared to the same period of 2006; those of Class III (policies similar to financial contracts, mutual funds) increased by 17.3%; those of Class V (securitisation operations) reduced by 49%. These classes impact on the total Life premiums respectively for 42.1%, 48.7% and 8.1%.

In relation to the remaining classes, the contribution of the class VI (pension funds) represents 0.8% of the Life premiums, although compared to the first nine months of 2006 thanks to the new provisions on complementary pensions, the contributions doubled.

In November new Life business, individual policies sector, recorded premiums written of Euro 3.5 billion, a decrease of 17.6% compared to 2006. From January premiums in the Life new business amounted to Euro 38.6 billion, a decrease of 14.0% compared to the same period of the previous year. Considering only the Italian companies and non EU countries, the banks and postal office premiums amounted to Euro 2.5 billion, a decrease of 15.1% compared to November 2006; since the beginning of the year the trend is similar (-13% compared to the same period of 2006), against Euro 29.6 billion of new premiums. The in-house premiums of the insurance companies decreased: compared to Euro 121 million in the same month of 2006, the premiums halved. From the beginning of the year premiums of this channel amounted to Euro 1.9 billion, a reduction of 30.1%. The agents, with a volume of premiums amounting to Euro 594 billion, remain below the level of the same month the previous year (-13.2%); the decrease from the beginning of the year was smaller (-6.5%), where new premiums for the first 9 months amounted to Euro 4.9 billion. New intermediary business from financial brokers was also negative: the volume of premiums amounted to Euro 230 million, a reduction of 26.3% compared to November 2006. From January, the same channel, recorded total premiums of Euro 2.2 billion, a decrease of 22.6%.

The decrease in the Life Sector in 2007 was principally the result of the progressive divestment of the Company from large corporate contracts (characterised by significant single amounts, but low profit margins), a factor which should not result in a reduction in the profitability due to the better quality of the premiums.

For the two year period 2008-2009 a progressive acceleration in the market is expected in the Life segment, although on more modest volumes than those in the recent past, with a positive contribution, although less significant, from foreign companies. A change is also expected in the type of products (important contribution from unit products) and from the type of premiums (an important role of periodic premiums, especially in the recurring form) with a view to savings.

The total premiums of the Fondiaria-SAI Group amounted to Euro 4,654 million compared to Euro 2,670 million in 2006, an increase of 70.9%. The direct premiums written amount to Euro 4,558 million in 2006, an increase of 71.4%.

Life premiums represent however 38.4% of the total premium portfolio compared to 26.8% in 2006.

The total premiums in the sector also includes Euro 172 million (Euro 883 million in 2006), on investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

The gross technical reserves amounted to Euro 19,737 million (Euro 15,265 million at 31/12/2006) and the ratio of the technical reserves on the premiums issued was 432.4% (571.6% in 2006).

In relation to the adequacy and sufficiency of the reserves recorded in the financial statements, reference should be made to the analysis contained in the section “Verification of the liabilities”, contained in Part F.

A breakdown of the premiums written by class is shown below:

| (Euro Millions) | 31/12/2007 | 31/12/2006 | Change % |
|--|----------------|----------------|-------------|
| II – Insurance on human life expectancy | 1,418.6 | 1,389.6 | 2.1 |
| III – Insurance to which points I and II are connected to investment funds | 2,498.7 | 321.4 | 677.4 |
| IV - Health insurance | 0.7 | 0.1 | 600.0 |
| V – Securitisations as per art. 40, Legislative decree 174/95 | 646.1 | 959.4 | (32.7) |
| | 4,564.1 | 2,670.5 | 70.9 |

The increase is principally related to the premiums in the subsidiaries Po Vita and Novara Vita, which recorded increases respectively of 130.2% for Po Vita with direct premiums written of Euro 573 million in 2007 (Euro 249 million in 2006) and 418.7% for Novara Vita with total direct premiums written of Euro 1,749 million (Euro 337 million in 2006).

It is also reported that, excluding the Life division contribution by Bipiemme Vita (consolidated fully from second half 2007, while proportionally consolidated in 2006 for 50% from the final quarter), the increase in premiums written would have amounted to +58.8%.

The contribution of the newly consolidated Popolare Vita (formerly BPV Vita) was limited and contributed premiums since the acquisition date of control of only Euro 4 million.

Total premiums written by bank branches amounted to Euro 2,774 million and represents 60.8% of the total direct premiums written. The premiums ceded amounted to Euro 21 million (Euro 24 million in 2006).

The Life sums paid amount to Euro 2,840.4 million (Euro 1,871.2 million in 2006), an increase of 51.8%,

A breakdown by class and type of the sums paid in the direct Life segment is shown below:

| (Euro Millions) | Claims | Redemptions | Maturity | Total |
|--|-------------|----------------|----------------|----------------|
| II – Insurance on human life expectancy | 66.4 | 716.2 | 903.7 | 1,686.3 |
| III – Insurance to which points I and II are connected to investment funds | 10.4 | 95.1 | 286.8 | 392.3 |
| IV – Securitisations as per art. 40, Legislative decree 174/95 | 1.7 | 740.4 | 26.9 | 769.0 |
| | 78.4 | 1,551.7 | 1,217.4 | 2,847.5 |

From the present year the sums paid include the contribution of the subsidiary Popolare Vita S.p.A. for Euro 206.9 million.

In the Life segment the total management costs in 2007, excluding the investment management expenses, amounted to Euro 283 million, an increase of 88.4% (Euro 150 million in 2006). The percentage on premiums therefore increased from 5.6% in 2006 to 6.8% in 2007.

The strong increase is related exclusively to the increase in business, in terms of premiums written, by the subsidiaries Po Vita and Novara Vita.

With reference to some operating indicators in the sector the returns on the principal Separated Management of the Companies of the Group are shown below:

| | 2007 | 2006 |
|---------------------|------|------|
| Press | 4.55 | 4.32 |
| Nuova Press 2000 | 4.50 | 4.37 |
| Fondivita | 4.52 | 4.35 |
| Fondicol | 4.88 | 4.55 |
| VIVA | 4.43 | 4.40 |
| GEPRE | 4.59 | 4.55 |
| 3A | 4.51 | 4.41 |
| Press Novara Euro 1 | 4.19 | 4.10 |
| Gestione Po Vita | 4.05 | 4.04 |
| BPM Gest | 3.02 | 3.42 |
| BPM Sicurgest | 4.71 | 5.79 |
| Fondo Liguria | 4.13 | 4.04 |

For example purposes, some values relating to the new premiums written, determined according to the Supervision Authority are shown below:

| (Euro thousand) | Class I | Class III | Class IV | Class V | Total | 2006 | Cge % |
|--------------------------|---------|-----------|----------|---------|-----------|-----------|---------|
| BIM VITA S.p.A. | 605 | 6,994 | | 47 | 7,646 | 20,328 | (62.39) |
| BPM VITA S.p.A. ** | 127,607 | 254,741 | | 39,806 | 422,153 | 705,356 | (40.15) |
| POPOLARE VITA S.p.A. *** | 232 | - | | 195 | 427 | | |
| FONDIARIA-SAI S.p.A. | 305,095 | 73,045 | | 219,242 | 597,382 | 736,012 | (18.84) |
| LIGURIA VITA S.p.A. | 10,539 | 2,000 | | 3,052 | 15,591 | | |
| MILANO ASS.NI S.p.A. | 117,153 | 43,539 | | 99,665 | 260,357 | 347,170 | (25.01) |
| NOVARA VITA S.p.A. | 38,938 | 1,698,854 | | 4,588 | 1,742,380 | 868,857 | 100.54 |
| PO VITA S.p.A. * | 74,714 | 481,739 | | 27,453 | 583,905 | 432,709 | 34.94 |
| SASA VITA S.p.A. | 34,331 | 33,508 | | 261 | 68,100 | 73,540 | (7.40) |
| TOTALE | 709,213 | 2,594,420 | | 394,308 | 3,697,941 | 3,183,972 | 16.14 |

*data at 50%

** data first half 2007 50%; second half 2007 100%

*** 4th quar. 2007

The new business does not include renewals, replacements, conversions and reactivations.

The new business, according to the “Annual Premium Equivalent” (“APE”) for the Fondiaria-SAI Group, relating to the products covered by the application of IFRS 4, excluding therefore the contracts treated under the “deposit accounting” method, recorded an increase of 64.8%, amounting to Euro 402.7 million compared to Euro 244.4 million in 2006. Bancassurance contributed Euro 275.9 million compared to Euro 82 million in 2006 (+236.4%), while the traditional insurance companies recorded a decrease of 21.9% amounting to Euro 126.8 million.

Relating to the basis of the calculation of the APE, consideration was taken of the amount of new annual premiums and 10% of the single premiums.

For some companies the split of the value of the new business was made according to the percentage of consolidation, specifically 50% for Po Vita, 50% of the first half and 100% of the second half for Bipiemme Vita and the final 3 months for BPV Vita.

The total new business in the segment, which takes account of the investment contracts not included within the scope of IFRS 4, amounted to Euro 413.1 million compared to Euro 318.9 million in 2006, an increase of 29.5%.

Agreement with the Banco Popolare di Verona e Novara Group and with the Banca Popolare Italiana Group in the life Bancassurance sector.

On the outcome of the selection process of an insurance partner in the Life classes undertaken by Banco Popolare di Verona e Novara (BPVN) and by Banca Popolare Italiana (BPI), Fondiaria-SAI was selected as partner with the new Banco Popolare Group, created from the merger between BPVN and BPI, to create an industrial partnership in the Life insurance sector.

The vehicle for the partnership in the non-life sector is the company Popolare Vita S.p.A. (formerly BPV S.p.A.), already held by BPVN and by the Company Cattolica di Assicurazione.

BPVN, in name and on behalf of the subsidiary Holding di Partecipazioni Finanziarie di Verona e Novara S.p.A., exercised the option right for the purchase of all the shares of Popolare Vita S.p.A. owned by the Company Cattolica di Assicurazioni.

Fondiaria-SAI, BPVN and BPI therefore stipulated agreements for the realisation of this partnership, and which includes, among other matters, the purchase, by Fondiaria-SAI, of the entire shareholding in Popolare Vita S.p.A. already held by BPVN and Creberg.

The operation obtained authorisation from Isvap and from the Antitrust Authority, in relation to their respective authority.

The agreements were signed on September 7, 2007.

In particular, these agreements have the purpose to create a bancassurance project to be implemented through the purchase by Fondiaria-SAI of the exclusive control of Popolare Vita S.p.A. and the stipulation of an insurance policies distribution contract, for a ten year period, between Banco Popolare and its subsidiaries, as bank distributor through its own branches, and Popolare Vita S.p.A. as supplier of insurance policies.

Fondiaria-SAI therefore acquired from the Banco Popolare Group a total holding of 50% of the share capital of Popolare Vita S.p.A. at a price of Euro 530 million. Specifically, Fondiaria-SAI acquired this investment through 35% of the share capital from Banco Popolare S.c.a.r.l., at a price of Euro 371 million and 15% of the capital from Credito Bergamasco S.p.A. for a price of Euro 159 million.

Following the entry of Fondiaria-SAI into the share capital of Popolare Vita S.p.A., this latter continues to create, manage and sell its own insurance products, under the brand “Popolare Vita S.p.A.”, with the technical product and management support and know-how of Fondiaria-SAI, also with the objective of improving the quality and the product range.

The agreements provide that the subsidiary Novara Vita S.p.A., held 50% each by BPVN and Fondiaria-SAI, will be in the shortest possible time after January 1, 2008 incorporated, through merger, into Popolare Vita S.p.A.

A shareholder agreement was signed in order to govern the industrial aspects of the partnership and the corporate governance regulations of Popolare Vita S.p.A. The overall provisions contained in the by-laws and shareholder agreement of Popolare Vita S.p.A. has the objective to allow Fondiaria-SAI to have full control of Popolare Vita S.p.A., with consequent full consolidation of Popolare Vita S.p.A. by the Fondiaria-SAI Group. In addition, in accordance with the agreements, the activity of management and co-ordination of Popolare Vita S.p.A. (formerly BPV Vita) pursuant to article 2497 and thereafter of the Civil Code, is performed exclusively by Fondiaria-SAI. The agreement provides for reciprocal put & call options in the case of the dissolution of the partnership, valuing the holding of Fondiaria-SAI at the appraisal value.

The distribution agreement signed between Popolare Vita S.p.A. and the networks of Banco Popolare Group are for a period of ten years and renewable for a further 5 year period. This agreement will be exclusive from January 1, 2008, except in relation to the residual distribution agreements with Aviva (exclusive agreement expires at the end of 2009) and Aurora (exclusive agreement expires in May 2009) respectively on the branches of BPI and on the branches of Reti Bancarie S.p.A. Once fully operational, the distribution of Popolare Vita S.p.A. can therefore count on a total network of approximately 2,200 branches with objectives of annual premiums once fully implemented of approx. Euro 6 billion

For Fondiaria-SAI the agreement represents a further growth opportunity in the life sector, both in relation to the objectives of its own industrial plan and the strong historic ties with the Banco Popolare Group. The operation, from an industrial viewpoint, integrates fully with the current bancassurance agreements of Fondiaria-SAI, which will continue to be a strategic growth policy of the Group.

For the Banco Popolare Group, the agreement will permit a significant technical-operational support in the necessary insurance services to undertake through a wide product range to meet the needs of its clients and achieve significant growth objectives in volume terms. This is also with reference to the role that banks and insurance companies can undertake on behalf of households and small/medium companies with a view to future developments in complementary pensions.

Alliance and co-operation projects with Banco Popolare di Milano in the Life bancassurance sector.

On June 29, 2007, the subsidiary Milano Assicurazioni acquired a further 1% in the share capital of Bipiemme Vita S.p.A., consequently passing the threshold of holding 51% in the share capital, and thus acquiring control of the company.

It is recalled that, on June 14, 2006, Banco Popolare di Milano (BPM) and Milano Assicurazioni completed the agreement for the joint and exclusive development of bancassurance activities of the Bipiemme Group in the Life Sector, signed on December 21, 2005. This agreement provides for the realisation of a wider industrial alliance and co-operation project with BPM in the bancassurance sector, to be implemented, in addition to the Life Sector, in the Non-Life Sector and in the banking and financial services sector.

In accordance with the agreement, Milano began the purchase from BPM and from the subsidiary Banca di Legnano, of a share of 46% in the share capital of Bipiemme Vita with the possibility of the transfer of control of this latter from the Bipiemme Group to Milano, through the sale of a further two shareholdings respectively of 4% and 1%, in two subsequent periods, respectively by December 31, 2006 and within June 30, 2006, in exercise of put and call options, in two tranches, which the parties reciprocally granted under determined conditions and terms.

BPM and Milano signed a shareholder agreement containing the corporate governance rules of Bipiemme Vita, as well as the industrial aspects of the partnership, with Bipiemme Vita continuing to have access to the distribution networks of the BPM Group for a duration of 5 years from the closing, with the possibility of renewal on expiry of common agreement between the parties for a further 5 years. The operation was approved by the Competition Authority and authorised by Isvap.

The purchase price of 46% of Bipiemme Vita, initially agreed at Euro 94.3 million, was reduced, in accordance with the provisions of the Sales/Purchase Contract, to Euro 90.5 million, prevalently based on changes in equity values (distribution of dividends and share capital increase) after the date of the signing of the agreement (December 2005).

On October 18, 2006, Milano Assicurazioni exercised the first tranche of the above-mentioned call option, acquiring 4% of Bipiemme Vita and thus increasing its holding to 50%. The purchase price, in accordance with the contractual terms, was Euro 7.9 million. This purchase permitted Fondiaria-SAI Group to proportionally consolidate the investment from October 2006.

Finally, as illustrated, on June 29, 2007, Milano Assicurazioni exercised the second and final tranche of the call option, increasing its holding to 51% and acquiring control of the company, with consequent possibility to fully consolidate the company.

The purchase price, in accordance with the contractual terms, was approx. Euro 2 million, agreed (as previously for the purchase of the 4% holding) in proportion to the final price paid for the 46% revalued up to the date of the settlement of the exercise of the options at a benchmark interest rate, net of any dividends distributed and increased for any share capital paid in, both pro-rata, from the date of the closing to the date of the settlement of the exercise price of the option.

The exercise of the second tranche of the call option of Milano obtained the positive opinion of a joint committee composed of four members (two from each party) requested to value the various executives and the results of the agreement as well as the authorisation from Isvap.

In the current market context, characterised by a refocus of the clientele towards traditional insurance products, the partnership permits Bipiemme Vita to benefit from the technical and commercial know-how of a primary insurance operator, favouring the development of new products and improving the penetration on the BPM clientele, and for Milano Assicurazioni to benefit from the expertise of the BPM Group in the commercial banking sector.

For the BPM Group the agreement provides a greater technical management support in the insurance services necessary to achieve, through a range of products which respond to the needs of the customers, significant volume growth objectives. This also with reference to the role that banks and insurance companies can undertake on behalf of households and small/medium companies with a view to future developments in complementary pensions.

The agreement represents for the Insurance Company and for the Fondiaria-SAI Group a further opportunity of development in the Life sector. The operation, from an industrial viewpoint, integrates fully with the current bancassurance agreements of the company and the Fondiaria-SAI Group, which will continue to be strategic in relation to the growth policy of the Company and the Group.

New products

With reference to the new products issued in the Life classes, in January a new immediate annuity single premium revaluable product was launched, called “RENDITA ASSICURATA” which provides, in addition to the normal payment of an annuity to the policyholder during their life, also a decreasing counter-insurance which guarantees to the designated beneficiaries the payment of a capital sum in the case of death, “dread disease” or in the case of invalidity of the policyholder.

In order to have a strong presence in the market covering risks related to financial operations granted by Banks, Lenders and Credit Institutions in general, in January the new product “PLURAL VITA MUTUI” was launched.

The opportunity to enrich the product list of the Group is related to the fact that the mortgage and credit consumption market is experiencing strong growth, with particularly significant growth by the credit institutions offering the loans to activate insurance cover guaranteeing the capital provided.

PLURAL VITA MUTUI enriches the offer of risk coverage, with a very interesting product not only in terms of price but also in terms of simplification of the contract terms, with significant operating flexibility for this type of contract.

In February, a new Index Linked product was launched, called MATCH RACE, characterised by an innovative optional mechanism which allows for the comparison between two equity indices, a European and a “general”, representative of the US equity market.

In April, together with the annual updating required by Circular ISVAP 551/d, the Company launched a new product, OPEN FREE, related to the Separated Management. OPEN FREE does not provide for loading applied on the premium, but exclusively an annual management commission, based on the amount invested and the duration of the policy.

In the same month the new product “CONTO APERTO RISPARMIO” was launched, in order to be competitive in the market segment composed of businesses, associations and entities that decide to implement pension programmes for their employees, shareholders, subscribers (outside of the normal legislative complementary pensions, such as Pension Funds), utilising instruments capable of offering, on the financial management side, all the typical guarantees of the insurance product, and on the premium side a strong freedom of flexibility and utilisability and the recovery of the investment according to existing requirements.

The possibility to increase the product range of the Group with this product is related to two principal factors: the first is related to the increasing demand from agency networks and from brokers of a product capable of cumulatively managing savings (also of small amounts at individual level) with analysis for each position. The second is related to the recent pension provisions which from January 1, 2007 enacts the provisions of Legislative Decree 252 of December 5, 2005, which allow each employee/associate full autonomy in determining “how much” and “when” to pay, also with the possibility (not compulsory) to fully recover the capital matured under the form of a one-off payment.

CONTO APERTO RISPARMIO is therefore an instrument capable of enriching the pension of the individual policyholder, as it permits them to construct overtime a personalised and diversified investment both for future income and especially for flexibility and accessibility. The new product was developed to create value to the individual position and the entire collectivity, thanks to a mechanism which values the amount of the premiums paid, net of any redemptions, which will be monitored at individual and aggregate level. The loading applied on the individual premiums paid decreases based on the cumulative of the premiums paid by each policyholder and in addition the minimum return withheld decreases on the increase of the total premiums paid by the entire collectivity.

At the end of May, the Company launched a further Index Linked tranche called GLOBAL RACE. The product is characterised by the comparison, on the three principal world financial areas, of the performances of an equity index created from a selection of high dividend securities (Select Dividend) and the corresponding general index, representative of the entire market.

In May COVIP, with relevant resolutions, approved the regulations of the product “PIÙ PENSIONE”, with consequent registration in the list of Pension Funds. The product represents an individual complementary pension realised through insurance contracts on the life at periodic premium with revaluation of the services as per Legislative Decree No. 252 of May 5, 2005.

Aware of the importance for the worker of their complementary pension, the Fondiaria-SAI Group in 2007 launched a very competitive product, made to measure for those wishing to contain the costs, without renouncing at a minimum guaranteed return and at the same time attracted by the idea of obtaining economic benefits from positive trends in the market.

To respond to the needs of a prudent client, PREMIUM TFR was launched which, in addition to having low costs and guaranteeing a minimum return, is based on a flexible management model, which allows it to benefit from financial market opportunities while protecting the pension accumulated.

The most innovative aspect is that the product provides for a true convergence between Client and Insurance Company. With PREMIUM TFR, in fact, Fondiaria-SAI accepts to share the objectives with the Customers, eliminating the risk of not achieving the minimum guaranteed result, as the commission model of PREMIUM TFR provides that the Group will only have a profit in the case where the returns of the product are above that obtained by the company Employee Leaving Indemnity.

From October 1, 2007 and for a placement period concluded on November 7, 2007, a new Index Linked product called GRAND PRIX was available to customers. The product compares the performances between 2 indices:

- An innovative equity index, the DJ Eurostoxx Select Dividend 30, comprising a selection of securities with high dividend in the Euro area;
- A traditional index, the DAX index, representative of the German equity market.

The objective is, as for Match Race and Global Race, that of targeting the potential of a selection of securities (Select index), chosen for their characteristics of high returns, compared with a general index (traditional index).

Grand Prix is the first product which applies the new provision “for the protection of savings and governance of financial markets” (law 262/2005) and the Implementation Regulations of CONSOB (amended on May 3, 2007).

These provisions are applied by all products issued by insurance companies of a financial nature.

In January 2008, the Parent Company launched the new version of the Unit Linked products UNIVERSAL LIFE, UNIT ANNUO and UNIT UNICO. This was created, as already illustrated for the GRAND PRIX Index Linked product, from the necessity to apply the new ‘Provisions on protection of savings and governance of financial markets’ (law 262/2005) and CONSOB Regulation No. 11971 (amended on May 3, 2007), enacting Legislative Decree 58/1998, Consolidated Finance Act.

Finally we report that, from February 2008, the Parent Company launched a new life product “Vita Temporena Caso Morte”, an annual premium with constant capital, based on the different tariff rates between smokers and non-smokers. Differing from existing products of the Group, the current tariffs in force differentiate the premium based on smoking habits, offering non-smokers a lower tariff.

The performance in 2007 of the subsidiaries is summarised in the table below:

| (Euro thousand) | GROSS PREMIUMS | CGE.% | INVESTMENTS | GROSS RESERVES | RESULT |
|----------------------------------|-------------------|---------|-------------|----------------|---------|
| LIFE INSURANCE SECTOR (*) | | | | | |
| BIM VITA S.p.A. | 2,504 | (80.12) | 99,587 | 38,719 | 381 |
| BIPIEMME VITA S.p.A. | 593,237 | n.d. | 3,627,557 | 1,658,941 | 14,260 |
| EFFE VITA S.p.A. | 4,671 | (22.72) | 83,583 | 73,407 | 1,240 |
| LAWRENCE LIFE ASSURANCE CO Ltd | 66 | (81.53) | 434,082 | 2,971 | 311 |
| LIGURIA VITA S.p.A. | 22,729 | 129.05 | 82,073 | 82,871 | 346 |
| MILANO ASSICURAZIONI S.p.A. (**) | 937,595 | 46.23 | 7,850,733 | 5,548,872 | 63,048 |
| NOVARA VITA S.p.A. | 1,748,966 | n.d. | 3,675,402 | 2,242,952 | 8,594 |
| PO VITA S.p.A. | 573,278 | 130.20 | 2,026,702 | 1,327,263 | 11,133 |
| POPOLARE VITA S.p.A. | 4,149 | n.d. | 2,437,555 | 2,216,153 | (2,768) |
| SASA VITA S.p.A. | 87,517 | 1.69 | 300,865 | 287,555 | 3,809 |

(*) data as per IAS/IFRS

(**) consolidated data of the Life Sector

The comments below refer to the separate financial statements of the subsidiary companies prepared in accordance with Italian GAAP.

BIM VITA S.p.A.

Share Capital Euro 7,500,000

(Direct Holdings 50%)

In 2007, the net result was a loss of Euro 152 thousand (loss of Euro 139 thousand in 2006).

The premiums issued in 2007 amounted to Euro 15,331 thousand (Euro 24,898 thousand in 2006). In relation to premiums written there was a significant increase (+80%) in the pension funds and a marked decrease (-81%) in life policies. The sales were made exclusively through the banking network of Banca Intermobiliare, of Cassa di Risparmio di Fermo and of Cassa di Risparmio di Bra.

The gross technical reserves amounted to Euro 90,297 thousand of which Euro 39,763 thousand in the C class and Euro 50,534 thousand in the D class (Euro 89,508 thousand in 2006). The reinsurer reserves amount to Euro 5 thousand.

The sums paid and the charges relating to the year amounted to Euro 18,193 thousand (Euro 3,661 thousand in 2006), prevalently against maturities.

The volume of the investments at December 31, 2007 amounted to Euro 50,438 thousand (Euro 49,719 thousand at 31/12/2006): debt securities represented the largest investment, equal to 88.6% of the total.

The consolidation of the results achieved by the Insurance Company in previous years will continue in 2008. In particular, by March 31, 2008 it is expected the launch of a new index-linked product.

BIPIEMME VITA S.p.A.
Share Capital Euro 73,500,000
(Indirect Holding 51%)

The net profit in 2007 amounted to Euro 10.5 million, compared to Euro 15.2 million in the previous year (under IAS accounting principles the net profit was Euro 14.3 million, compared to Euro 19 million in 2006). The result for the year was affected by the turbulence on the financial markets, which also negatively affected premiums written, equal to Euro 618.3 million (-18.8% compared to the previous year).

In this scenario, the commercial activity was constantly targeted at assisting the distribution network in achieving the growth objectives indicated in the 2005 industrial plan.

In fact an intense activity of rationalisation and implementation of the product portfolio was undertaken, constantly monitored and adjusted to maintain a high correlation between the needs of the customer and, at the same time, availing of the commercial opportunities offered by the market.

In particular, the product range was enriched with a multi class product capable of combining profitability and protection of the investment, typical of class I policies, with the possibility to utilise part of the liquidity for higher content financial products, with a more favourable cost structure for the clientele. A new class I product was also launched targeting an important client segment and with characteristics of investment protection, economic and flexibility.

The financial management gave preference to the bond sector to the detriment of the equity sector, which was appropriately scaled back.

At the end of 2007 the total investments in the Life Sector amounted to Euro 1,492.7 million, an increase of 21.9% compared to 2006. The investments in the Non-Life Sector (accidents and health) amounted to Euro 6 million, compared to Euro 5.7 million in the previous year, an increase of 4.4%.

The portfolio in the current segment reports a net gain of Euro 5.1 million compared to market prices.

LIGURIA VITA S.p.A.
Share Capital Euro 6,000,000
(Indirect Holding 100%)

The year 2007 reports a profit of Euro 243 thousand (loss of Euro 784 thousand in 2006) and premiums written amounting to Euro 22,729 thousand compared to Euro 17,011 thousand in the previous year, an increase of 33.6%. This significant growth, against the market trend and achieved without bancassurance agreements, is due to the response of the company to the requests made by the distribution network, both in relation to the new customers and with regard to the quality and the timing of the service offered, as well as the support activity given to the agencies to improve the quality of the service. Specifically, in 2007, initiatives began to limit the redemptions, in addition to targeting the distribution of high quality products to the clientele such as the so-called index linked policies.

The sums paid in 2007 amounted to Euro 8,104 thousand compared to Euro 8,870 thousand in 2006 with a decrease of 8.6%. At December 31, 2007 the gross technical reserves of the classes I and V amounted to Euro 81.6 thousand compared to Euro 69,411 thousand in the previous year; of this amount Euro 71,421 thousand refers to individual policies of the class I and Euro 10,182 thousand refers to the technical reserves of the securitisation policies of class V. There are also technical reserves of the contracts related to market indices in class III for an amount of Euro 1,825 thousand. The financial management in the year involved moderate brokering activity, which prevalently related to the bond sector and Government securities, in order to maintain the profitability level of the portfolio.

The sales activities are prevalently undertaken through the agency network, which already operates for the parent company Liguria Società di Assicurazioni SpA and comprises of 273 agencies (240 in the previous year), throughout the national territory. In 2007, there were 48 new agencies and 15 agency contracts were resolved.

At the beginning of 2008 growth was satisfactory which confirms the positive inversion of the trend recorded in the final months of 2007. In the next year the company will continue the development plan approved by the Board of Directors, with a target of a significant growth in premiums written and the strengthening and greater loyalty from the sales network. Particular attention will be placed on the growth in profit margins and on the consolidation of the portfolio.

NOVARA VITA S.p.A.
Share Capital Euro 66,000,000
(Indirect Holding 50%)

The result for 2007 was a loss of Euro 3,382 thousand compared to a profit of Euro 18,208 thousand in 2006. The technical account result, although in the presence of an increase in premiums written, was negatively impacted by the lower profitability on the products placed consequent of the redefinition of the distribution agreements, from the result of the financial component which was impacted by the net alignment of the securities in portfolio for Euro 10.1 million and from the charges deriving from the redefinition of the commitments with policyholders with the index product “Mercurio” for Euro 9.3 million.

The premiums written in 2007 amounted to Euro 1,764,553 thousand (Euro 888,995 thousand in 2006). Examining the composition of the premiums written there was a recovery of the products relating to the operations connected to the index linked equity indices from Euro 795,751 thousand to Euro 1,685,609 thousand and to the operations related to the unit linked investment funds from Euro 3,271 thousand to Euro 14,909 thousand; there was a slowdown however in the premiums relating to pension funds (-25%).

The gross technical reserves amounted to Euro 3,640,151 thousand, of which Euro 2,977,092 thousand referred to investment fund and market indices contracts (Euro 2,946,833 thousand at December 31, 2006). The increase in the net technical reserves was Euro 693,318 thousand, of which Euro 685,005 thousand relates to the increase to the income statement of the Technical Reserves, Euro 8,334 thousand relates to the increase of the Reserve for sums to be paid, and Euro 20 thousand following portfolio movements.

At December 31, 2007, the volume of the total investments reached Euro 3,778,293 million, compared to Euro 3,048,642 million at December 31, 2006. In the first half of the year, the management of the bond component was principally characterised by activities targeted at increasing the duration of the portfolio and subsequent to the purchase of the short term portion of the curve with maturities up to two years especially of government securities and to a residual degree in agency. In July, a further reduction of the corporate component continued through the sale, where considered possible in terms of impact on the yield and on the accounts. In relation to the equity component, there was a progressive reduction to exposure of this asset class principally through the sale of equities belonging to the industrial sector.

From the tax year 2005 the company has opted for the fiscal transparent regime pursuant to article 115 of the Consolidated Finance Act. The option has a duration of three years and results in the imputation to each shareholder of the assessable IRES income tax proportional to the share of profits. The agreement signed between the Insurance Company and the Shareholders aimed at regulating the application of this regime, provides that the imputation of the positive or negative assessable income does not give rise to financial settlements between the parties. The negative assessable IRES income tax to Shareholders for 2007 was Euro 1.8 million; the net deferred taxes, equally transferred to shareholders, amounted to Euro 0.7 million.

From January 1, 2008, following agreements between the bank and insurance partners, which identified Popolare Vita as the corporate vehicle for the undertaking of their understanding in the life sector, the Company ceased the placement of new contracts; at the current moment Novara Vita continues management of the in-force portfolio. The above-mentioned understanding between the Shareholders also provides, subject to authorisation by the authorities, of the merger by incorporation of Novara Vita into Popolare Vita to be implemented during the current year. At the date of the present Report the detailed action is at an advanced stage with the outsourcer in order to verify the causes which resulted in the above-mentioned recalculation of the commitments towards policyholders relating to the index product "Mercurio"; on the outcome of the results appropriate action will be adopted to protect the assets.

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.

Share Capital Euro 124,200,000

(Indirect Holding 50%)

The year 2007 reported a profit of Euro 2,196 thousand compared to Euro 16,463 thousand in the previous year. This result includes the net alignments on securities in portfolio of Euro 26,294 thousand (Euro 12,538 thousand at December 31, 2006).

The results of the commercial activities in 2007 are extremely positive, resulting in total premiums written, in accordance with Italian GAAP, of Euro 1,242 million, an increase of 33.2% compared to the premiums written in 2006 of Euro 932 million including Euro 150 million relating to securitisation policies underwritten by Cassa di Risparmio di Parma e Piacenza Spa. The breakdown is Euro 871.5 million for Index products (Euro 476.3 million in 2006), Euro 95 million for Unit products (Euro 33.4 million in 2006) and Euro 275 million of separated management products (Euro 422.1 million in 2006).

The gross reserves amounted to Euro 4,055,584 (Euro 3,557,989 thousand in 2006) and relate for Euro 1,846,992 thousand to class C and for Euro 2,208,592 thousand to class D.

The sums paid and charges relating to the year amounted to Euro 692,830 thousand, a strong decrease of 89.1% on the previous year.

The management expenses in 2007 amounted to Euro 93,021 thousand and principally concerned Euro 76,105 thousand from acquisition commissions and Euro 9,032 thousand from maintenance commissions matured in the year in favour of the network.

Due to the increase in the size of the companies, in 2007 the total investment volumes amounted to Euro 4,183 million (Euro 3,678 million at December 31, 2006) and prevalently consisted for Euro 1,634 million of fixed income securities.

The IRES income tax assessable transferred to the shareholders for 2007 was Euro 13.8 million corresponding to income taxes of Euro 4.6 million (respectively Euro 18.6 million and Euro 6.1 million for 2006); the net deferred assets, equally transferred to shareholders, amounted to Euro 4.6 million (Euro 1.4 million in 2006).

The distribution network was strongly reinforced during the year with the start up, in May, of the partnership with Banco Popolare Friuladria Spa and from July 1 with the acquisition from Cariparma of 173 new branches (A.T. branches).

With a letter dated January 17, 2008, Cassa di Risparmio di Parma e Piacenza exercised the withdrawal rights of the shareholder agreement relating to the holding in the share capital of Po Vita S.p.A.

For further details reference should be made to the paragraph "Subsequent events after the year end".

POPOLARE VITA S.p.A. (BPV VITA S.p.A.)

Share Capital Euro 87,600,000

(Direct Holdings 50%)

In 2007, the profit was lower by Euro 5,161 thousand than the previous year amounting to Euro 25,691 thousand also due to the changed tax regime consequent of the change in control of the company.

The gross premiums recorded amounted to Euro 73,650 thousand (Euro 719,919 thousand in 2006) and was 74% comprised of linked products. The gross technical reserves amounted to Euro 2,438 million (Euro 3,524 million in 2006) and were composed of Euro 1,880 million (Euro 2,554 million in 2006) of class D reserves and the remaining Euro 558 million (Euro 970 million in 2006) of actuarial reserves.

The volume of the investments at December 31, 2007 amounted to Euro 2,535,642 (Euro 3,655,755 thousand in 2006). The policy for the investments to cover the non-linked policies is based on the principles of prudence; the government securities account for over 79% of the total portfolio. During the year the investments in the equity sector were contained which at December 31, 2007 represented less than 1% of the total.

In line with the previous year, the distribution network of the company comprises of 790 branches of the banks belonging to the Banco Popolare di Verona e Novara Group. In addition there are 2 branches of the Banco Popolare Banca Popolare Provinciale Lecchese s.c.a.r.l. The distribution network is integrated by 141 financial brokers of AZ Investimenti Sim.

During 2008 all of the technical operational actions will be implemented in order to achieve the objectives of the industrial plan on the basis of the agreement between Banco Popolare and Fondiaria-SAI.

SASA VITA S.p.A.
Share Capital Euro 16,500,000
(Direct Holding 50%, Group Holding 100%)

In 2007, the Company recorded a net profit of Euro 2,480 thousand in line with 2006 (Euro 2,414 thousand). This result was a combination of factors, the most significant of which were:

- Growth in the premiums recorded, which amounted to Euro 87,517 thousand (+1.7% compared to 2006);
- The group's risk policy within the policies permitted the Company to maintain a good level of profitability;
- Overheads substantially in line with the previous year; the ratio of general expenses on premiums written was maintained at a good level of 2.75%, an increase compared to the previous year (2.41% in 2006);
- The financial income increased compared to 2006 due to the higher profits realised on investments.

The gross technical reserves, including the D class, amounted to Euro 298,160 thousand and increased by 13% compared to December 31, 2006 (Euro 263.162 thousand).

The investments of the Company increased from Euro 264,778 thousand at December 31, 2006 to Euro 304,150 thousand at December 31, 2007 (+14.9%) and were entirely financed by cash flows generated from the insurance activities.

In 2007, total premiums written amounted to Euro 87,517 thousand (Euro 86,062 thousand in 2006), an increase of 1.7%. The premiums written in 2007 were achieved without the contribution of Single Premium Policies of amounts above one million (in 2006 three contracts accounted for approx. Euro 15 million). It is highlighted the data relating to the Index premiums which amounted to approx. Euro 33 million, an increase of 52% on 2006.

At December 31, 2007, the distribution network consisted of 678 sales points, including multi-mandate agents and brokers. The sales network was merged with the commercial network of SASA Assicurazioni Riassicurazioni S.p.A. under the responsibility of one single figurehead.

Within the commercial promotion three Index campaigns took place, two annual premium product campaigns, one pension product campaign and a campaign on Single Unit products. In addition the tariffs of the ProYoung product are being revised and a product is being prepared for the reinvestment of the Index coupon and of the capital maturing.

THE LAWRENCE LIFE ASSURANCE CO. LTD

Share Capital Euro 802,886

(Indirect Holding 100%)

In 2007, the Company reported a profit of Euro 341 thousand compared to a profit of Euro 286 thousand in the previous year. The improvement, equal to 61%, is due to the result of the technical management of the portfolio, a gain of Euro 35 thousand compared to a loss of Euro 79 thousand in the previous year.

The value of the assets managed reached Euro 434 million, an increase of 10% on 2006, principally due to the new premiums written.

The premiums in 2007 amounted to Euro 66 thousand of premiums with contracts classified as insurance (2006: Euro 355 thousand) and Euro 36,736 thousand classified as financial contracts (2006: Euro 13,225 thousand). The strong increase in the financial contract premiums is principally due to the commercialisation of two products related to hedge funds.

Reinsurance

INTRODUCTION

The Group reinsurance structure is in line with the protection system of the Parent Company.

In line with previous years, the placement of all the automatic cessions of the companies of the Fondiaria-SAI Group on the international market takes place through the captive insurance company The Lawrence Re Ireland Ltd, with the following exceptions for the Non-Life Sector:

- The transport classes placed within the subsidiary SIAT;
- The aviation classes placed directly by the underwriting companies;
- The remaining non-marine portfolio of SIAT placed with Milano Assicurazioni;
- The significant risks ceded optionally directly by the companies.

Non-Life Reinsurance

In line with previous years, the placement of all the automatic cessions of the companies of the Fondiaria-Sai Group on the international market takes place through the captive reinsurance company of the Group The Lawrence Re Ireland Ltd with the following exceptions:

- The transport classes placed within the subsidiary SIAT;
- The aviation classes placed directly by the international underwriting companies;
- The remaining non-marine portfolio of SIAT, in progressive decline, placed with Milano Assicurazioni;
- The significant risks ceded optionally placed directly by the individual companies.

The reinsurance policy continues to be orientated towards cessions on a non-proportional basis of the protection of the individual or cumulative risks deriving from a single event for the classes Fire, Injury, Theft, General TPL, Motor Vehicle TPL and Land Vehicles while on a proportional basis for the classes Credit and Technological Risks. In relation to the classes Aviation and Guarantee the structure is based on proportional agreements and covering excess claims for the protection of the relative retained. The adequacy of the reinsurance programme is illustrated by the recoveries made during the year on claims of a certain size, especially in the fire class.

The proposition of coverage ceded composed by the different portfolios of the individual Companies continues to provide balanced programmes to the international market, which presented with a detailed level of analysis, are constantly requested by the principal reinsurers and maintains the costs unaltered against an increase in the positions.

This situation, together with the good results reported, allows for an excellent level of guarantee on solvency, particularly important in the presence of catastrophic coverage, for example Injury and Property.

The subsidiary SIAT placed on the reinsurance market the protection relating to the Transport sector operating as reinsurer of the companies of the Group, with a mixed structure based on proportional settlements and protection in excess of claims. The remaining “non marine” classes, in any case being disposed of, were integrated into the various Group programmes through Milano Assicurazioni.

The subsidiary SASA following the guidelines issued by the parent company, placed the Aviation class directly on the reinsurance market and the Transport classes through SIAT, while Group programmes were utilised for the other guarantees. In specific cases, where there was a lower priority, specific underlying programmes were placed, also through The Lawrence Re.

The active reinsurance includes at December 31, 2007 all the optional business and the acceptances by the insurance companies of the Group and at December 31, 2006 for all the other types of agreements. Net of the relative reinsurance the equilibrium of the result is confirmed in line with previous years.

Life Reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess: the retentions of the individual Companies of the Group vary according to the respective volumes of underlying premiums. The subsidiary The Lawrence Re reinsures this portfolio and obtains coverage on the market through a non-proportional structure for the specific risks and a Stop Loss protection on the retained of the Group.

Also the non-proportional programme, which protects the Companies of the Group from risk events, is subsequently ceded by The Lawrence Re, after a further reduction of the retention.

The retentions continue to be held for the participating insurance companies, especially when compared to the total capacity provided.

Real Estate Sector

The effect of the US “sub-prime” crisis (loans to American households with high risk profiles) arose in the second half of 2007 within a slowdown already underway, accelerating a downward trend since the beginning of the year.

With reference to the Euro area, the periodic report issued by the European Central Bank shows, in the first half of 2007, an increase in the prices of residential real estate of around 6.6%, against an increase of 6.7% registered in 2006. In general, the estimates available show that residential prices, after the acceleration between the middle of the 1990’s and 2005, have continued at a more moderate level.

The data at national level indicates that the moderation in residential prices was in the countries that had recorded the highest increases, such as Belgium, Ireland, Spain, France and Malta.

On the other hand, the data relating to Italy, the Netherlands and Austria shows the increases in residential prices in 2007 remained in line with those recorded in 2006 reflecting, in general, a decrease in the demand for residential property. The data currently available for the market of the demand and offer indicates that, in the second half of 2007, there may have been a further moderation in the prices of residential property.

The American worries are common to the major part of the developed countries, where the residential prices have risen significantly in recent years.

For Italy, where residential prices have grown less than elsewhere the preoccupation could be more contained taking into account that, whilst differing from many other countries, the Italian households are structurally more solid from an asset viewpoint, with a low ratio of debt to wealth (in Italy: 5%, while in the USA, UK and Germany: between 20% and 25%), and with one of the highest savings rates and low delinquencies on mortgages.

The Observatory on the national real estate market Nomisma illustrates a growth in prices on a half yearly basis of 2% (5.1% on an annual basis), the lowest value since 1998, with a decline in the sales/purchases of 3.3%, an increase in the average sales period of residential properties to approx. 5.6 months and a discount in negotiations which, in the residential sector, is around 11.6%.

These indicators also forecast a further contraction in activity.

Still without official data, expectations and estimates indicate a decrease in residential purchases/sales of between 4.5% and 6.5%, particularly in regional capitals. Provincial sales weakened due to lower demand.

Graph 4 - Trend of sales/purchase in Italy



Source: UBH - The residential real estate market and Italian credit, January 2008.

The Observatory on the real estate market Nomisma reports a growth in prices on a half yearly basis of 2% (5.1% on an annual basis), the lowest value since 1998, with a decline in the sale/purchases of 3.3%, an increase in the average sales period of residential properties to approx. 5.6 months and a discount in negotiations which, in the residential sector, is around 11.6%.

These indicators also forecast a further contraction in activity.

The changed market scenario, the expected reduction in interest rates, the unwillingness to decrease below expected returns and the strong liquidity continue to drive the investment market in the central and prestigious areas representing a new element in the sector, explaining why a sharp drop in prices was avoided.

In fact, after the increases, higher than 15% at the beginning of the century, the sector is now in a new market phase where the fluctuations will be more contained but should present rather strong resistance to any deflationary tendencies.

The expectations are still for a positive performance: for 2008 an increase is expected in the average prices of around 5%, in line with 2007.

Graph 5 – Italy: forecast average percentage change on current real estate prices

| (data shown in %) | 2007 | 2008 |
|-------------------|------|------|
| Residential | 3.6 | 5.6 |
| Offices | 4.9 | 4.3 |
| Commercial | 5.3 | 2.6 |

Source: Nomisma data

In relation to the rental market, which concerns approx. 19% of Italian households with 4.3 million homes, in the last 30 years the percentage of Italians that live in rented property has decreased from 40% to 18.8%. From research undertaken by Nomisma, it emerges the difference between the monthly payments incurred by the Italian households and the actual market rent, more expensive on average by 38.6%, with 110% in Rome, 92.8% in Milan and 59.6% in Florence.

In fact, with reference to the mortgage market, the Bank of Italy reported that between 2002 and 2006 the national level of debt almost doubled compared to the European average, with an increase in the loans to property value. In particular, the credit institutions have commenced to offer specific solutions to new borrowers such as those with atypical employment and to non-Europeans. The national market is not exposed to insolvency risks as the increase in the defaults is stable and the credit institutions have always adopted a prudent attitude in the provision of loans.

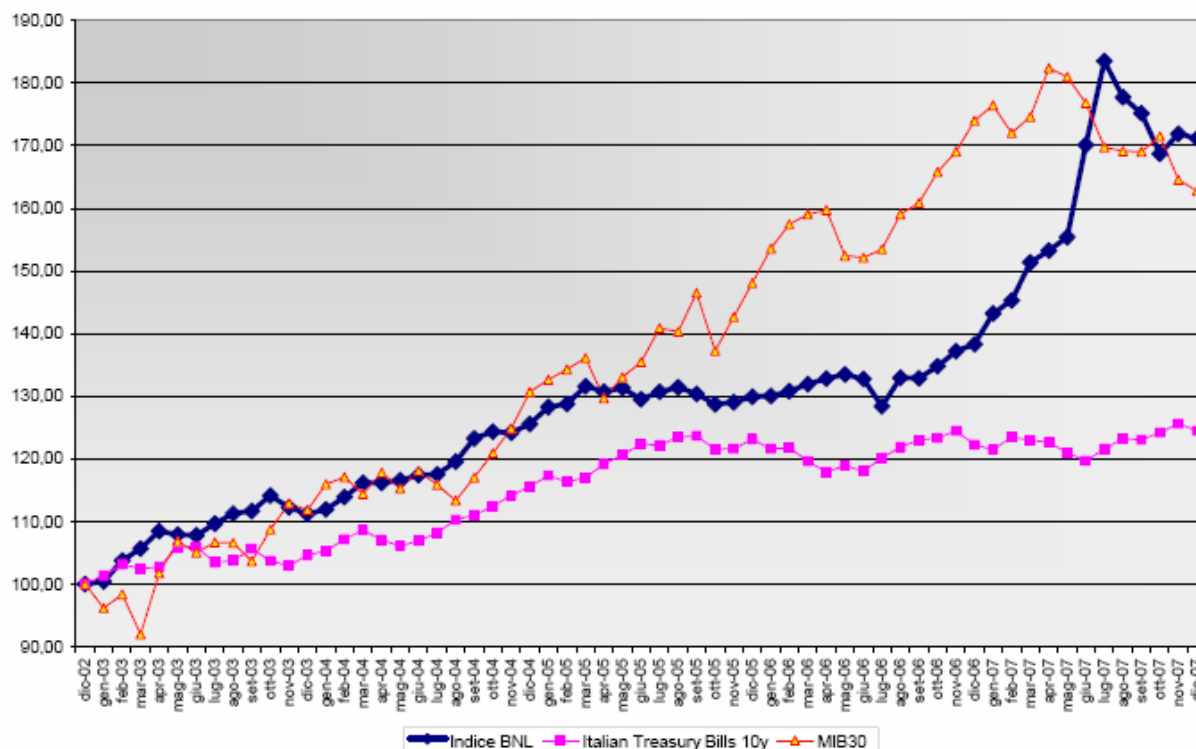
For further details, reference should be made to the section “Other Activities – Credit consumption”.

With particular reference to the Italian property funds, also in 2007 they were confirmed as a valid alternative investment instrument, thanks to a deficiency in the exchanges due to the nature of the instrument and to the long-term time horizon and not created for trading and also to the fact that they are not correlated to the financial market and consequent crisis, having a more autonomous real trend. For example, in the case of unsatisfactory operational performances by a listed company in the real estate sector, the concerns are immediately reflected in the Stock Exchange price and, therefore, on the share value, but do not impact on the valuations of any property belonging to the fund with similar rapidity. This is also demonstrated by the fluctuations of the performance of the Stock Exchange property funds in the last five years (Bnl, property fund index: 2.12%), very contained compared to the equity index (Mib30: 3.17% and Mib Real Estate: 5.5%). In addition, the returns are within a more restricted fluctuation band: -3.68% and +9.64%, of the Bnl index, compared to -12.59% and +12.55% of the Mib Real Estate at the end of 2007.

Since December 2002, in order to monitor the performance of the Italian closed real estate investment funds listed on the Milan Stock Exchange, the Bnl index was created which was composed of only 7 funds on its inception, and 22 funds at the end of 2007, with a stock exchange capitalisation of Euro 5,065 million at December 31, 2007.

The insertion of the new funds in the index occurs only twice a year (June and December) and only for those listed at least three months.

Graph 6 - Bnl Index and other asset classes



Source: BNL Real Estate Funds - BNP Paribas Group

The real estate funds are placed between equity investments and bonds: the structure of the revenues is based on, on the one hand, the receipt of rental income (similar therefore to an expected coupon) and, on the other hand, the appreciation of the value of property, similar to the increase of the capital risk.

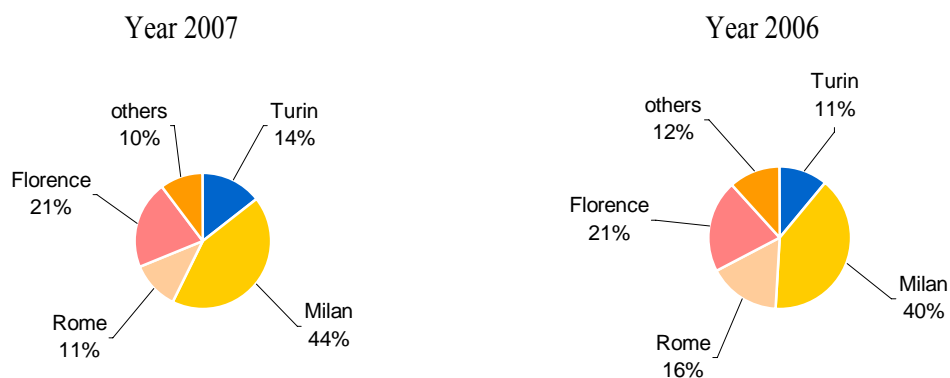
The performance at the end of December of the products quoted was approx. +17.6%, compared to +6.5% in 2006 and 3.5% in 2005, while the shares of real estate companies listed on the Stock Exchange lost approx. 44%.

Although recording reasonable results, it will be difficult in 2008 to repeat the results of 2007, due to the property held in portfolio for office use, which could be affected by the slowdown in the economic cycle, which will impact upon occupational levels.

It is difficult to forecast the trend of the real estate market in 2008 for the institutional investors, given that the results relating to the second half of 2007 could incorporate a strong slowdown of the performance, in view of further signals of a slowdown in the Italian and World economies. Small increases relating to the non-residential sector should however continue, driven by the logistic-industrial segment which if relating to large and strategic real estate projects could offer better growth than in the past.

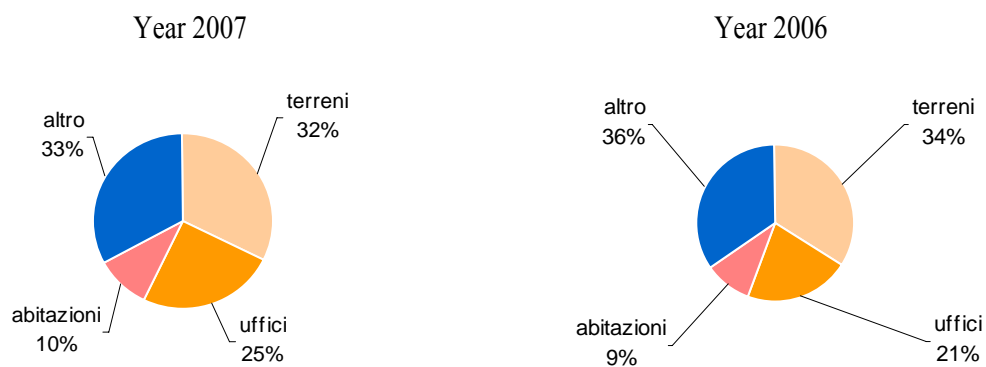
For information purposes, the breakdown of Group real estate by geographic area is shown below.

% Breakdown of Group real estate by Geographic area



The breakdown of the Group real estate by use is shown in the table below:

% Breakdown of Group real estate by use



Group Real Estate Assets

The financial results reflect the important investment activity undertaken during the year.

The real estate activities undertaken by the companies of the Fondiaria-SAI Group continued the objective of improving returns on the property portfolio and the undertaking of important development projects. The activities of the sector are managed by the subsidiary Immobiliare Lombarda which is consolidating its position among the leading real estate operators.

The key data on the real estate sector is summarised below:

| (in Euro thousands) | 2007 | 2006 |
|---------------------|---------|---------|
| Gains realized | 61,109 | 15,189 |
| Total revenues | 205,221 | 154,225 |
| Interest charges | 22,391 | 15,907 |
| Profit before taxes | 36,276 | 19,310 |
| Investment property | 973,317 | 978,477 |
| Loans | 396,215 | 380,731 |

The result before taxes increased to Euro 36 million compared to Euro 19 million in the previous year. A significant contribution to the results were the gains realised by the Tikal fund on the sales in the year, amounting to Euro 61 million and including realised gains with third parties previously adjusted inter-group.

Among the principal operations in the sector we report:

- The Tikal R.E Closed Fund strategy of maximising returns deriving from rental income, as well as the conservation and improvement of real estate values through maintenance, improvement and restoration, in order to create the foundations, in addition to that already reported, of further realisations which may arise on the real estate market.
In particular, in 2007 the fund undertook the following sales: building for commercial use located in Turin - via Lagrange No. 35/A, Doria 7 for Euro 13.7 million; building for commercial use located in Florence - via de Sanctis No. 49-51 for Euro 5.75 million; building for commercial use located at Rome, Piazzale dell'Industria, 40/46 for Euro 120 million; building for commercial use located at Rome, Piazzale Don Sturzo, 21/33 for Euro 60 million;
- The subsidiary Meridiano Risparmio acquired the building in Florence, via Salvagnoli, 4 for Euro 8.5 million;
- In relation to the subsidiary Immobiliare Lombarda sales were completed of some buildings, while the renovations continued on the remaining properties. In 2007, the Group activity continued aimed at upgrading the property bank and an increase in the returns, simultaneous to the development of the real estate projects in portfolio.

Total revenues in 2007, including sales and inter-group services, amounted to Euro 177 million (Euro 107 million in 2006), while the result for the year was a loss of Euro 1.8 million (profit of Euro 3.1 million in 2006). Contributing to this result was the sale to the Tikal Fund of the building, for hotel/reception use, located in Milan, via Rosale, 4 for a price of Euro 32 million, which as an inter-group operation was reversed in the consolidated accounts;.

- The subsidiary Meridiano Secondo acquired the volumetric rights to the hotel/reception complex in the Garibaldi-Repubblica area, located in Milan for an amount of Euro 17.7 million. Simultaneously volumetric rights other than reception use were exchanged with additional hotel/reception volumetric rights for Euro 9.3 million. With this acquisition, the company completed the preparatory acquisitions for the construction of a high quality hotel in Milan;
- The subsidiary Meridiano Quinto Srl acquired from the subsidiary Immobiliare Lombarda Spa the buildings located at Milan via Torino, 66/68 and via Larga, 26. The sales were concluded for the following values: via Torino for Euro 30.1 million and via Larga for Euro 12 million and as concerning infra-group operations these amounts were reversed in the consolidation.

Group Real Estate Investment Holdings

With reference to the real estate holdings, we report the following movements:

- Immobiliare Lombarda acquired the investment in the company IGLI S.p.A. amounting to 33.3% of the share capital. For further details reference should be made to the paragraph below;
- On February 23, Immobiliare Lombarda signed the preliminary purchase of 51.67% of the share capital of the company SEIS S.p.A. with a simultaneous payment of Euro 1.2 million as down payment. The total price for the acquisition of this stake is Euro 12 million. The closing of the operation was completed on June 29 with the payment of the balance. The Company is owner of a residential complex located on the island of Maddalena in Sardinia. To complete this purchase a bank loan of Euro 9.6 million was obtained from Efibanca. This loan is guaranteed by a first degree pledge on the investment held by Immobiliare Lombarda in the Company and a mortgage was also constituted on the building “Torre 2 - Torre 3” located at Milan, via Val Formazza, 10 owned by the buyer;
- Immobiliare Lombarda acquired the entire shareholding held by the company S.G.A. S.p.A. in Sintesi Seconda S.r.l. at a price of Euro 10 thousand and a receivable against the same company of approx. Euro 36 million. The company acquired owns four office buildings located in Milan, via Missaglia, 97, which together with those already owned will create a single project. This project provides prevalently for serviced offices for the construction of an independent operating area. The purchase was completed with a bank loan of Euro 36 million;
- During the year Immobiliare Lombarda Spa incorporated the company Chrysalis S.p.A. in which it owns 20% of the share capital. In July 2007, this company launched a total purchase offer on the shares of the fund “BETA Immobiliare - Closed Real Estate Investment Fund”, set up and managed by FIMIT Sgr. The bid price for each quota was agreed at Euro 1,213. The operation was concluded on September 21, 2007 with the purchase of 67.164% of the quotas of the fund.

-
- On August 2, Immobiliare Lombarda agreed the preliminary sale of the stake in the subsidiary Crivelli Srl to Unicredit R.E with the simultaneous receipt of a down-payment of Euro 12 million. The company Crivelli Srl will construct an office building on the land owned at via Cambi in Milan. On the completion of the construction the final transfer will take place of the ownership of the stake in the company at a total price of Euro 59.5 million.

The principal urban restoration works in which the Group participates are listed below:

- **At Milan:** CityLife project, concerning the former Trade Convention Area, which aims to restore the area in question and has the objective to create an emblematic and recognisable area, capable to promote new models and styles of life, work, culture and leisure time. The planned procedures incurred delays with the municipal administration relating to the metro stop in the centre square of the three towers. The restoration activity commenced in March 2007 and after an initial slowdown, recommenced at full operational level. Work on the first residential lot is expected to commence in Autumn. The completion of the construction and the commercialisation phase is expected for 2014.
- **At Rome:** Alfiere project, which aims to restore the “Towers of the EUR”, current headquarters of the Inspector of Taxes, within an urban restoration project which proposes a modernisation of the area, through the construction of important architectural works. The whole operation is centred on the multi-usage of the spaces, eco-compatibility, energy saving and the use of avant-garde materials and technology. The change requested to the Regulatory Plan, which provided for the complete demolition of the existing buildings and construction of new residential buildings, with the appointment of the architect Renzo Piano, was not accepted by the City Council at the beginning of February this year. A study therefore commenced of the overall project, which requires a detailed analysis of the existing structures in relation to their functions and use.
- **At Florence:**
 - Castello Project, for the restoration of the area. In 2007, the planning situation was significantly updated for the development of the project. In particular, the negotiations with the Municipality for the change in use of part of the lot from “private” to “public”, to be attributed to the Province, resulted in an agreement, especially in relation to the realisation of the two public areas, thus permitting the public tender of only the land. At the present moment, the determination is underway of the value of the area to be sold, the preparation of the planning model, as well as the commencement of the public adoption procedures and approval of the building structures and the above-mentioned modifications.

-
- Restoration, transformation and restructuring of the real estate project Manifattura Tabacchi. A study for the restoration with the Municipality of Florence is in progress for the restoration of a residential, commercial and services area. The negotiations with the local public administration are still ongoing which should result in agreements in the valuing of the area concerned.
 - **At Turin:** Spina 3, Cinque Cerchi Project. The district concerned represents one of the most important urban transformation operations in Italy and consists of the construction of 1,130,000 sq. m. Between 2007 and the beginning of 2008, the purchase of a part of the “Spina 3” district at Turin was completed, with total potential growth of approx. 114,000 sq. m. The commencement of work on the residential lots is planned for the fourth quarter of 2008. The construction and commercialisation is expected to be completed by 2013.

The real estate activities of the Companies of the Fondiaria-SAI Group during 2007 were directed at improving the returns and property value through maintenance and marketing activities.

Purchase by the subsidiary Immobiliare Lombarda of a holding in the company IGLI

On February 27, 2007, Immobiliare Lombarda completed the acquisition of a holding in the company IGLI S.p.A. consisting of 33.3% of the share capital.

IGLI is a holding company with a single asset of approx. 29.9% in Impregilo. In particular, Immobiliare Lombarda acquired the full holding in IGLI already held by Efibanca, amounting to 20%, and a further holding of approx. 13.3% from Tesir, at the price of Euro 38.3 million and Euro 48.9 million respectively, and thus for a total amount of Euro 87.2 million.

At the same date Tesir sold a further holding of IGLI respectively to Argo Finanziaria (approx. 3.3%) and Autostrade per l'Italia (approx. 13.3%) and thus the current shareholding of IGLI is held equally among the three shareholders, each with a holding of 33.3% in IGLI.

The total price paid by Immobiliare Lombarda corresponds, on the basis of the balance sheet of IGLI at September 30, 2006, at an average implicit value of the investment held by IGLI in Impregilo equal to Euro 4.1 per share, against an official stock exchange price of Impregilo at the date of the operation of Euro 4.67 per share.

The investment in IGLI is within the framework of the potential synergies with numerous and important real estate projects which Immobiliare Lombarda, together with Fondiaria-SAI and other institutional investors, are completing throughout the country (e.g. Citylife, Città della Moda, Ex Varesine, Area Castello, Cinque Cerchi, Torre Spaccata, etc.).

These initiatives involve civil and residential/commercial construction costing several billion Euro over the next 10-15 years, but especially, as in the case of the Citylife project, require the involvement of general contractors with international experience in the undertaking of such complex works in view of the innovative technical features of the buildings which will be undertaken (three skyscrapers).

The acquisition of a stake in IGLI also constitutes a “return” of the Fondiaria-SAI Group as a shareholder in Impregilo, an important Italian player and a company in which a majority stake was held for many years by Gemina, in which Fondiaria-SAI historically held a holding and with which it had a shareholding agreement. Immobiliare Lombarda financed the total investment in part through property sales and in part through financing.

The acquisition of the investment provides the foundations for Immobiliare Lombarda, in an important phase in the restructuring of the shareholding base of IGLI, to assume a greater role in the shareholding of the company and in line with its objective of developing industrial synergies relating to the core business of Immobiliare Lombarda.

The “Ex Varesine” real estate project

In 2006, agreements were signed with the American real estate group Hines, in order to create a further joint venture with the Fondiaria-SAI Group for a real estate project to develop the “Ex Varesine” area in Milan, adjacent to the “Garibaldi Repubblica” area and for which similar agreements were signed, also in 2006, by the subsidiary Milano Assicurazioni with the same leading US group.

The “Garibaldi Repubblica” real estate project

During 2007, the development of the real estate project continued relating to the “Garibaldi Repubblica” area in Milan involving Garibaldi S.c.s. and in which Milano Assicurazioni holds 47.95% of the share capital. We recall that the involvement of Milano Assicurazioni in the project arose following the agreements signed in the first half of 2005 with the American real estate group HINES, with the purpose of creating a joint venture with the Fondiaria-SAI Group – and, specifically, with Milano Assicurazioni.

Within this project, it is planned that Garibaldi s.c.s. will undertake the development of approx. 95 thousand sq. m. of building surface, of which approx. 50 thousand sq. m. for office use, approx. 10 thousand sq. m. for commercial use, approx. 15 thousand sq. m. for residential use and approx. 20 thousand sq. m. for exhibition use.

Also in 2007:

- The planning process of the real estate project continued;
- The executive design was further developed;
- The various sites commenced works.

The 2006 financial statements, the latest available at the current date, recorded a loss of Euro 0.3 million, while the draft 2007 financial statements, still to be approved, report a loss of Euro 0.3 million and a net equity deficit of Euro 0.8 million. These results, attributable to the financial component, are related to the start-up phase of the initiative, also due to the fact that the project is largely financed by loans provided by the shareholders.

The loans provided to Garibaldi S.c.s. by the parent company Milano Assicurazioni amounted to Euro 27.2 million at December 31, 2007.

The key results in 2007 of the principal companies of the Group operating in the real estate sector are summarised below:

| | VALUE OF PRODUCTION | CGE% | COSTS OF PRODUCTION | RESULT |
|---------------------------------|------------------------|---------|------------------------|---------|
| (in Euro thousands) | | | | |
| IMMOBILIARE LOMBARDA S.p.A. (*) | 172,599 | 81,65 | 87,888 | (1,774) |
| NUOVE INIZIATIVE TOSCANE S.r.l. | 16,851 | (18,77) | 1,028 | (939) |
| TIKAL R.E. FUND | 55,242 | 9,82 | 17,678 | 29,347 |

(*) consolidated data as per IAS/IFRS

IMMOBILIARE LOMBARDA S.p.A.

Share Capital Euro 697,907,754

(Direct Holding 50.12%, Group Holding 56.45%)

The consolidated financial statements in 2007 report a loss of Euro 1,774 thousand compared to a profit of Euro 3,082 thousand in 2006. The results in the year reflect the important investment activities undertaken with the development of real estate initiatives undertaken through vehicle companies, held fully or partially. The year 2007 saw the consolidation of the growth of the organisational and management structures of the Group.

In 2007, the value of the investment was Euro 172,599 thousand (Euro 95,016 thousand in 2006).. Revenues from sales amounted to Euro 137,657 thousand and comprised of:

- Euro 50,894 thousand relating to sales and marketing of the residential units belonging to the real estate initiatives of the subsidiary Progetto Bicocca La Piazza S.r.l.;
- Euro 86,764 thousand relating to sales of the Parent Company.

Production costs in 2007 amounted to Euro 87,888 thousand (Euro 75,051 thousand in 2006) and prevalently consist of:

- Service costs of Euro 49,152 thousand (Euro 48,413 thousand in 2006);
- Purchases of raw materials and consumables amounted to Euro 20,954 thousand (Euro 11,034 thousand in 2006) principally relating to costs for the purchase of the volumetric rights for hotel/reception use in the Garibaldi-Repubblica area in Milan acquired by the subsidiary Meridiano Secondo S.r.l.

Inventory prevalently consists of land, both constructible and non, buildings completed for sale and buildings in construction and are valued at the lower between purchase cost and realisable value, subject to an independent evaluation. In particular, the account decreased for property sales in the year totalling Euro 113,425 thousand and generating total revenues of Euro 137,657 thousand and relate in particular to sales in the Parent Company.

The incremental works and expenses capitalised, recorded during the year totalling Euro 33,876 thousand principally refer to extraordinary maintenance undertaken on the properties of the Parent Company and its subsidiaries which increased their value, planning charges and finance costs as well as, in the case of Marina di Loano S.p.A. and Progetto Bicocca La Piazza, to structuring work and advancement on the lots still under construction. The change in the consolidation scope resulted in a change in inventories of Euro 70,848 thousand and represents the fair value of the buildings recorded in the financial statements of Sintesi Seconda S.r.l., amounting to Euro 36,020 thousand and S.E.I.S. S.p.A. amounting to Euro 34,829 thousand.

The Group net debt at December 31, 2007 totalled Euro 300,818 thousand (Euro 203,734 thousand at December 31, 2006), of which Euro 87,201 thousand relates to short-term debt and Euro 213,617 thousand to medium/long term debt. It is recalled that in order to optimise the Group's risk exposure to interest rates the Parent Company has two swap contracts which cover approx. 50% of the loans obtained.

The real estate activities undertaken by the Group have the objective of improving returns in the property portfolio and the acquisition of important development projects. The year 2007 saw important real estate operations and confirmed the commitment to several important projects. The most important projects undertaken by the subsidiaries of Immobiliare Lombarda are as follows:

- The project of Progetto Bicocca La Piazza relating to a residential complex in Milan, which in 2007 undertook important commercial activities with revenues of approx. Euro 50.9 thousand;
- Through the subsidiary Marina di Loano S.p.A. the Group owns a tourism real estate project relating to the construction of the new port at Loano (SV), with total works completed in 2007 of approx. Euro 4,434 thousand;
- The subsidiary Meridiano Secondo acquired hotel/reception building rights of approx. Euro 18 million for the completion of the construction project of a high quality hotel.

The Group is a major player in the real estate sector, with real estate assets of approx. Euro 745.9 million (book value) held directly or through subsidiary companies, and is also involved in the management of significant real estate properties. The activities will be principally directed at optimising real estate returns either through commercial activities or through the rental of existing real estate and the completion of development initiatives already in portfolio.

The Parent Company reports a net profit of approx. Euro 5.4 million in 2007 compared to Euro 4.7 million in 2006. The year 2007 was characterised by the optimisation of the opportunities offered by the current market scenario. At December 31, 2007, the real estate recorded in the accounts as "inventory" amounted to Euro 430 million (Euro 499 million at December 31, 2006). The real estate activities are carried out in the residential, office, commercial and land sectors.

The value of production of the Parent Company amounted to Euro 133,488 thousand (Euro 71,382 thousand in 2006) and comprised for over 75% of revenues from sales of Euro 100,264 thousand (Euro 35,309 thousand in 2006). The revenues from sales refer to the sale of property during the year, realising a total gain of approx. 22,492 thousand.

The production costs amounting to Euro 45,090 thousand decreased compared to 2006 which totalled Euro 48,141 thousand, thanks in particular to a decrease in raw material and consumable costs.

Inventories principally relate to buildings under construction and completed and decreased from Euro 498,614 thousand to Euro 430,261 thousand, thanks in particular to the sales for Euro 77,772 thousand, which principally refer to:

- Sale to Meridiano Quinto S.r.l. (subsidiary of Fondiaria-SAI S.p.A.) of two commercial buildings in Milan - Via Larga 26 and Via Torino 66/68 for a total value of Euro 42,100 thousand;
- Sale to Tikal R.E. Fund (subsidiary of Fondiaria-SAI) of a residential property called "Big", located in Milan - Via Rosales 4/De Cristoforis 6/8 for a total value of Euro 32 million.

The activities in the coming years were outlined in the Industrial Plan presented in December 2006 and aimed at improving the value of the existing property, both through sales on the market and rental of buildings and the completion of initiatives in course and the development of new initiatives on building land. In addition to the role of Property Company, Immobiliare Lombarda aims to expand the activities of Global Service Provider optimising important internal expertise, which already sees the company as an important operator in the sector. It should be noted however that the outcome of the Public Purchase and Exchange Offer launched on the Company could result in a change in the operations with regard to the achieving of the above-mentioned objectives.

NUOVE INIZIATIVE TOSCANE SRL

Share Capital Euro 26,000,000.

(Direct Holding 96.88%, Group Holding 98.69%)

The result in 2007 was a loss of Euro 939 thousand.

The value of production amounted to Euro 16,851 thousand, principally comprising of increases in inventories of Euro 16,813 thousand, rental income of Euro 18 thousand and dispossession indemnities of Euro 14 thousand.

Net financial income principally relates to interests on bank deposits of Euro 11 thousand and extraordinary net income of Euro 40 thousand. The costs in the year which did not result in an increase in the inventories amounted to Euro 1,028 thousand and principally refer to contributions to the Castello Consortium of Euro 184 thousand, premiums on surety policies of Euro 218 thousand, services of Euro 197 thousand and other operating expenses of Euro 400 thousand, of which Euro 387 thousand relates to property taxes.

The assets of the company at December 31, 2007 amount to Euro 105,003 thousand and consists of tangible fixed assets of Euro 519 thousand, financial fixed assets of Euro 41 thousand, Inventories of Euro 96,210 thousand, principally referring to the real estate complex located at Castello - Florence, receivables of Euro 8,146 thousand, including VAT receivables transferred to the parent company for Euro 7,611 thousand, cash and cash equivalents of Euro 42 thousand and other assets of Euro 45 thousand.

Liabilities consist of net equity of Euro 102,801 thousand and other payables of Euro 2,202 thousand, of which Euro 54 thousand relates to the parent company Fondiaria-SAI for services rendered.

TIKAL R.E.

Total net value of the fund Euro 526,093,713

(Direct Holding 53.18%, Total Group Holding 79.39%).

With reference to the closed real estate investment fund Tikal R.E. Fund, set up in 2004 by the asset management company Sai Investimenti SGR, a Group insurance company, the unit value of the quota at December 31, 2007 was Euro 328,575.081 against Euro 321,375.588 in the previous year.

The value of the Fund at December 31, 2007, compared to the previous year, considering the income in 2006 of Euro 11.2 thousand in the year, recorded a total increase in the quota of Euro 18,449.493, equivalent to a percentage calculated in accordance with the Assogestioni method of 5.91%.

In accordance with the strategic guidelines to avail of the best opportunities on the market, during the year the Fund sold two buildings, located in Turin and Florence. The building in Turin - Via Lagrange was sold for an amount of Euro 13.7 million, realising a gain of Euro 4.4 million on the historical cost, revalued by the incremental charges capitalised, a gain of 47.9%. Similarly, and with a view to rationalising the portfolio, in May the Fund sold a building at Florence - Via De Sanctis for an amount of Euro 5.75 million, realising a gain of Euro 0.7 million on the historical costs increased by incremental charges capitalised, amounting to an increase of 14.3%.

In July, the Fund sold the building located at Piazzale dell'Industria at Rome for a total amount of Euro 120 million, realising a gain of Euro 35 million on the historical cost revalued by the incremental charges capitalised, amounting to a gain of 41.2%. The Fund also undertook extraordinary maintenance work for the redevelopment of the General Motors premises agreed within the contractual renewal and undertook the work necessary to obtain the Fire Prevention Certificate; these interventions were already expensed, provisioned and capitalised in the guarantee fund for Euro 3.46 million. At the beginning of August, the Fund signed a preliminary sale/purchase agreement for the building, completed in December, located at Piazzale Don Sturzo at Rome for an amount of Euro 60 million, realising a gain of Euro 17.3 million on the historical cost revalued for incremental charges capitalised, amounting to a gain of 40.4%.

All four buildings were provided as guarantee as part of the Loan agreed in 2005, and therefore on the sale the Fund repaid in advance Tranche A and Tranche B, amounting to 110% of the relative ALA for a total of Euro 100.98 million in addition to Euro 17.8 million of Tranche C - VAT.

In accordance with the reinvestment policy, also with the liquidity generated from sales, in July the Fund closed the operation finalised at the end of 2006, acquiring the third building in via De Cristoforis 6 – Rosales 4 at Milan for mixed commercial and recreational use.

With reference to the real estate portfolio of the Fund, the real estate management activities are aimed at maximising rental returns and increasing the value of property through conservation, improvements, restructuring and compliance with law. Rental income in the year amounted to Euro 27.4 million, a decrease of 12% compared to Euro 31.1 million in 2006, principally due to the significant sales during the year which resulted in a reduction in rental income from property of approx. Euro 8.5 million.

Net financial charges amounted to Euro 9.7 million deriving from the 2005 loan, and to a lesser extent that in 2007 for subscription costs and non-utilisation. The hedging of the interest risk resulted in a containment of the 2005 loan costs of Euro 1.0 million. Financial income amounted to Euro 3.2 million (of which Euro 6.1 million from financial instruments, Euro 1.5 million from interest on Current Accounts and Euro 0.1 million from income on Term Deposits) thanks to the liquidity generated from the sales and an increase in returns. The management of the Fund will continue the activities aimed at divestment opportunities offered by the market.

On the buildings subject to interventions, within the context of maximising the real estate value and consequent improvement in the quality, requested by both users and investors, the fund will complete the improvement, restructuring and restoration works approved. In addition, the extension of the duration of the Fund approved during 2006 will permit a sufficient time period to maximise the return from the completion of the hotel located at Pero.

Other Sectors

The savings of Italian households

This sector includes the companies of the Group operating in the asset management sector, the financial services companies and the subsidiary Banca Sai and Banca Gesfid.

In the first nine months of 2007, the Bank of Italy estimated growth close to 1.5% of the real disposable income of Italian households, compared to the same period of 2006. In the same period, consumption increased by approx. 2%, although in the summer the growth halved compared to the average in the first two quarters of the year (+0.2%).

Household debt has decreased slightly, following a trend begun in the second quarter of 2006 and related to the progressive increase in interest rates. The growth trend remains high however (10.4% in the twelve months ended September 2007). The increase in debt reflects a long-term trend which is reducing the wide gap with other advanced countries, characterised by very high levels of household debt.

The household financial balance compared to the GDP reduced further. According to the estimates of Prometeia in October, the ratio decreased from 6.4% in the period 1997-2001 to less than 5% in the period between 2002 and 2006 and will decrease to 2.9% in the three-year period 2007-2009. The trend in recent years is related to the strong development of real estate investments, with a consequent increase in debt.

In the coming years, a deceleration in household debt is expected, with growth rates of around 7% compared to 10% in the past three years.

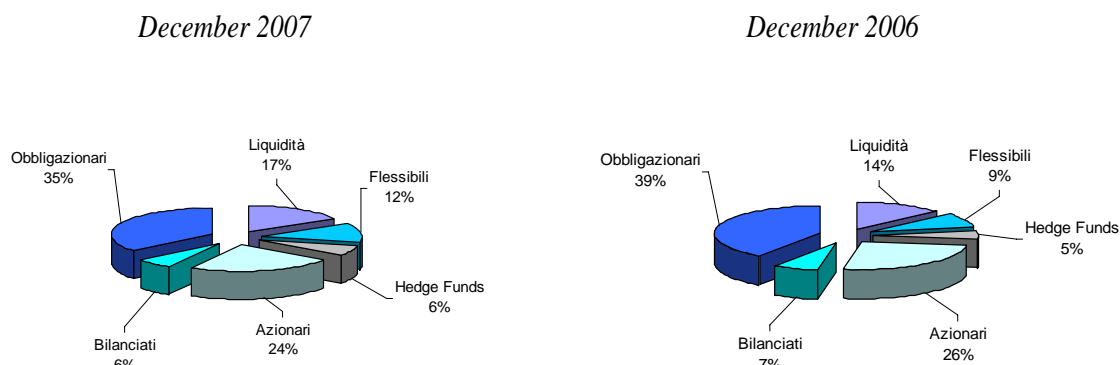
Asset Management

Although recording a strong outflow from Italian investment funds (-5.8%, amounting to Euro 53 billion), at the year-end the total assets under management amounted to Euro 176.6 billion, a growth of 1.6% compared to the previous year and representing 74.4% of total assets, while the savings administered, with Euro 60.6 billion and an increase of 19.1%, increased their share to 25.6%.

At December 2007, the capital invested in the Open and Closed Investment Funds such as sicav funds amounted to around Euro 570 billion, a decrease of 5.8% which has not been seen since 1984. In the classification by category, the equity funds recorded an outflow of over Euro 23.6 billion, at a total level of Euro 134.9 billion (-14.4% compared to December 2006), while there were larger outflows from the bond funds, with outflows of Euro 46.3 billion and total assets of Euro 204.4 billion (-16.95% compared to the previous year).

In percentage terms, the total assets of the investment funds is illustrated in the graph below.

Graph 7 –Mutual fund assets under management



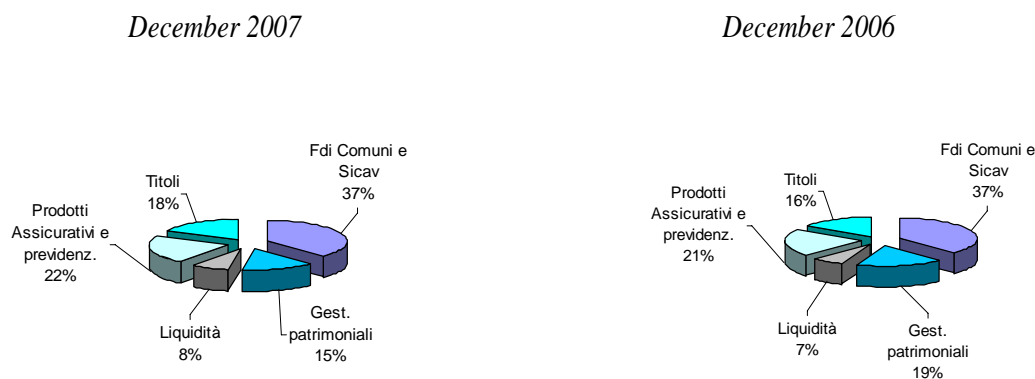
Source: Report of Assogestioni at 31/12/2007 and at 31/12/2006

In a negative context for the sector, whose origins derive from the structural weakness of the Italian financial system, the cause of the crisis is principally due to the high commissions, and a commercial policy which drives the most remunerative products (such as structured policies and products).

The sector, rapidly maturing, now has the necessity for a new growth phase which should be more qualitative than quantitative.

The financial products and investment services total value at the end of 2007 was Euro 237.2 billion, a growth of 5.6% compared to 2006 (Euro 224.7 billion).

Graph 8 –Allocation of the assets under management



Source: Assoreti, asset values at 31/12/2007

Finally, we report that at January 2008 outflow from investment funds amounted to Euro 19 billion.

Consumer credit

In a context impacted by the increase in interest rates and by a structure of household debt particularly influenced by the money market trends, during 2007 the growth of the credit market to Italian households continued, although at more contained rates than in the recent past. However the significant gap with the principal international markets, historically more mature, with an annual national pro-capita value of around Euro 1,495 for consumer credit and Euro 4,264 for real estate mortgages, is more contained compared to those in the United States (respectively Euro 7,840 and Euro 22,541) or the UK (respectively Euro 5,275 and Euro 18,645), where households have a greater utilisation of credit.

The statistical data of the Assofin Observatory, updated at the end of 2007, confirm the trend of non-secured loans and loans from repayment through salary deductions with growth rates of 23.2% and 20.6% respectively. These are also above the average (approx. 11%).

In the last five years, from 2002 to 2007, Italian household debt increased by 81.5%, reaching an average level of Euro 14,800 per family.

The international comparison confirms however that, despite the strong increase in the request for credit, the household situation is still particularly healthy. The debt estimated by Ocse is in fact equal to 59% of the disposable income of the Italian households, values still well below those recorded in Holland (246%), the UK (159%) and Ireland (141%).

According to the data of Assofin, the cost of a loan today is around a minimum of 7.8% to a maximum of 16.7%, with very high averages of around 13%. In relation to the banking sector, the introduction of the solvency regulations (so-called “Basilea 2”) and the IAS reform resulted in a strong concentration of credit; for small sized enterprises, access to ordinary credit has become particularly difficult, with strong risks or recourse to moneylenders.

At June 2007, the growth of the household credit, although remaining high, saw a strengthening of the slowdown signals which have characterised the sector since the end of 2005. Considering the overall market in the first half of 2007, an increase of around 9% compared to the end of 2006 was seen. This slowdown, seen across the Euro Area, is principally due to the gradual weakening of the real estate market and to the increase in interest rates.

Graph 9 – The consumer credit market

| | 2004 | 2005 | 2006 | June 07 |
|--|--------|--------|--------|---------|
| Total market (Euro millions) | 62,751 | 75,773 | 88,589 | 96,626 |
| of which: commercial banks (1) | 16,472 | 18,761 | 21,078 | 22,218 |
| of which: financial institutions and investment banks | 46,279 | 57,012 | 67,511 | 74,408 |
| Total annual market growth (%) | 14.9 | 20.8 | 16.9 | 14.2 |
| of which: commercial banks (2) | 7.1 | 13.9 | 12.4 | 9.4 |
| of which: financial institutions and investment banks(2) | 18.5 | 22.9 | 20.6 | 15.6 |

- (1) The values are obtained subtracting the data referred to the banks relating to the credit provided by the specialised financial institutions transformed into banks and provided by Assofin;
 (2) Growth rate calculated on a uniform sample compared to the previous year taking into account the transfer of business between different operators.

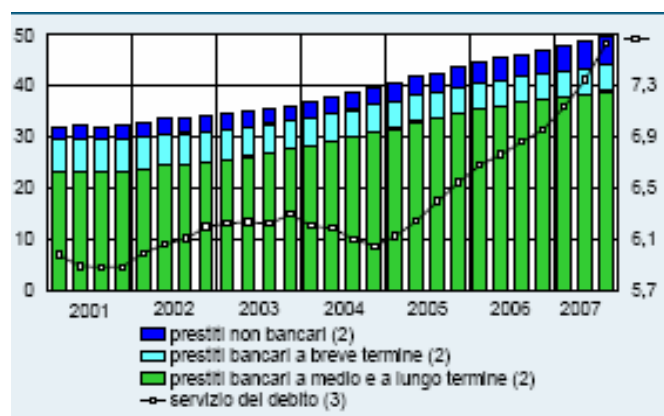
Source: Assofin-Crif-Prometeia Observatory on Retail Credit

The credit provided to households continues to grow, although at more contained rates compared to the previous five years: with particular reference to the consumer credit sector, the total values of loans provided at the end of 2007 amounted to over Euro 59.8 billion, a growth of 9.5% on 2006.

At the end of September the ratio of debt to disposable income amounted to 50% (ref. Graph 10), compared to an average of 90% in the Euro zone area.

Graph 10 – Household debt

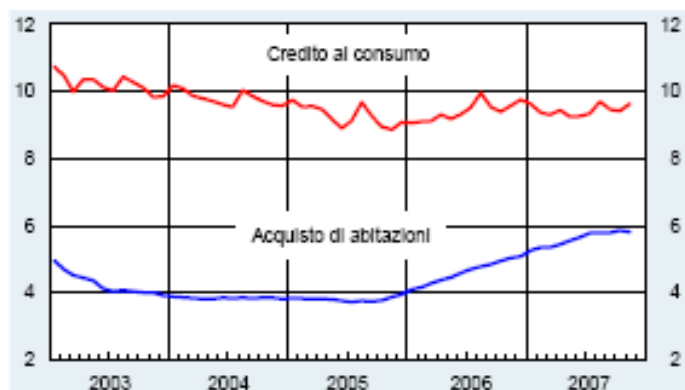
(in % of gross disposable income)



Source: Istat and Bank of Italy estimates.

The charges incurred by households for servicing the debt (interest payment and capital repayment) increased by 7.6% on disposable income in the first nine months of 2007, three-tenths of a percent higher than the first half of the year. About half of the increase is due to the increase in interest rates, in particular on mortgages (see Graph 11). The variable interest rate component, which represents over three-quarters of the total, is impacted by the significant rise in the interbank rates registered in August, in conjunction with the worsening of the crisis in the US property sector. It is estimated that an increase of half a percentage point of the interbank rate results, for the households with indexed mortgages, in an increase in debt of approx. 0.6% of disposable income. This situation impacts low-income households greatest, which have a higher percentage of loan repayment to income.

Graph 11 – Interest rates on household debts – AER on new credit (*)
(monthly data with changes in %)



(*) The “new credit” are the contracts agreed in the reference period or the renegotiation of previous loans. The AER (annualised interest rate) includes accessory expenses (administration, processing, insurance) and is obtained as the weighted average for the amounts, among the various maturities.

Source: Istat and Bank of Italy estimates.

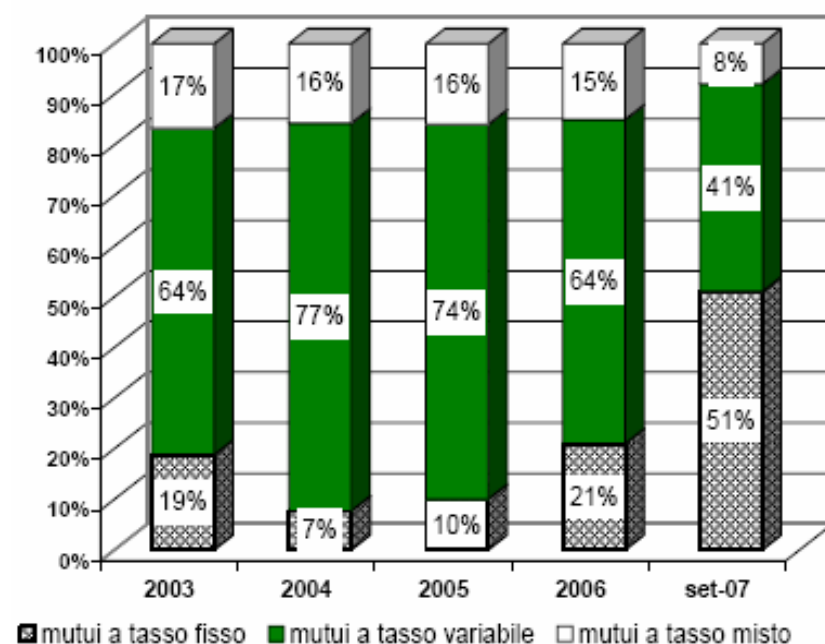
In the first nine months of 2007, there was a considerable slowdown in the provision of real estate mortgages (+8%), compared to the same period of 2006 (+15.4%). The decrease in the demand of property for investment, together with the increase in the interest rates, and to the anti-inflation policies undertaken by the Central European Bank, were the principal causes of the slowdown, even though it is reported that in this period the offer of real estate mortgages was still not restricted by lending criteria, which occurred in part from October 2007.

There are increasingly more Italian households in difficulty with repayment of mortgages. The periodic Nomisma report on the housing conditions shows that, in the first half of 2007, overdue household payments increased by 7.3%.

From research conducted by Assofin, it emerges that the loans above 25 years increased by 41% in the first half year compared to the total loans provided. In addition, the average amount of the loans increased, which currently amounts to around Euro 127 thousand, or 9% more than three years ago.

With reference to the characteristics of the mortgages financed, there has been a significant shift in the preferences of the clientele in terms of type of interest rate, as illustrated in the graph below.

Graph 12 –Mortgages: type of rate applied
(breakdown % of loans granted)



Source: Assofin observatory on real estate credit.

As illustrated from the graph, at the end of 2006 the choice of variable interest rate was predominant, while in the first nine months of 2007 there was a decisive inversion in the trend, with over 50% of mortgages at fixed rates. On the other hand, the portion of variable rates decreased which, in the period under examination, amounted to around 41% of loans granted.

The evolution of the household loan segment in the coming years will be determined by the changed market conditions. However, it would appear that the national situation is not directly impacted by the turbulence generated on the money markets: there is greater prudence and caution among the operators. In the two-year period 2008-2009, the growth in loans for home purchases is expected at around 7.6% and 6% respectively.

The most immediate effects of the US sub-prime crisis are however evident in the increase in the cost of financing, which could therefore slow the recourse to credit by Italian households.

In the next two years, the expectations of growth in household loans should continue to be positive, although with a progressive slowdown. Overall, the growth of household loans provided by banks and specialised financial institutions is expected at around 7.7% and 7.1% respectively in 2008 and 2009.

The increase in the delinquency rate is expected to slowdown in the two-year period, although at higher rates than those experienced in the period 2005-2006 (approx. 1.5%) at around 3.5%.

Acquisition of the residual 40% of Banca Gesfid S.A.

In December 2006, the Group completed agreements signed in September 2006, realising the sale/purchase by Fondiaria-SAI of 60% of the share capital in Banca Gesfid, a Swiss credit institution fully controlled by Rinascita Holding, a holding belonging to Meliorbanca, at a price of CHF 54 million. The agreement also provides for a reciprocal option right relating, respectively, to the purchase and sale of the remaining 40% of the share capital of Banca Gesfid to be exercised in the period between November 1 and December 31, 2008, at an exercise price which takes account principally of the change in equity value.

There was however the possibility of the Company to exercise the option before the original expiry date. In May 2007, therefore, Fondiaria-SAI and Meliorbanca reached an agreement for the transfer of the residual 40% of Banca Gesfid at a price of CHF 47 million, including an incentive to take into account the profits of Banca Gesfid estimated for the years 2007 and 2008, which will not be received by the seller: the closing of the operation took place in July 2007.

The advanced exercise of the option permitted Fondiaria-SAI to acquire immediately the entire holding in the share capital of the Bank, with a consequent resolution of the shareholder agreement with two years in advance of the original expiry and with full management control, relating to the development strategies and any aggregation with other targets, also achieving full operational benefits with extremely satisfactory results.

The operation, considered as a step-up on control, did not generate new goodwill.

The key results of the main Group companies in the banking and asset management sector are summarised below in accordance with IAS/IFRS criteria:

| | BROKERAGE MARGIN | CGE % | RESULT |
|----------------------------------|------------------|--------|---------|
| (in Euro thousands) | | | |
| BANCA GESFID S.A. | 17,968 | 5.03 | 8,032 |
| BANCASAI S.p.A. | 6,185 | 48.43 | (3,766) |
| SAI A.M. SGR | 6,959 | (0.17) | 157 |
| SAINVESTIMENTI SGR S.p.A. | 4,003 | 5.70 | 1,373 |
| SAI MERCATI MOBILIARI SIM S.p.A. | 4,861 | 69.28 | (2,189) |

BANCA GESFID S.A.
Share capital CHF 10,000,000.
(Direct Holding 100%)

Banca Gesfid S.A. is a Swiss bank operating in the private banking sector exclusively from its headquarters at Lugano. The principal activity is asset management. The assets are managed through accounts with national and international banking institutions. The assets of the clients are allocated according to criteria of risk and currency diversification, according to market trends and requirements of the clientele. The asset management activity also provides for the concession of loans to clients, essentially of a lombard nature, and the utilisation of derivative instruments on behalf of clients principally to hedge against currency risk.

The year ended with a net profit of CHF 13,006 thousand compared to CHF 11,047 thousand in the previous year (+18%). The principal accounts which contributed to the result were the considerable increase in commission operations which amounted to CHF 29,768 thousand (+12%) and a significant increase in the operating result on interest CHF 1,621 thousand (+36%). The interest margin amounted to CHF 6,185 thousand (CHF 4,561 thousand in 2006).

The assets under management amounted to CHF 2,710,097 thousand (CHF 2,342,834 thousand at December 31, 2006) and saw a considerable growth from the previous year (+16%): the widening of the product range offered by the bank of five new funds, completing the previous offer, is reported. While the assets administered at December 31, 2007 is zero (CHF 1,137,055 thousand at December 31, 2006): in fact within this activity the advisory activity which ceased from January 1, 2007 was included.

Bank receivables and liquidity at December 31, 2007 amounted to CHF 147,159 (CHF 122,478 at December 31, 2006), while receivables from customers amounted to CHF 52,456 thousand (CHF 45,831 thousand at December 31, 2006). In the first half of 2007, customer inflow amounted to CHF 130,931 thousand (CHF 114,033 thousand in 2006). Finally, at December 31, 2007 net equity amounted to CHF 57,911 thousand (CHF 44,905 thousand at December 31, 2006).

Management expenses amounted to CHF 19,961 thousand and comprised CHF 13,845 thousand personnel expenses, a growth compared to the previous year due to a marked increase in personnel numbers in support of the strong growth, and of CHF 6,116 thousand for material expenses, substantially unchanged compared to the previous year.

Management, through the nomination of specific committees and under the supervision of the Board of Directors, is primarily responsible for the determination and implementation of the risk policy formalised in specific documentation.

The Compliance officer controls compliance with regulations in force and supervision of the financial brokers, in particular for "compliance risk and due diligence". He remains updated on legislative development in progress of the supervision authorities and controls compliance of the internal directives to the new legislative and regulatory provisions.

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

The year 2007 recorded a loss of Euro 3,766 thousand, a significant improvement on the loss of Euro 7,947 thousand in 2006. The principal contribution to the result was as follows:

- The increase in the interest margin from Euro 9,206 thousand to Euro 13,421 thousand is due to the significant increase in volumes;
- The increase in the brokerage margin, from Euro 4,167 thousand to Euro 6,185 thousand. The increase refers for Euro 1,322 thousand to the dividend received from the Subsidiary Finitalia.

Client fund inflow increased from Euro 491,199 thousand to Euro 546,589 thousand. The growth is due to funds on current accounts which increased from Euro 337,131 thousand to Euro 410,572 thousand, of which Euro 196,000 thousand refers to Companies of the Fondiaria-SAI Group and to the time deposits increasing from Euro 19,152 thousand to Euro 42,498 thousand.

The operations of the Bank in the securities sector are undertaken with a rigorous prudence criteria. The investments in securities amounted to Euro 122,164 thousand (Euro 156,654 thousand in 2006). Bank receivables amount to Euro 96,676 thousand and principally comprise of liquidity on the interbank market and on reciprocal bank accounts. Compared with the previous year these costs reduced by Euro 127,365 thousand. Customer payables amounted to Euro 546,589 thousand (Euro 491,199 thousand at December 31, 2006). The net equity, excluding the result for the year, amounts to Euro 115,516 thousand. The size of the equity is adequate and above the solidity requests of the Supervision Authority.

In 2007, the development of products was concentrated in particular in the constant evolution of the banking services both for private clients and for those belonging to the Fondiaria-SAI Group (Employees, Agents, Financial Brokers and Agencies). During the year, the branch at Genoa opened which joins the branches of Turin and Florence. In Milan, there is a branch available prevalently for employees of the Group and of the Companies of the Group.

In the final quarter of 2007, following the non completion of the sale of the Banca SAI banking group, the Parent Company Fondiaria-SAI reconsidered the strategic role of the investment in the company and indicated its intention to develop the business of the bank including through the creation of appropriate synergies in order to achieve adequate operating levels. The primary objective of the Bank remains that of dynamic, balanced and prudent growth. In this context, the objectives in offering credit to the clientele are aimed in particular at maintaining a good level of the division of risk and a good quality level of credit.

The exposures are for 58% to counterparties with ratings equal to or above class BB.

The overdues, well below 1%, are contained and constantly monitored. 90% of the portfolio does not present anomalies.

There are no sub-prime or Alt-A mortgages in the portfolio as they are not part of the Banks credit policy. The concentration limits of the credit risk, in particular towards the Parent Company and the Companies of the Group are within the parameters required by the Bank of Italy and are monitored.

During 2007, BancaSAI launched three products relating to real estate mortgages called EASY CASA, characterised by clarity and transparency, with contained expenses, competitive rates and guaranteed assistance, which allows 100% financing on the value of a property:

- EasyCasa Fisso, fixed rate mortgage with the assurance of a fixed rate;
- EasyCasa Variabile, variable rate and payments always in line with the markets;
- EasyCasa Costante, variable rate, fixed payment and duration related to rate changes.

SAI ASSET MANAGEMENT SGR S.p.A.

Share capital Euro 5,000,000

(Direct Holdings 100%)

The year 2007 reported a profit of Euro 157 thousand, compared to a profit of Euro 188 thousand in 2006. Both results are in accordance with IAS/IFRS accounting principles.

The result for the year 2007 illustrates the stability of the brokerage margin (from Euro 6,971 thousand to Euro 6,959 thousand), the increase in amortisation and depreciation (from Euro 262 thousand to Euro 362 thousand) due to greater investments for software, and the decrease in income taxes due to the reduction of the assessable IRAP regional tax rate (due to one-off tax allowances) introduced by the 2007 Finance Act.

There were no significant changes in balance sheet accounts from the previous year. The assets of the companies at December 31, 2007 amount to Euro 10,687 thousand (Euro 11,750 thousand at December 31, 2006) and principally consists of available-for-sale financial assets of Euro 6,644 thousand (Euro 6,619 thousand at December 31, 2006) and receivables of Euro 3,203 thousand (Euro 4,391 thousand at December 31, 2006). Liabilities principally consist of net equity of Euro 6,512 thousand (Euro 6,205 thousand at December 31, 2006) and payables of Euro 2,739 thousand (Euro 3,210 thousand at December 31, 2006).

Total assets under management at the end of 2007 amounted to Euro 885,572 thousand compared to Euro 1,042,940 thousand at the end of the previous year. The mutual investment funds amounted to Euro 657,777 thousand and the assets under management amounted to Euro 227,795 thousand (Euro 321,360 thousand at December 31, 2006).

Total gross premiums written amounted to Euro 319,197 thousand compared to Euro 530,265 thousand in the previous year.

There was a decrease in the assets under management and a significant slowdown in relation to new net inflows, principally due to the general market and which negatively impacted the entire asset management sector.

SAI INVESTIMENTI S.G.R. S.p.A.
Share Capital Euro 3,913,588.
(Direct Holding 51%, Group Holding 67.80%)

The net profit for the year was Euro 1,373 thousand.

The income, amounting to Euro 5,241 thousand, principally consists of commission income from the management of the real estate mutual funds, amounting to Euro 4,917 thousand, and bank and government securities interest of Euro 294 thousand. The costs, amounting to Euro 3,868 thousand, prevalently consist of services and other operating expenses of Euro 1,695 thousand, of which Euro 829 thousand from the parent company FONDIARIA-SAI and Euro 82 thousand from the group company Uniservizi and commission expenses of Euro 1,201 thousand from the group company Immobiliare Lombarda S.p.A. and income taxes of Euro 930 thousand.

The assets of the company at December 31, 2007 amounted to Euro 12,098 thousand and consist of bond securities of Euro 7,377 thousand, the investment in the group company Uniservizi of Euro 8 thousand, receivables and cash and cash equivalents of Euro 154 thousand, tangible and intangible fixed assets of Euro 40 thousand, other assets of Euro 4,373 thousand - prevalently consisting of VAT receivables of Euro 3,503 thousand and receivables from the parent company of Euro 832 thousand - and tax assets of Euro 146 thousand, of which Euro 123 thousand for IRAP regional tax payment on account paid during the year.

At the same date, the liabilities are principally comprised of Net Equity of Euro 5,776 thousand, payables of Euro 2,153 thousand (of which Euro 1,553 thousand to the parent company FONDIARIA-SAI), Euro 566 thousand payable to the group company Immobiliare Lombarda and Euro 30 thousand for payables to the group company Uniservizi, tax liabilities of Euro 162 thousand and other liabilities of Euro 3,987 thousand, of which Euro 3,651 thousand for payables to the real estate mutual Fund Tikal.

During the year, the operations of the asset management company continued with the management of the closed real estate mutual fund called "Tikal R.E. Fund" and the start-up of a new Speculative Real Estate Fund which will be called "Athens R.E. Fund - Speculative Fund".

The "Tikal R.E. Fund" at December 31, 2007 had a net asset value of approx. Euro 527.2 million, which reports a growth compared to the previous year of approx. Euro 13 million.

The performance in 2007 was 5.91% and, in view of this result, the Board of Directors of Sai Investimenti SGR approved the distribution of income for a total amount of Euro 22 million, amounting to Euro 13,750 for each quota held and corresponding to an annual dividend yield of 5.5% on the nominal value of the quota.

SAI MERCATI MOBILIARI SIM S.p.A.
Share Capital Euro 20,000,000.
(Direct Holdings 100%)

The result for the year 2007 reports a loss of Euro 2,189 thousand (loss of Euro 4,207 thousand in 2006).

Significantly impacting on this result were extraordinary factors including additional charges relating to the positions on conditional floater equities totalling approx. Euro 1.3 million and income deriving from transactions relating to the bankruptcy of the former currency agent Bartolini due to the initiatives undertaken by the liquidator, amounting to Euro 1.9 million.

In relation to the above, the year 2007 experienced, compared to the year 2006, an extremely uncertain marketplace and difficulties by the company in achieving adequate operating levels to obtain break-even.

In fact, the brokerage margin in 2007 recorded a significant increase at Euro 4.9 million (+58%) compared to Euro 3.1 million in the previous year.

The interest margin at the end of 2007 amounted to Euro 0.5 million compared to Euro 0.4 million in the previous year. Operating costs recorded an increase (approx. +24%) compared to the previous year, from Euro 7.2 million to Euro 8.9 million: administration expenses, overall, grew against a significant increase in personnel expenses (approx. +30%) consequent of the strengthening in the organisation as well as the increase in other administrative expenses, (approx. +43%), principally due to the charges incurred on information technology.

The net adjustments to values on tangible and intangible assets decreased from Euro 0.4 million to Euro 0.2 million.

This decrease is related to the completion of the depreciation on some of the Company's assets.

The other management charges and income were close to zero compared to Euro 0.5 million in the previous year: the decrease in charges is due to the reduction in the "extraordinary charges" component. Specifically, in 2006 a dispute with a supplier was concluded in favour of the Company and for which no provisions have been made and therefore were entirely expensed in 2006. In 2007, there was no similar extraordinary component.

In this context, the company is preparing, together with the Parent Company, a restructuring plan to set out the strategies to achieve the above-mentioned financial break-even, also following specific requests made by the Bank of Italy.

In relation to this, the Parent Company in 2007 formally undertook measures for the implementation of appropriate synergies with the company to achieve adequate operating levels.

Among the most significant events in 2007, it is highlighted that the company was subject to ordinary inspections by the Bank of Italy, which commenced in February and concluded in April. This event, although requiring an additional use of resources by the structure, resulted in a critical operational analysis of the organisational structure and the system of controls – overseen by the Supervision Authority - and the consequent commencement of the appropriate improvements.

The key results of the main companies of the Group operating in the financial services sector are summarised below. With the sole exception of Finitalia S.p.A., the data below refers to the results of the subsidiaries in accordance with Italian GAAP.

| | VALUE OF PRODUCTION | CGE % | COSTS OF PRODUCTION | RESULT |
|--------------------------------|------------------------|---------|------------------------|--------|
| (in Euro thousands) | | | | |
| FINITALIA S.p.A. (*) | 30,434 | (3.98) | 6,700 | 1,203 |
| FINSAI INTERNATIONAL S.A. | 4,496 | 52.87 | 725 | 2,696 |
| FONDIARIA NEDERLAND B.V. | 13,741 | 0.14 | 764 | 12,977 |
| SAI HOLDING ITALIA S.p.A. | 21,709 | 26.33 | 3,788 | 13,165 |
| SAIFIN - SAIFINANZIARIA S.p.A. | 3,807 | (39.78) | 1,673 | 2,114 |
| SAILUX S.A. | 3,957 | n.d. | 1,135 | 2,897 |
| SAINTERNATIONAL S.A. | 43,352 | 42.24 | 40,430 | 11,155 |

(*) data as per IAS/IFRS

FINITALIA S.p.A.
Share Capital Euro 15,376,285.
(Indirect Holding 100%)

The year 2007 reported a net profit of Euro 1,203 thousand impacted by the extraordinary negative effect consequent of the adjustment - in the calculation of the deferred tax assets - to the new tax rate of 27.5%, introduced by the 2008 Finance Act, in replacement of the previous rate of 33%. The adjustment resulted in an increase in the tax charge for the year of Euro 795 thousand. On the other hand, the profit in 2006, amounting to Euro 2,473 thousand, was impacted by extraordinary income due to the adjustment of the accounting of the loan commissions provided in 2005 to the incorporated company MyFin, in addition to the positive effects following the advanced repayments of the medium term loan granted in 2005.

At the end of 2007, receivables amounted to Euro 182,221 thousand, compared to Euro 159,898 thousand at December 31, 2006, an increase of 13.96%, compared to a reduction of 1.6% recorded in the previous year. Total loans granted were 149,229 compared to 104,398 in 2006, for an amount of Euro 184,171 compared to Euro 148,067 thousand, an increase of 24.38%.

The brokerage margin reduced from Euro 15,618 thousand to Euro 14,923 thousand. The capital requirements were maintained well above the minimum requirements of current regulations.

The expenses, both personnel expenses and general expenses, reduced by approx. 5%, due to targeted actions on improving the organisation after the incorporation of MyFin.

The year 2007 was very important for the Company due to a series of events:

- The breakdown in the negotiations for the sale to a Banking Group of the shareholding in the Company and of the Parent Company BancaSai;
- The strategic relaunch of the commercial activities with the support of the Insurance Companies, Fondiaria-SAI Holding Company and the Parent Company BancaSai.

In relation to the principal activities of the Company - the financing of insurance premiums - the operating procedures were completed which allow for the provision of credit online and agreements were also drawn up with the Agencies for the expansion of the activities and their application by the sub-agents of the Fondiaria-SAI Group.

Relating to the activities of personal loans, in addition to improving the procedures, commercial support initiatives were relaunched together with the premium financing proposals launched by the Company.

In 2008, further improvements are planned for the agency procedures, such as provision of personal loans through the Parent Company BancaSai, which will favour fund inflow and the loyalty of the policyholders. The operating performance in the first two months of 2008 confirms the growth trend with expectations of a positive result.

FINSAI INTERNATIONAL S.A.
Share Capital Euro 44,131,900.
(Direct Holding 19.92%, Group Holding 99.98%)

The result for the year was a profit of Euro 3,771 thousand, resulting from revenues of Euro 4,496 thousand, principally comprising financial income deriving from the management of the liquidity, interest on loans and dividends from holdings and costs of Euro 725 thousand, principally comprising general and administration expenses.

The assets of the company at December 31, 2007 amount to Euro 181 thousand and comprise the holding in Mediobanca (0.35%), amounting to Euro 10 million, subject to the agreement relating to the holding in the share capital, foreign investment funds of Euro 20 million, loans granted to the Group company Sailux and Immobiliare Lombarda of Euro 130 million and liquidity and other assets of Euro 21 million. The liabilities of the company at the year-end were principally comprised of net equity of Euro 180.4 million and tax provisions of Euro 0.6 million.

In November, Finsai International partially executed the share capital increase resolution passed by the extraordinary shareholders' meeting of June 28 2005. This increase, for which a share premium was determined, was offered with the pre-emption rights to the shareholders of Fondiaria-SAI and Sailux. Sailux partially executed its right and the un-opted quota was subscribed by Sainternational.

The total value of the share capital increase, amounting to Euro 110,600 thousand, was utilised to finance some companies of the group while awaiting better investment opportunities.

Finsai International also acquired the investment in the group company Dominion Insurance Holdings Limited from the parent company Fondiaria-SAI.

FONDIARIA NEDERLAND B.V.
Share Capital Euro 19,070.
(Direct Holdings 100%)

The net profit for the year was Euro 12,977 thousand.

The revenues amount to Euro 13,741 thousand and consist of dividends received from the subsidiary The Lawrence Re Ireland of Euro 10,000 thousand and from the group company Milano Assicurazioni of Euro 2,507 thousand, as well as interest income on loans provided of Euro 538 thousand and interest income on liquidity invested in time deposits of Euro 696 thousand.

The costs amounted to Euro 764 thousand and principally refer to administration expenses of Euro 59 thousand, withholdings of Euro 376 thousand and current taxes estimated at Euro 287 thousand.

The assets of the company at December 31, 2007 amounted to Euro 109,602 thousand and comprised of investments in Group companies for Euro 75,491 thousand, loans provided during the year to the parent company FONDIARIA-SAI of Euro 19,000 thousand and cash and cash equivalents and other assets of Euro 15,111 thousand.

The net equity of the company amounts to Euro 109,546 thousand.

SAI HOLDING ITALIA S.p.A.
Share Capital Euro 143,100,000.
(Direct Holdings 100%)

The result in 2007 was a profit of Euro 17,921 thousand.

The revenues amount to Euro 21,709 thousand and comprise dividends of Euro 19,338 thousand, of which from the subsidiaries taxed for transparency Po Vita and Novara Vita of respectively Euro 7,806 thousand and Euro 8,640 thousand, from the subsidiary Siat Assicurazioni Euro 853 thousand, from the parent company Fondiaria-SAI Euro 1,200 thousand and from Milano Assicurazioni Euro 839 thousand, marketable securities Euro 46 thousand, interest on loans Euro 1,937 thousand, income deriving from the management of liquidity Euro 383 thousand and extraordinary income of Euro 5 thousand.

Costs amounted to Euro 3,788 thousand and principally consist of administration expenses of Euro 682 thousand, extraordinary charges of Euro 163 thousand, current income taxes of Euro 2,191 thousand and deferred tax charge of Euro 748 thousand.

The assets of the company at December 31, 2007 amount to Euro 239 thousand and comprise financial fixed assets of Euro 194 thousand, receivables of Euro 44 million, including the loans granted to the parent company of Euro 18.3 million and the loan granted to the group company Immobiliare Lombarda of Euro 20 million and cash and cash equivalents of Euro 1 million.

The liabilities principally comprise net equity of Euro 236 thousand and payables to the parent company Fondiaria-SAI for Ires income tax of Euro 2 million.

SAIFIN SAIFINANZIARIA S.p.A.
Share Capital Euro 102,258,000.
(Direct Holdings 100%)

The net profit for the year was Euro 2,134 thousand.

The income for the year amounted to Euro 3,807 thousand, principally comprising interest income on loans to clients and on bank deposits of Euro 2,072 thousand, dividends received of Euro 1,665 thousand and recovery in financial asset values of Euro 59 thousand. The costs for the year, amounting to Euro 1,673 thousand, principally comprise interest expense on the loan provided by Sailux S.A. of Euro 761 thousand, losses on financial operations of Euro 32 thousand, administration expenses of Euro 520 thousand, extraordinary charges of Euro 198 thousand and income taxes of Euro 152 thousand.

The assets of the company at December 31, 2007 amount to Euro 303,448 thousand and comprise investments in Group companies of Euro 73,593 thousand, other investments of Euro 47,114 thousand, financial receivables of Euro 175,418 thousand, liquidity prevalently invested in time deposits of Euro 5,852 thousand and other assets of Euro 1,471 thousand. The liabilities at the year-end principally comprise net equity of Euro 142,461 thousand and Payables to lenders of Euro 160,761 thousand.

SAILUX S.A.**Share Capital Euro 30,000,000.****(Indirect Holding 100%)**

The profit for the year amounted to Euro 2,822 thousand, resulting from revenues of Euro 3,957 thousand, essentially comprising dividends and financial income deriving from liquidity management and costs of Euro 1,135 thousand, principally comprising administration and general expenses.

The assets of the company at December 31, 2007 amounted to Euro 199 thousand and comprised the investment in Finsai International (36.15%), at book value of Euro 36.9 million, investments in non-listed companies of Euro 0.1 million, loans granted to the parent company Saifin of Euro 160 million and cash and cash equivalents and other assets of Euro 2 million. The liabilities of the company at the same date amounted to net equity of Euro 43 million, loans to group companies of Euro 155 million and income taxes and other liabilities of Euro 1 million.

The investment in Finsai International reduced below the controlling shareholding following the partial subscription of the pre-emptive right of the share capital increase in November 2007.

SAINTERNATIONAL S.A.**Share Capital Euro 154,000,000.****(Direct Holdings 100%)**

The net profit for the year was Euro 2,922 thousand. Revenues amounted to Euro 43,352 thousand, comprising income deriving from loans granted to the parent company Fondiaria-SAI of Euro 31,441 thousand, interest on the loans granted to the group company Immobiliare Lombarda of Euro 428 thousand, dividends of Euro 4,048 thousand, gains realised on investments of Euro 6,178 thousand and financial income of Euro 1,257 thousand. Costs amounted to Euro 40,430 thousand, of which administrative and general expenses of Euro 678 thousand, interest expense and charges on bond loans of Euro 28,447 thousand, write-down of current and non-current investments of Euro 8,969 thousand, other financial charges of Euro 839 thousand and income taxes of Euro 1,497 thousand.

The assets of the company at December 31, 2007 amounted to Euro 367,151 thousand and comprised loans granted to the parent company Fondiaria-SAI and to the group company Immobiliare Lombarda of Euro 5,000 thousand, of investments in non-listed companies of Euro 180,000 thousand, of listed equity securities of Euro 36,596 thousand, of other short-term investments of Euro 29,454 thousand and cash and cash equivalents and other assets of Euro 14,424 thousand. The liabilities comprised net equity of the company of Euro 177,656 thousand, payables to bondholders of Euro 180,400 thousand, provisions to risks and charges of Euro 2,325 thousand and other liabilities of Euro 6,770 thousand.

The listed equity securities comprise 10,100,000 RCS Mediagroup shares restricted to the shareholder agreement and 1,110,000 shares of the group company Milano Assicurazioni.

In November 2007, Sainternational signed the un-opted part of the share capital increase deliberated by Finsai International for a total amount of Euro 100,600 thousand, of which Euro 19,402 thousand share capital increase and Euro 81,198 thousand share premium reserve established by the board of directors of the company.

The key results of the Group companies operating in the agricultural sector are summarised below:

| (in Euro thousands) | VALUE OF PRODUCTION | CGE % | COSTS OF PRODUCTION | RESULT ^(*) |
|---------------------|------------------------|-------|------------------------|-----------------------|
| SAIAGRICOLA S.p.A. | 10,683 | 9,75 | 12,244 | (1,971) |

(*) data as per IAS/IFRS

SAIAGRICOLA S.p.A.

Share Capital Euro 50,000,000.

(Direct Holding 92.00%, Total Group Holding 97.14%)

In 2007, the company recorded a loss of Euro 2,095 thousand (loss of Euro 1,588 thousand in 2006), after amortisation on intangible fixed assets of Euro 391 thousand (Euro 404 thousand in 2006) and depreciation on tangible fixed assets of Euro 1,708 thousand (Euro 1,580 thousand in 2006), interest expense on loans of Euro 680 thousand (Euro 478 thousand in 2006) and income taxes of Euro 65 thousand (Euro 30 thousand in 2006).

The year 2007 was characterised by a particularly good season for the major part of the agricultural production, realising greater returns per hectare. In particular, the production of grapes increased by 1,715 quintals (+16%) compared to 2006 with an average return of 54 quintal per hectare. In addition, grapes were acquired from other producers amounting to 1,341 quintals (756 quintals in 2006) obtaining a total quantity of wine of 9,671 hl compared to 8,484 hl in 2006 and therefore an increase of approx. 14%. The average cost of wine after production was approx. Euro 230 per HI compared to Euro 210 in the previous year. With 0.75 litre bottles, production amounted to 1,277 million bottles compared to 1,131 bottles in 2006. The wine obtained was of a very good structure, acid levels and ph balance. This quality level was also illustrated from the first evaluations from the specialised press which awarded the wines the maximum recognition levels.

The production of olives decreased compared to the previous years, in line with the alternating “year of over production”. The production of olive oil was greater due to a particularly dry harvest period and therefore the oil was of particularly good quality.

Production of rice increased from 2,079 quintals, a 7% increase from an average return of 62 quintals per hectare (58 quintals in 2006) and an average cost of production of Euro 33 (Euro 24 in 2006). Relating to the other cereal harvests, the production results were above average. Sales of rice amounted to 32,331 quintals for a total value of Euro 686 thousand (28,524 quintals for Euro 560 thousand in 2006), an increase in value terms of 22.5% and in quantity by 13% compared to 2006. The average sales price was around Euro 21 (Euro 19.5 in 2006).

Compared to the previous year, sales increased from approx. Euro 110 thousand to Euro 516 thousand on a quantity of approx. 206 kg thousand (+17% compared to 2006) with an average price of around Euro 2.50 per kg.

The sale of bottled wine amounted to Euro 5,467 thousand (Euro 5,154 thousand in 2006) recording an increase in value of Euro 313 thousand, equal to 6% with an average price per bottle at around Euro 6.00. Quantities also increased – by 5% reaching approx. 915,000 containers (approx. 870,000 in 2006).

For the various packaged wine, olives and grapes, the sales abroad amounted to 43% of turnover for a total value of Euro 2.5 million and an increase of 7% compared to the previous year. A remaining 38% (small decrease) relates to sales in Italy through commercial agents, while the residual 19% refers to commercial channels of the clients of the group - direct and correspondence.

The main investments in the year net of the European community grants amounted to Euro 3,080 thousand (Euro 1,745 thousand in 2006); in particular investments were made of Euro 991 thousand for the replacement of a rice drying plant and for Euro 792 thousand for restructuring, modernisation and upgrading of buildings.

Compared to the previous year the value of wine inventory increased by Euro 780 thousand from Euro 6,872 thousand to Euro 7,652 thousand in 2007. The increase is principally due to the revaluation of the aged product which increased from an average cost of Euro 2.69 compared to Euro 2.40 in 2006, in addition to the higher quantity present at the end of year of approx. 50,000 litres.

Joint Venture with the EDS Group for the Information Technology infrastructure management of the Fondiaria-SAI Group

At the beginning of 2007, the project began for the management of the Information Technology infrastructure of the Fondiaria-SAI Group to a joint venture comprising a partner with proven capacity and experience in the information technology sector, EDS Italia S.p.A. (hereafter EDS).

Taking into account the growth expectations in competition in the insurance market, it is considered that one of the key factors in achieving the objectives contained in the 2006-2008 Industrial Plan of the Fondiaria-SAI Group comprises the realisation of an upgrade in the Information Technology infrastructure of the group in order to achieve improvements in the competitiveness level of the Group whilst also achieving cost savings.

In summary, the project involves the management of the Information Technology infrastructure based on a long term service contract between the company Fondiaria-SAI Servizi Tecnologici S.r.l. (hereafter FonSAI ST), EDS and companies of the Fondiaria-SAI Group and in which this latter have transferred personnel and/or hardware and software into a business division and, on the other hand, Uniservizi S.c.r.l., the consortium company of the Fondiaria-SAI Group which undertakes utility services and distributes these in favour of the companies of the Fondiaria-SAI Group. FonSAI ST operates exclusively for the Fondiaria-SAI Group.

FonSAI ST was incorporated in December 2006 with an initial share capital of Euro 10,000, divided between Fondiaria-SAI and EDS with shareholdings of 51% and 49% respectively.

Although Fondiaria holds 51% of the capital of FonSAI ST, however, on the basis of the governance agreements signed, the operating control of the company is attributed to EDS - a condition necessary to guarantee to the Fondiaria-SAI Group the operating advantages in terms of reduction of costs.

Subsequently on February 1, 2007, the shareholders' meeting of FonSAI ST approved a share capital increase from Euro 10,000 to Euro 120,000, subscribed and paid in at that date as follows:

- For the part of EDS, with payment in cash so as to maintain the shareholding in FonSAI ST at 49%;
- For the part of Fondiaria-SAI Group, with conferment of business units from Fondiaria-SAI, Milano Assicurazioni S.p.A., Starvox S.p.A. and Uniservizi. These business units comprise personnel and/or hardware and software relating to the activities assigned under management to EDS.

The value of the Business Units conferred is that resulting from the balance sheets of the Business Units as at October 31, 2006, and to which are attached independent expert evaluations by an auditor pursuant to article 2465 of the Civil Code.

The total value of the Business Units was allocated to the share capital of FonSAI ST up to Euro 120,000 and, for the part exceeding, to the share premium reserve, totalling approx. Euro 7.4 million after the revision of the values conferred which took account of the period from the date of the conferment to the date of the deed (February 1, 2007).

The Business Units conferred also included 134 employees of the Parent Company of Milano Assicurazioni and of Starvox, in which an agreement was signed in accordance with law with the trade unions.

In March 2007, Milano Assicurazioni, Uniservizi and Starvox ceded to Fondiaria-SAI their respective holdings in FonSAI ST, in order to hold in Fondiaria-SAI the investment in the corporate vehicle, with the provision that the information services subject to the service contract between FonSAI ST and Uniservizi will relate to all of the companies of the Fondiaria-SAI Group, and not only of those business units conferred.

In December 2007, the transformation of FonSAI ST from an S.r.l. into a S.p.A. was approved, with the issue of various share categories with different rights in terms of voting and profit and loss participation, in accordance with the overall governance agreement.

In relation to this joint venture, a contract was signed between FonSAI ST S.p.A. and the subsidiary Uniservizi S.c.r.l. (consortium company of the Group) for the management of the network teographic services, that is the services which permit the transmission of data (non telephone) through the various operating offices of the Group, and between these offices and the agencies and the inspectors.

Previously Uniservizi provided, with limited exceptions, supply contracts of the services in question and FonSAI ST managed these contracts in the name of and on behalf of Uniservizi.

Due to the new agreement, FonSAI ST will become a supplier of the service to the Fondiaria-SAI Group and, in turn, agreed in the name of and on behalf of, supply contracts with operators among the leading competitors based under a tendering processes.

The project provides for the replacement of the existing network in relation to the equipment and the bandwidth managed. The project is expected to be concluded within a year.

The project has the objective of strengthening and implementing the application system and to contain costs.

Merger by incorporation of Maa Finanziaria S.p.A. into Milano Assicurazioni S.p.A.

Within the reorganisational process of the corporate structures of the Fondiaria-SAI Group, it was considered appropriate to merge by incorporation Maa Finanziaria S.p.A., held 100% by Milano, into Milano Assicurazioni S.p.A.

Maa Finanziaria, originally operating in the finance lease of capital assets and loans, is today a company in run-off which is limited to managing the loan contracts already in portfolio. Taking account that Milano Assicurazioni holds 100% of Maa Finanziaria, the merger will take place through a simple format, without any share swap agreement.

The merger deed was signed in December 2007, with legal effects as of December 31, 2007.

As this is an inter-group operation, there was no income statement or balance sheet effect.

Merger by incorporation of Campo Carlo Magno Sport S.r.l. into Campo Carlo Magno S.p.A.

In April 2007, the merger by incorporation deed was signed by Campo Carlo Magno Sport S.r.l. into Campo Carlo Magno S.p.A. The accounting and fiscal effects of the merger are effective as of January 1, 2007. As this is an inter-group operation, there was no income statement or balance sheet effect.

IT agreement for Non-Life Bancassurance

In March 2007, RGI S.p.A. – a company listed on the Expandi segment of the Information Technology segment for the insurance and banking world - agreed a contract with the Fondiaria-SAI Group relating to the outsourcing supply of Information Systems for the management of the Non-Life Bancassurance.

The project will support the sales activities of insurance products on approx. 3,000 banking branches distributed throughout the country.

The contract is for a period of three years, for a value of approx. Euro 3.7 million.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At December 31, 2007, the volume of investments amounted to Euro 38,021 thousand, compared to Euro 33,812 thousand in the previous year, an increase of 12.4%.

The significant increase in the amount of the investments is due to the change in the consolidation method of Bipiemme Vita from proportional to full consolidation with an effect, compared to December 31, 2006, of Euro 1,814, thousand, equal to 50% of the investments as at December 31, 2007 (of which Euro 752 thousand in the available-for-sale financial assets and Euro 1,062 thousand in the financial assets valued at fair value through profit and loss), as well as the recent entry into the consolidation scope of Popolare Vita S.p.A. (former BPV Vita) that contributes to the amount of investments for Euro 2,438 thousand (of which Euro 503 thousand in the available-for-sale financial assets and Euro 1,935 thousand in the financial assets valued at fair value recorded through the profit or loss).

The investments, tangible fixed assets and liquidity at December 31, 2007 compared to the previous year are shown below.

| (in Euro thousands) | 31/12/2007 | Comp. % | 31/12/2006 | Comp. % | Chg. % |
|--|-------------------|---------------|-------------------|---------------|--------------|
| INVESTMENTS | | | | | |
| Investment property | 2,142,923 | 5.37 | 2,125,628 | 5.95 | 0.81 |
| Investments in subsidiaries, associates and joint ventures | 270,025 | 0.68 | 155,921 | 0.44 | 73.18 |
| Loans and receivables | 1,333,262 | 3.34 | 1,305,863 | 3.66 | 2.10 |
| Investments held to maturity | 0 | 0.00 | 0 | 0.00 | 0.00 |
| Available-for-sale financial assets | 23,335,001 | 58.45 | 23,067,611 | 64.61 | 1.16 |
| Financial assets at fair value recorded through profit or loss | 10,939,541 | 27.40 | 7,157,453 | 20.05 | 52.84 |
| Total investments | 38,020,752 | 95.24 | 33,812,476 | 94.71 | 12.45 |
| Other fixed assets: buildings and other fixed assets | 1,201,862 | 3.01 | 1,164,620 | 3.26 | 3.20 |
| Total non-current assets | 39,222,614 | 98.25 | 34,977,096 | 97.97 | 12.14 |
| Cash and cash equivalents | 701,195 | 1.75 | 723,032 | 2.03 | (3.02) |
| Total non-current assets and cash equivalents | 39,923,809 | 100.00 | 35,700,128 | 100.00 | 11.83 |

In relation to the financial assets valued at fair value through the profit and loss, they include Euro 9,517 thousand (Euro 5,751 thousand in 2006) relating to investments where the risk is borne by the policyholder and from management of pension funds, while the residual refers to shares held for trading in the Non-Life sector and hybrid structured bonds with a significant derivative component.

In line with the policy of creating value in the real estate portfolio, the real estate investments includes the assets in the closed Fund Tikal R.E. This fund is fully consolidated and the relative property are valued at cost with a total contribution of over Euro 529 million (Euro 594 million at December 31, 2006).

The available-for-sale financial assets and the financial assets valued at fair value through the profit and loss are as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Chg. % |
|--|-------------------|-------------------|--------------|
| Available-for-sale financial assets | 23,335,001 | 23,067,611 | 1.16 |
| Equity securities | 3,096,783 | 3,640,308 | (14.93) |
| Fund units | 842,180 | 564,603 | 49.16 |
| Debt securities | 19,393,263 | 18,859,785 | 2.83 |
| Other financial investments | 2,775 | 2,915 | (4.80) |
| Financial assets at fair value recorded through profit and loss | 10,939,541 | 7,157,453 | 52.84 |
| Equity securities | 286,123 | 297,130 | (3.70) |
| Fund units | 1,793,540 | 1,153,183 | 55.53 |
| Debt securities | 8,323,615 | 5,416,753 | 53.66 |
| Other financial investments | 536,263 | 290,387 | 84.67 |

In line with its normal practice the composition of the Group investments relates mainly to the bond sector. Overall the bond component of the investments, without considering the bond component of the fund quotas held, accounts for over 73% of the total investments of the Group (71% at December 31, 2006).

During 2007, the financial management of the Fondiaria-SAI Group undertook an approach of a slow but constant increase in the duration of the Life portfolio, while a small reduction of the duration of the risk was undertaken in the Non-Life portfolios.

The choice to lengthen the Life portfolios especially in the first part of the year, taking also into consideration the requirements of the Asset Liability Management, permitted the Parent Company to obtain an ordinary return better than that recorded in 2006. This objective was also achieved through the variable component in the portfolios, both in the Non-Life and Life, thanks to the continual increase in short-term interest rates by the European Central Bank up to 4% by the end of 2007.

In the Non-Life Sector the positive results are due to, in spite of a small reduction in the total duration, the good performance of the variable interest rate, the significant positioning on the short portion of the European curve and, in relative terms, the better performance of the long part.

In the weakening phases of the corporate segment, with a view to the sectors with little exposure to the real estate financial crisis, the Group subscribed new issues and undertook selective acquisitions, especially in the Life segment, in consideration of the good risk/return levels of the underlying financial instruments.

With particular reference to the Parent Company, the bond segment represents, at the end of 2007, 71.9% of the total portfolio, with a total duration of approx. 4.96.

The Non-Life Sector is composed of 66.6% of government and intergovernmental bonds at fixed rates, and the remaining 33.2% at variable rates, with a total duration of the portfolio of 1.86. There is also a residual component of approx. 0.2% in monetary assets.

The Life Sector has an asset allocation more directed to fixed interest rate government and inter-government bonds (88.5%) compared to the variable quota of the asset class (11.5%), with a total duration of the portfolio of 5.87.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 80.93% of the portfolio, while during the year the Corporate segment increased from 14.64% since the beginning of 2007 to 18.73% at the year-end.

The Corporate Securities are, largely, belonging to the “investment grade” category.

With reference to the equity sector, good gains were realised, thanks to the repositioning in the strategic component of the portfolio, and to hedging operations undertaken in previous years.

In relation to the company Milano Assicurazioni, the bond sector at the year-end represented 78.7% of the total portfolio, with a total duration of approx. 3.91. The Non-Life Portfolio, with a total duration of 1.85, is composed of 84.2% of government and intergovernmental bonds at fixed rates, and the remaining 14.8% at variable rate. There is also a residual component of about 11% in monetary assets.

The Life Sector, with a total duration of the Portfolio of 5.60, has an asset allocation of fixed rate government and intergovernmental bonds equal to 85.4%, with a variable quota of the asset class of 14.6%.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 83.26% of the portfolio, while during the year the Corporate segment increased from 14.37% since the beginning of 2007 to 16.56% at the year-end.

The Corporate Securities are, largely, belonging to the “investment grade” category.

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

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|------------------|------------------|------------------|
| Net income from financial instruments recorded at fair value through the profit and loss | (255,725) | 80,267 | (335,992) |
| Income from investments in subsidiaries, associates and joint ventures | 29,056 | 19,500 | 9,556 |
| Income from other financial instruments and property investments of which: | | | |
| Interest income | 865,404 | 710,662 | 154,742 |
| Other income | 247,389 | 228,534 | 18,855 |
| Gains realised | 352,852 | 196,917 | 155,935 |
| Valuation gains | 210 | 284 | (74) |
| Total income | 1,239,186 | 1,236,164 | 3,022 |
| Charges from investments in subsidiaries, associates and joint ventures | 5,537 | 54 | 5,483 |
| Charges from other financial instruments and property investments of which: | | | |
| Interest charges | 118,036 | 88,097 | 29,939 |
| Other charges | 63,630 | 77,680 | (14,050) |
| Losses realised | 129,333 | 54,581 | 74,752 |
| Valuation losses | 40,482 | 37,429 | 3,053 |
| Total interest expense and charges | 357,018 | 257,841 | 99,177 |
| TOTAL NET INCOME | 882,168 | 978,323 | (96,155) |

The net income from financial instruments recorded at fair value through the profit and loss includes net charges relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 200,654 thousand (positive for Euro 30,868 thousand at December 31, 2007).

This decrease is compensated by the corresponding change in the technical reserves of the life sector relating to this class of activity.

The financial market

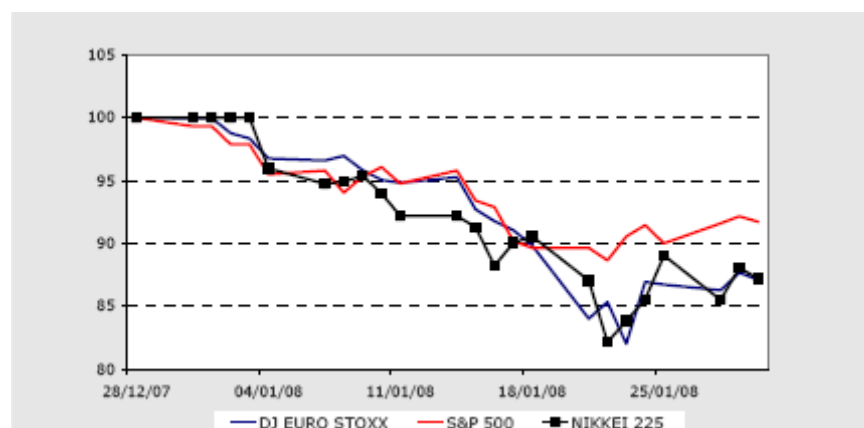
Half a year after the real estate financial crisis, despite the successive interventions coordinated by the Central Banks, the functioning of the financial markets has still not returned to normality. The European banks, even though generally well capitalised, are subject to strong pressures and uncertainties.

In the first 6 months of 2007, there was a rather contained trend for bonds, as the international economic situation did not present particular crisis and the Central Banks, among which the Federal Reserve, had maintained neutral monetary policies, with stable interest rates which did not assist the prices of fixed rate bond securities. Since the summer, consequent of all the problems worldwide arising from the American “sub-prime” crisis, the performance of the bond securities has seen strong appreciation, relating to the uncertainty and reduced confidence in the financial system.

A similar trend was seen in the equity market, with the first part of the year reaching maximum values on the World Stock Exchanges, not seen since the year 2000, and a second half of the year decisively more contrasted due to fears of recession in the US.

The corporate segment, following the crisis in the summer, saw a series of sales which affected all sectors. The financial sector was affected most, both due to the large losses in the real estate mortgages by some institutional operators and due to a complete flight from risk. Since the summer of 2007, the share prices in financial institutions have remained particularly volatile. After the recovery in October, which saw a recovery from declines during August, the emergence of new problems relating to the real estate mortgages provoked further weakness in share prices. In January, there was a strong decrease in share prices in all the principal economic areas. During the month, the S&P 500 index in the United States decreased by approx. 10%, while the DJ Euro Stoxx 600 Financials, which represent the principal listed financial securities on the European stock exchanges reached, at the date of the present report, values of over 30% lower than the beginning of 2007, due to the underestimate by the large international banks of the losses related to the US sub-prime, from restrictions in the interbank credit market and the feared stagnation which has placed the future of medium and large groups at serious risk in the European continent.

Graph 13 – Trends in equity markets



Source: Thomson Financial, Datastream

Despite this, the corporate default rate remained low in 2007. At global level, the annual Standard and Poor's report on corporate default illustrates only 22 companies announced default on their issues in 2007, 8 less than 2006, for a total volume of USD 8.15 billion, the lowest value since 1996 but an increase of approx. Euro one billion compared to the issues registered in 2006.

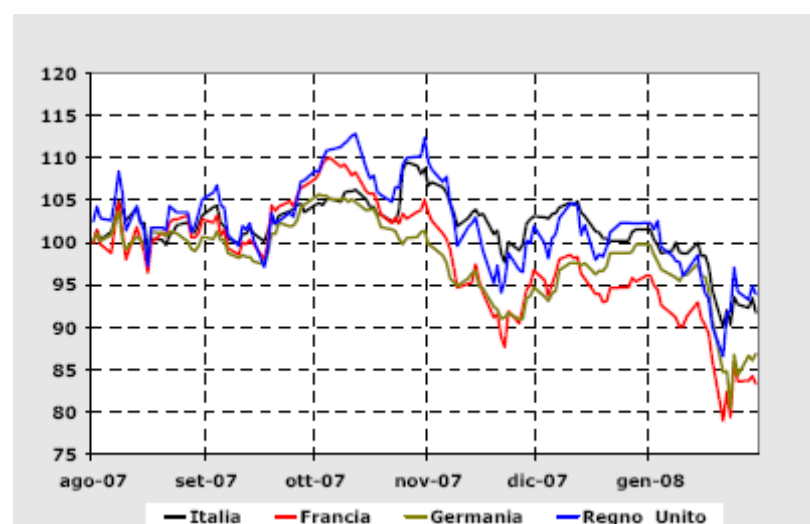
The report also illustrates that all the corporate defaults in 2007 related to companies with initial "speculative" ratings (BB+ or lower). At a geographical level, the default rate of the "speculative" ratings in the US was 0.97%, compared to 0.95% in the Euro Area and 0.18% in the emerging markets.

The emergence of insolvency situations in other credit markets however contributed to the maintaining of a high cost of money for banks and businesses. In the final quarter of the year, the average spread between the interbank rate and government securities at three months was 1.63%, compared to 0.47% in the same period of 2006. There were however no significant repercussions on credit conditions for households.

The stock exchange performance for listed domestic insurance companies, valued in the period November 30, 2006 - November 30, 2007, shows a varying trend in the two half year periods analysed by Prometeia. In the first half of 2007, the stock market indices recorded positive performances, which rapidly evaporated in the summer and eventually concluded with an overall negative performance on an annual basis. The stock market was in fact strongly impacted by fears of prolonged difficulties on world markets.

In particular, we report that in January share prices in European insurance companies fell between 8.2% in the United Kingdom and 13.3% in France. In Italy, the reduction was 9.6%, reflecting the lower exposure to the risks from the securitisation operations on real estate mortgages.

Graph 14 – Stock Exchange performance of European insurance companies



Source: Thomson Financial, Datastream

CONSOB communication No. 7079556 of August 30, 2007

In relation to the requests from Consob concerning the so-called “sub-prime” mortgage, it is reported that neither Fondiaria-SAI or the companies of the group have any exposure as provider of “sub-prime” mortgages, or investor with such risk or operators of financial products with these mortgages being the underlying activity.

FONDIARIA-SAI GROUP DEBT

Information is provided below of the financial debt accounts, which is total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account. The situation is summarised in the table below.

| (in Euro millions) | 31/12/2007 | 31/12/2006 | Change |
|---------------------------|----------------|----------------|---------------|
| Subordinated loans | 820.0 | 807.4 | 12.6 |
| Mandatory SAInternational | 180.7 | 178.0 | 2.7 |
| Banks and other lenders | 346.6 | 402.2 | (55.6) |
| Total Debt | 1,347.3 | 1,387.6 | (40.3) |

On December 12, 2002, the incorporating SAI agreed a loan with MEDIOBANCA for an amount of Euro 400 million, in order to increase its solvency margin. On the basis of the agreement with Mediobanca and prior authorisation from ISVAP, Fondiaria-SAI acquired in July 2003 a new subordinated loan of the same amount, with simultaneous advanced repayment of the existing loan.

In December 2005, with prior authorisation from Isvap, the interest spread on the loan was renegotiated, from January 2006, at Euribor 6 months increased by 2.65% to Euribor at 6 months increased by 1.8%.

At the same time, a new subordinated loan was agreed for Euro 100 million with the same characteristics of the existing loan.

Finally, with value date at July 14, 2006, a loan for 50% was signed by Fondiaria-SAI and for 50% by Milano, of a subordinated loan with Mediobanca for an amount of Euro 300 million with similar characteristics to the previous loans. The loan will further contribute to improving the available solvency margin by 25% of the lower value between the available margin and the solvency margin requested.

With reference to the subordinated loan of Euro 400 million in December 2006, an agreement was signed with Mediobanca of an interest rate swap with a duration of 6 months on a notional amount of Euro 200 million and with a fixed interest rate of 3.97%. The swap commenced from January 23, 2007 and covers in part the interest risk related to this loan, establishing on an annual basis the interest streams to be paid to the counterparty.

The account "Subordinated loans" also includes the subordinated loans of BPM Vita received during 2003. This relates to four subordinated loans totalling Euro 16 million agreed 50% with Banco Popolare di Milano and for 50% with Banca di Legnano. Two loans expire on June 27, 2008 and have an interest rate of Euribor at 12 months increased by 0.75%; while the other two loans have an undetermined expiry and an interest rate at Euribor at 12 months increased by 2.50%.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. launched a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010.

The bonds, of a total nominal value of Euro 180,400 thousand, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, owned currently by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa SanPaolo ordinary shares at the moment of the definition of the offer price.

The annual coupon of the bonds and the return on maturity are 6.10%.

On October 21, 2004, the bonds were admitted for trading on the Luxembourg Stock Exchange.

With reference to the commitment of Sainternational to deliver to the noteholders the Intesa SanPaolo shares, Fondiaria-SAI has directly assumed the commitment to deliver the shares with the noteholders .

With reference to bank payables and other lenders, amounting to Euro 346.6 million, the most significant amounts are reported below:

- Euro 238.7 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. These relate to the renegotiation of the debt of the acquired Immobiliare Lombarda, in accordance with the merger project which represented one of the requirements. During the year, the subsidiary received a bank loan of Euro 83 million against the acquisition of the investments in IGLI S.p.A., Sintesi Seconda S.r.l. and S.E.I.S. S.p.A. The loans are generally based on Euribor at 6 months with a credit spread of 0.9%. The maturity dates are variable up to December 31, 2012. These loans are subject to some covenants which must be respected for the duration of the loans;
- Euro 94.8 million refers to the loan of the Tikal R.E. Closed Real Estate Fund with Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants. The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and incremental returns. The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p. The Fund, since the previous year, has utilised two credit instruments, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 11.3 million refers to the debt received from credit institutions by the subsidiary SCAI;
- The residual amounts relates to other insignificant payable positions.

On October 15, 2007, the Board of Directors of Fondiaria-SAI S.p.A. approved the issue of a subordinated bond for an undetermined period (so-called “irredeemable”), called “Fixed Floating Rate Perpetual Subordinated Loans” for a maximum value of Euro 750 million, to be placed exclusively with Italian and international institutional investors with the exclusion of those in the United States of America.

It was also provided that the bonds would be listed on the official market managed by the Luxembourg Stock Exchange.

The bond will permit a further strengthening of the Company’s balance sheet, over the medium/long term period, with the objective of also improving the rating.

The bond is non-redeemable as there is no reimbursement planned on the wish of the bearers of the securities, but only reimbursement on the initiative of the Company, or rather reimbursement in the case of liquidation of the company. The bond is also considered a subordinated loan pursuant to article 2411, paragraph 1 of the Civil Code.

Interest on the bonds will mature and will be paid annually, at an annual fixed rate which will be determined immediately prior to issue, up to the tenth year from the date of issue, but in any case in line with market rates at the moment of issue.

The issuer has already obtained the necessary authorisation from ISVAP and has been assigned the rating BBB- by Standard & Poor's. It is recalled that the current rating of the issuer is BBB+ with positive outlook. The issue of the loan will take place once the conditions and financial markets permit the Company to optimise the cost of funding, which, considering the recent abnormal financial market trends, requires an extension of the issue period.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At December 31, 2007 and at December 31, 2006, the Parent Company and the other Companies of the Group held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

| (in Euro thousands) | 31/12/2007 | | 31/12/2006 | |
|---|-------------------|----------------|-------------------|----------------|
| | Number | Book value | Number | Book value |
| Treasury shares held by: | | | | |
| Fondiaria-SAI | 1,780,000 | 60,352 | 9,490,212 | 182,201 |
| Milano Assicurazioni | 8,382,557 | 209,900 | 6,802,557 | 149,440 |
| Sai Holding | 1,200,000 | 28,306 | 1,200,000 | 28,306 |
| Total general | 11,362,557 | 298,558 | 17,492,769 | 359,947 |
| Saving treasury shares held by: | | | | |
| Fondiaria –SAI | 568,051 | 12,403 | - | - |
| Total general | 568,051 | 12,403 | - | - |
| Shares of the holding company held by: | | | | |
| Fondiaria-SAI | 18,340,027 | 35,671 | 18,340,027 | 45,116 |
| Milano Assicurazioni | 9,157,710 | 17,812 | 9,157,710 | 22,528 |
| Saifin – Saifinanziaria | 66,588 | 130 | 66,588 | 164 |
| Total general | 27,564,325 | 53,613 | 27,564,325 | 67,808 |

The carrying value of the treasury shares of Fondiaria-SAI in the table differ from those recorded in the statutory financial statements; this difference results from international accounting standards which require the deduction of the cost of the treasury shares directly from net equity. The total fair value of the ordinary treasury shares amount, at December 31, 2007, to Euro 319.4 million and the treasury saving shares amount to Euro 10.9 million.

Treasury shares

On June 5, 2007 the buyback programme commenced which was approved by the shareholders' meeting on April 30, 2007.

During 2007, a total of 1,780,000 ordinary treasury shares were purchased for a total value of Euro 60,352 thousand and 568,051 savings treasury shares for a total value of Euro 12,403 thousand.

Therefore at the year end the total treasury shares in portfolio were 1,780,000 ordinary shares amounting to 1.4214% of the ordinary share capital and 568,051 saving shares amounting to 1.38% of the saving share capital.

After the year-end, a total of 231,949 saving shares were acquired for a value of Euro 4,330 thousand; at March 17, 2008, a total of 800,000 saving shares amounting to 1.845% of the savings share capital were held in portfolio. We also report that the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares and the subsidiary Milano Assicurazioni S.p.A. held a further 8,382,557 ordinary shares.

Shares of the holding company

During 2007 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A..

At December 31, 2007, the Parent Company held 18,340,027 treasury shares of the holding company, equal to 4.469% of the share capital.

After the year-end, no sales or purchase operations were undertaken and therefore at March 17, 2008 the Parent Company held 18,340,027 shares amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held a further 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni held a further 9,157,710 ordinary shares totalling 2.232% of the share capital.

PERFORMANCE OF THE LISTED SHARES OF THE GROUP

The share capital of the Company amounted at the year-end to Euro 168,533,918, divided into an equivalent number of shares of a nominal value of Euro 1 (125,223,296 ordinary shares and 43,310,622 saving shares).

In 2007, the official price of the shares was between a minimum of Euro 27.97 (at December 27, 2007) and a maximum of Euro 39.98 (at May 2, 2007) for the ordinary shares, and between a minimum of Euro 19.147 (at December 27, 2007) and a maximum of Euro 31.05 (at April 16, 2007) for the saving shares.

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

| (in Euro) | 28/12/2007 | 29/12/2006 | Change % |
|---------------------|------------|------------|----------|
| Fondiarria SAI ord. | 28.110 | 36.250 | (22.46) |
| Fondiarria SAI sav. | 19.224 | 26.980 | (28.75) |

The corresponding stock exchange capitalisation at the year-end was Euro 4,353 million (Euro 6,039 million at December 31, 2006).

The share prices of the other listed subsidiaries were as follows:

| (in Euro) | 28/12/2007 | 30/12/2006 | Change % |
|----------------------------------|------------|------------|----------|
| Milano Assicurazioni S.p.A. ord. | 5.312 | 6.174 | (13.96) |
| Milano Assicurazioni S.p.A. sav. | 5.313 | 6.128 | (13.30) |
| Immobiliare Lombarda S.p.A. ord. | 0.129 | 0.217 | (40.75) |

At December 31, 2007, the subsidiary Milano's market capitalisation was Euro 2,566 million (Euro 2,884 million at December 31, 2006), while the subsidiary Immobiliare Lombarda's market capitalisation was Euro 528 million (Euro 892 million at December 31, 2006).

RATING, RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

In September 2006, the rating agency Standard & Poor's improved the outlook on the Fondiarria-SAI Group and on the subsidiary Milano Assicurazioni, increasing it from "stable" to "positive". The counterparty rating and financial insurance solidity "BBB" was reconfirmed for both companies.

The revision of this view reflects a more prudent investment strategy and a better capitalisation, as well as the strong competitive position in the market and the operating performance of the Group.

On June 29, 2007, the rating agency Standard & Poor's improved the rating of the Fondiaria-SAI Group increasing the rating from BBB to BBB+, confirming the POSITIVE outlook.

This improvement, according to the report of the agency, "takes into consideration a prudent and cautious approach to M&A activity, the constant strengthening of the capitalisation of Fondiaria-SAI as well as the continued improvement in the Risk Management area".

The opinion is also based on matters such as competitive position and operating performance, or rather the contribution of the Life division, which increased from 15% in 2005 to 21% in 2006. The positive outlook reflects the improved competitive position, current and future, in the Life business of Fondiaria-SAI, following the conclusion of the exclusive distribution agreement, for a ten year period, with Banco Popolare di Verona e Novara and the Banco Popolare Italiana, which reduces the concentration of the Group in the Non-Life business with an operating and profitability diversification drive, although a relatively high concentration of the equity portfolio remains in a few "strategic lines".

The new Standard & Poor's valuation is of great satisfaction for the Group and confirms the strategies adopted and the efficiency of the work undertaken in recent years, with a positive outlook to the market challenges and achieving of objectives in the coming years.

OTHER INFORMATION

Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the Extraordinary Shareholders' Meeting's resolution of Fondiaria-SAI of April 28, 2006.

The Board of Directors meeting of June 20, 2007 brought forward the vesting period established in the stock option plan regulations.

In particular, each option tranche can be exercised one year in advance.

The decision to advance the vesting period takes into account, on the one hand, the reaching of some objectives in the 2006-2008 Industrial Plan of the Group and, on the other hand, the various fiscal regulations to which the plans are subject compared to the date of their approval.

The modifications made to the regulations of the plan by the Board of Directors of Fondiaria-SAI on June 20, 2007 do not permit the options to be exercised before the expiry of the vesting period, commencing from the date of assignment, in accordance with the following procedure:

- 40% of the options are exercisable from July 14, 2007 (12 months from the assignment date);

-
- 30% of the options may not be exercised within 24 months of the assignment date;
 - 30% of the options may not be exercised within 36 months of the assignment date.

On the expiry of the vesting period, the beneficiaries may alternatively:

- maintain their options until their maturity;
- exercise the options, subscribing to the shares and maintaining them in portfolio;
- exercise the options, subscribing to the shares and selling them on the market.

In any case, the options not exercised within 5 years from the date of the Shareholders' Meeting are automatically void.

The exercise of the option rights is in any case suspended in the period 10 days before the date of the Board of Directors' meeting to approve the financial statements up to the date of the dividend coupon.

The Regulations also provide limits to the exercise of the options and specifically:

- following the exercise of the options and the relative subscription to shares, no more than 10% or 15% (in the case of the plans for management and those for executive directors) of the average daily volumes recorded in the 30 days prior to the sales date may be traded on the market;
- shares may not be traded, from the exercise of the options, in the month in which the Board of Directors is convened for the approval of the financial statements and the half-year report.

Where, for changes in the current status of pension and fiscal regulations and all other applicable legislation or rather in their relative interpretation and application, the implementation of the Plan should result in the recording of social security charges, taxes or other costs for the Company, this latter may modify the Plan or withdraw the Plan, without the beneficiaries having the right of an indemnity or damages.

The Board of Directors also approved that the exercise of the options would be related to the achievement of the principal objectives of the Group's 2006-2008 Industrial Plan, already announced to the market.

Consequently, in accordance with IFRS 2 "Share-based payments", the implicit costs relating to the above stock option plan were determined. Through appropriate evaluation models, the fair value of the options were determined, consequently increasing personnel costs by Euro 19.8 million, and also recording this in a net equity reserve.

As the plan involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also recorded in the financial statements of these companies for their share. On the other hand, the consolidated financial statements of Fondiaria-SAI do not include the cost of the options assigned to the executive directors and management of its parent company. The total cost of the plan is estimated, for the Fondiaria-SAI Group, at Euro 36 million. For further details, reference should be made to the Notes to the Financial Statements.

PROJECTS AND INNOVATION

1.1 Law 262/2005 Project

Fondiaria-SAI in 2006 commenced project 262 in order to ensure full compliance of the company with law 262/2006 on savings and with legislative decree No. 303 of December 29, 2007.

A summary of the various work on project 262 is reported below:

- The work on the company requirements, which has the objective of analysing the internal controls which contribute to guaranteeing that the financial information reported to the market reflects the underlying accounting records and entries is divided into three areas:
 - The sub-area Company Level Controls which concerns regulations, rules and mechanisms of Group controls, affecting the quality of the financial information;
 - The sub-area Information Technology General Controls which analyses the general rules governing technologies and application development, common architectures and information applications for the production of financial reporting;
 - The sub-area 262 Operational Model which contains the organisational choices necessary for maintaining the documentation tracing as per 262/05;
- The mapping of the company processes, which have the purpose to outline the business processes and analyse in detail the related controls on each individual activity which produce accounting and administrative effects.

During 2007, all the operational areas were involved in the preparation and in the validation of the documentation project and all actively contributed to the mitigation of the risks identified which were not fully controlled.

1.2 Solvency II Project

In 2007, the Fondiaria-SAI Group participated, with 11 insurance companies, in the third quantitative impact study (QIS 3) of the new prudent supervision system called Solvency II. For further details, reference should be made to the paragraph “Regulations – Solvency II”.

1.3 “Group Intrinsic Value» Project

Within the Life Sector, the “Group intrinsic value” project commenced in 2005 with the objective to define by 2007 the In-Force Value - an indicator utilised for the valuation of insurance companies by the majority of the investors and analysts.

At the beginning of 2007, the value of the life portfolio at December 31, 2006 and the value of the new business in 2006 was calculated through an internal model for the principal Group insurance companies. The results were validated by a Tillinghast opinion and were presented to the financial community.

The project will now extend the model to all the Group Insurance Companies and it will be used also in the definition of the profitability objectives of the Company.

1.4 Information Technology Projects

In 2007, the IT Department of the Fondiaria-SAI Group had almost completed the migration activities of the companies into a single IT System, except for some minor activities which will be completed in 2008.

In relation to the LIFE Insurance Companies and the LIFE Bancassurance initiatives, the Group has one single Online IT system.

In 2007, the Online platform for the Broker lines was nearly completed.

Also in 2007, the activities for the new Agency systems were completed and the Online version will be progressively distributed from the second half of 2008.

Again in 2007 the IES Online system was completed for the management of claims within the entire Group, for both Agencies and head offices.

The new IT platform of the Insurance Company Dialogo was completed, and operational from the beginning of 2008 with particular improvements in the Front End services and client assistance.

The development of systems and instruments supporting the operational and sales activities of the agencies (marketing, CRM, DataWareHouse) at the beginning of 2008 permitted the commencement of these services for the Group Agencies.

The Online platform implemented by the Non-Life Bancassurance today permits the management of over 2000 branches.

The Group Datawarehouse, within the integration activities, was implemented during 2007 which will progressively become the business intelligence system for all operational areas.

In addition to the above activities, the IT Department was strongly involved in activities supporting the industrial plan and interventions related to regulatory and legislative changes.

Direct Compensation - IT System for claims management

The settlement structure in 2007 operated through the new Claims Department created following the restructuring of the “claims process”, made in accordance with the processes and settlements of the individual Claims Offices.

For further details, reference should be made to the section “Non-Life Insurance Market” in the Directors’ Report.

Motor Repair Project

Fondiaria-SAI incorporated a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.) , to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime.

For further details, reference should be made to the section “Non-Life Insurance Market” in the Directors’ Report.

Corporate Governance

Introduction

“Corporate Governance” refers to the overall instructions and rules (legal and technical) which ensure efficient enterprise governance and also its correct dealing and interaction with all parties concerned with the life of the enterprise, while ensuring the capacity to achieve the business objectives and with particular attention to the protection of minority shareholders.

In the widest sense, the Corporate Governance also includes the conditions within the economic system in which the companies operate. It is also noted that Corporate Governance does not only relate to the directives imparted by the management: this should be extended to a valuation “ex-post” of the results achieved through a specific reporting account.

Following the corporate reform laws, in January 2004 the European integration entered into force and the wider economic and financial globalisation required companies to search for an increasingly more efficient Corporate Governance system in order to maximise the value achieved and to reach a level of competitiveness capable of attracting investors.

The Corporate Governance system

Informational transparency, an undisputable element for business competitiveness, requires the efficient functioning of the Corporate Governance system and, in particular, of the control procedures. This must be combined with adequate legislative regulations in relation to external information.

Financial communications, comprising both obligatory and voluntary components, represent a critical element in the economic governance of enterprises, as they impact on the relations created with the various class of participants, both within the entity and within the business environment.

The disclosure of information does not only apply to economic values, but also include other elements such as, for example, the mission and general strategy of the enterprise, the competitive dynamism, the ownership structure and the governance boards and the rights of the shareholders, in line with a communication increasingly extended to the different issues of governance and management, to obtain the support of the stakeholders not exclusively based on the achievement of the results, but also in relation to the strategic direction of the enterprise.

A high level of financial communication permits the enterprise to acquire a competitive advantage in the capital markets, as this reduces the cost of financing, both in terms of risk and loans. Empirical evidence by some economists at the end of the 1990’s supports expectations of lower remuneration from lenders, when the quality of the communication is perceived as a reduction of the information asymmetry and, consequently, of the level of risk of the resources.

RISK MANAGEMENT

The increased importance given by the Supervision Authority with the entry into force of Circular 577/D issued by ISVAP in 2005 in relation to “Provisions on the internal control system and management risks”, future changes which will be introduced by Solvency II and the opportunities of operating/strategic improvement in the management of risks, mean that the integrated management of the risks for the insurance companies is becoming of greater strategic value, both in the creation of value for the stakeholders and in terms of safeguarding the adequacy of the assets of the enterprise against the risks assumed.

Insurance companies are, by their nature, operators that assume risks and do not operate in a determinable scenario – they act in a culture of risk and must manage situations of uncertainty daily.

Circular Isvap 577/D, which clarifies (ref. article 1) that “the solvency of the insurance companies, the necessity to ensure the safe and prudent management, and with that the stability of the insurance sector, requires a solid corporate governance and good functioning of the internal control systems and management of risks”, represents one of the fundamental steps of the business, in addition to a change of the relationship with the Supervision Authority, a culture of risk and greater “risk sensitivity”, as well as greater transparency to the market.

Risk Management is a Corporate Governance instrument and is evolving into a concept of Enterprise Risk Management (ERM), through a continuous process, implemented involving persons within all levels of the organisation, capable of supporting the setting of business strategies, designated to identify the events which can impact the business and manage these events in line with the enterprise risk profile, ensuring top management (with a “reasonable” level of security) the achievement of objectives at each individual organisational level.

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

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company’s assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Part IV of Isvap circular 577/D refers to “Management of risk”. In particular, this states (ref. article 14) that “The enterprise must have an adequate system of risk management, calibrated with respect to the size and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise’s objectives. The final objective of the risk management system is to maintain an acceptable level, in line with the available assets of the enterprise, of the risks identified and evaluated”.

The creation of a specific function, whose organisational position is determined by the individual companies, has the objective to guarantee the company, with a reasonable degree of security, the achievement of the objectives set within a stochastic context, considering all the potential scenarios and not just those pre-defined, ensuring a certain “confidence level” (corresponding to the rating of the company), and that any differences to the objectives are maintained within the maximum risk limit tolerable, as defined by the Board of Directors.

In fact, the Board of Directors defines the risk tolerance threshold both on the basis of a specific level of propensity to risk, and of the capital available, taking into account that a component of uncertainty is unavoidable in an entrepreneurial activity and a trade-off exists between risk and return.

The ERM plan of the Fondiaria-SAI Group

In order to satisfy the optimal internal strategic allocation of the capital and the restrictions imposed by the supervision authority and by the rating agencies in terms of minimum capital requirements, the Fondiaria-SAI Group in 2006 commenced the construction of an ERM system which permits the integrated management of the risks at Parent Company and Group level, evaluating the impact of the compensations and correlations with an Asset Management Liability approach.

In particular, a Risk Management function was set up, whose principal responsibilities are:

- Managing the activities to complete the risk capital models required for the implementation of an efficient and effective ERM system;
- Define and maintain the map of the risks of the Enterprise through the relative control procedures, in conjunction with Management;
- Define and maintain, for the risks illustrated in this map, a system of qualitative and quantitative indicators which monitor on a continual basis the “highly sensitive” operating areas from a risk viewpoint;
- Undertake recurring monitoring of the risks through the monitoring system for indicators.

Through the ERM system the Group can monitor on a timely basis the benefits, ensuring at the same time that the growth and creation of value of the Fondiaria-SAI Group is stable and durable and less vulnerable to the volatility of the market.

The participation at the Quantitative Impact Study (QIS) in relation to Solvency II permits the Group to verify its internal model and to undertake any progressive changes necessary.

The Board of Directors defined the risk tolerance threshold through the adoption of a confidence level of 99.5%, in line with the objective rating “A” based on the new valuation model of Standard & Poor’s and in line with the indications resulting from the Quantitative Impact Studies.

In 2007, the Group prepared a Gap Analysis detailing the current state of the internal model and of the Group’s ERM framework compared to the best international practices and to the requirements of the new system of Solvency II, as currently outlined by the European Commission and by CEIOPS. This Gap Analysis permitted the preparation of a Master Plan, containing the time period and coordination of all the initiatives necessary at Group level for the entry into force of Solvency II with an internal capital allocation model to support the inspections by the Supervision Authority.

ANNUAL CORPORATE GOVERNANCE REPORT

FIRST SECTION – THE GOVERNANCE STRUCTURE OF THE COMPANY: GENERAL GUIDELINES

Information is provided below on the governance structure of the Company and on the implementations of the principles and recommendations contained in the self-governance code of listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and revised in March 2006 by the Committee (hereafter: the “Code”).

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

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

Board of Directors and Executive Committee

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

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

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

In accordance with article 147 of Legislative Decree No. 58/98 (hereafter “Consolidated Finance Act”), as introduced by the Savings Law and in relation to the provisions of the honourability of the directors, these latter must have the requisites required for the holding of office by the special regulations applicable to insurance companies (D.M. 186/1997).

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

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

In accordance with these statutory provisions, the Board attributed special powers to the Chairman and to the Chief Executive Officer.

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

Board of Statutory Auditors

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

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

While awaiting approval of the regulation contained in article 148, paragraph 4, the requisites of honourability and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

Consob has established regulatory limits on the accumulation of offices of director or statutory auditor for boards members of listed companies. These latter will be amended in accordance with regulatory provisions by June 30, 2008.

The statutory provisions for the appointment of the Board of Statutory Auditors will be changed in accordance with law and regulations which Consob - pursuant to article 148, paragraph 2, of Legislative Decree No. 58/98 - will establish through regulations in relation to the election of the Board of Statutory Auditors by the voting of slates.

Shareholder Meetings and shareholders

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

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

Fonditaria-SAI is not aware of shareholder agreements relating to holdings in the share capital of the Company.

Management and control

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

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

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

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

Composition and role of the Board of Directors

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

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

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

Isvap, with circular No. 577/D of December 30, 2005 (as further detailed below), issued provisions which reserve the central strategic role of the Board of Directors in relation to the definition of the organisational structure, of the decisional processes, of the allocation of powers and employment policies and the management of the risks, in accordance with the provisions deriving from the Savings Law and from the Self-Governance Code of listed companies.

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

In accordance with article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee, currently composed of 7 members, its powers, with the exclusion of those which by law or regulation may not be delegated, and also those concerning all decisions in relation to significant operations with related parties, which are the exclusive remit of the Board. The powers are described below. The Board of Statutory Auditors is invited to participate at the meetings of the Executive Committee.

Although it is the exclusive competence of the Board on the above matters, there is no exclusive attribution of power to the Executive Committee with reference to specific types of operations or spending limits. The Executive Committee meets whenever it considers a resolution on one or more matters necessary or in the case of necessity or urgency with respect to the time necessary for the convocation of the Board of Directors. By its nature, the Executive Committee does not meet frequently enough to result in a systematic involvement of its members in the current management of the Company.

The resolutions made by the Executive Committee are reported to the Board in the next meeting, together with an update on the development of any operations authorised.

Information is provided in the notes on the number of meetings of the Board and of the Executive Committee held during the year and on the relative percentage of participation of each director.

The composition of the Board of Directors, unchanged at the current date compared to December 31, 2007 and which comprises of 19 members, is reported in the current report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2008.

The appointment of the directors was deliberated by the Shareholders' Meeting of April 28, 2006 on the proposal of the shareholders.

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

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, three Vice Chairmen and the Chief Executive Officer. The current composition has remained unchanged compared to December 31, 2007.

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

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

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

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 25 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

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

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

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

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

The Board of Directors meet regularly.

During the year 2007:

the Board of Directors met 10 times;

the Executive Committee met 5 times.

It is expected that a similar number of meetings will take place in 2008. At the date of the present report, 4 Board meetings had been held in 2008 and 1 Executive Committee meeting had been held.

In addition to the Chairman and the Chief Executive Officer - holders, as reported, of delegated powers for the management of the Company attributed to them by the Board - the Vice Chairman Antonio Talarico is also to be considered an executive director, as holder of operational powers and/or directional functions in subsidiary companies operating in the real estate sector and, among these, in the company Immobiliare Lombarda S.p.A., responsible for the management of the real estate assets of the Company and of the Group. The same applies to the Director Gioacchino Paolo Ligresti, who covers the role of Chairman, with operational powers, of Immobiliare Lombarda.

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

Also in accordance with the definitions contained in the new Code, the independent non-executive directors pursuant to the Code are: Andrea Brogginì, Maurizio Comoli, Francesco Corsi, Enzo Mei, Giuseppe Morbidelli, Cosimo Rucellai, Ezio Tosell and Oscar Zannoni. These directors, in fact, are not in the situations indicated by the new Code where their position is not compatible with that of an independent director.

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

The Board of Directors, most recently in March 2008, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board.

The Board made similar verifications with reference to independence pursuant to article 147-ter of the Consolidated Finance Act, introduced by the Savings Law.

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

Currently there are no formal meetings of the independent directors in the absence of the other directors, nor has a lead independent director been appointed. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

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

Pursuant to the Self Governance Code a list of the positions of director or statutory auditor held at March 19, 2008 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is provided below.

Jonella LIGRESTI

| | |
|-------------------------------------|--|
| Chairperson of: | SAI HOLDING ITALIA S.p.A. |
| Vice Chairperson of : | GILLI S.r.l. PREMAFIN FINANZIARIA S.p.A. |
| Director of: | ASSONIME Associazione fra le società italiane per azioni FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A. RCS MediaGroup S.p.A. |
| Member of the Supervision Board: | ATAHOTELS S.p.A. MEDIOBANCA S.p.A. |

Giulia Maria LIGRESTI

Chairperson &
CEO of : PREMAFIN FINANZIARIA S.p.A.

Chairperson of: GILLI S.r.l.
FONDAZIONE FONDIARIA-SAI

CEO of: SAI HOLDING ITALIA S.p.A.
SAIFIN SAIFINANZIARIA S.p.A.

Director of: FINADIN S.p.A. Finanziaria di Investimenti
HELM FINANCE S.g.r.
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l.
MILANO ASSICURAZIONI S.p.A.
ORCHESTRA FILARMONICA DELLA SCALA
PIRELLI & C. S.p.A.
SAILUX S.A.
SAINTERNATIONAL S.A.
TELECOM ITALIA MEDIA S.p.A.

Member of the
Supervision Board: ATAHOTELS S.p.A.

Massimo PINI

Vice Chairman of: ADR S.p.A.
IMMOBILIARE LOMBARDA S.p.A.

Director of: FINADIN S.p.A. Finanziaria di Investimenti
MILANO ASSICURAZIONI S.p.A.

Antonio TALARICO

Chairman of: FINADIN S.p.A. Finanziaria di Investimenti
INTERNATIONAL STRATEGY S.r.l.
MARINA DI LOANO S.p.A.
NUOVE INIZIATIVE TOSCANE S.r.l.
SAIAGRICOLA S.p.A.

Vice Chairman of:
CEO of: IMPREGILO S.p.A.
IMMOBILIARE LOMBARDA S.p.A.

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

Member of the
Supervision Board: ATAHOTELS S.p.A.

Fausto MARCHIONNI

Chairman and
CEO of:

MILANO ASSICURAZIONI S.p.A.
LIGURIA Società di Assicurazioni S.p.A.
LIGURIA VITA S.p.A.
SIAT S.p.A.

Chairman of:

AUTO PRESTO & BENE S.r.l.
BANCA SAI S.p.A.
BIM VITA S.p.A.
PRONTO ASSISTANCE SERVIZI S.p.A.
SAI INVESTIMENTI SGR S.p.A.
SASA Assicurazioni Riassicurazioni S.p.A.

Vice Chairman of:

IMMOBILIARE LOMBARDA S.p.A.
NOVARA VITA S.p.A.

Director of:

ANIA (direct compensation Motor TPL)
ASSONIME Associazione fra le società italiane per azioni
GRUPPO BANCA LEONARDO S.p.A.
IRSA

Andrea BROGGINI

Director of:

BANCA EUROMOBILIARE (Suisse) S.A.
FASTWEB S.p.A.
FEDERAZIONE DELLE COOP. MIGROS
GENERALI (Schweiz) HOLDING
KIEGER AG
KNORR-BREMSE Systeme für Schienenfahrzeuge GmbH
MARCH LIMITED

Mariella CERUTTI MAROCCO

Chairman of :

CERFIN S.p.A.

Director of:

OFFICINE MECCANICHE GIOVYEARS CERUTTI S.p.A.

Maurizio COMOLI

Vice Chairman of the
Supervision Board:

BANCO POPOLARE DI VERONA E NOVARA Scarl

Chairman of the Board
of Statutory Auditors of:

BASTOGI S.p.A.
BRIOSCHI FINANZIARIA S.p.A.
MIRATO S.p.A.

Statutory auditor of:

LORO PIANA S.p.A.

Francesco CORSI

Vice Chairman of:

MERCANTILE LEASING S.p.A.

Statutory auditor of:

BIEFFE 5 S.p.A.
FINDOMESTIC BANCA S.p.A.
FINDOMESTIC NETWORK S.p.A.

Carlo d'URSO

Vice Chairman of:

IMMSI S.p.A.

Director of:

AEDES S.p.A.
BANCA BSI ITALIA S.p.A.
BANCA SAI S.p.A.
F.C.INTERNAZIONALE MILANO S.p.A.
GRUPPO BANCA LEONARDO S.p.A.
MICOS BANCA S.p.A.
PREMAFIN FINANZIARIA S.p.A. SISAL S.p.A.
SISAL Holding Finanziaria S.p.A.
STILO IMMOBILIARE FINANZIARIA S.r.l.

Vincenzo LA RUSSA

Director of:

IMMOBILIARE LOMBARDA S.p.A.

Gioacchino Paolo LIGRESTI

Chairman of : ATAHOTELSSWISS S.A.
 IMMOBILIARE LOMBARDA S.p.A.
 S.R.P. ASSET MANAGEMENT S.A.
 STAR MANAGEMENT S.r.l.
 TOUR EXECUTIVE S.p.A.

Vice Chairman of: BANCA GESFID S.A.
 BANCA SAI S.p.A.
 MILANO ASSICURAZIONI S.p.A.
 MARINA DI LOANO S.p.A.
 PREMAFIN FINANZIARIA S.p.A.
 SAI INVESTIMENTI SGR S.p.A.
 SAIAGRICOLA S.p.A.

Director of: FINSAI INTERNATIONAL S.A.
 GILLI S.r.l.
 MILAN A.C.
 SAILUX S.A.
 SAINTERNATIONAL S.A.

Member of the
Supervision Board: ATAHOTELS S.p.A.

Lia LO VECCHIO

Director of: MILANO ASSICURAZIONI S.p.A.
 SAIAGRICOLA S.p.A.
 SIAT S.p.A.

Enzo MEI

Chairman of: SOCIETÀ GESTIONE CAPANNELLE S.p.A.

CEO of: GENERAL SERVICE ITALIA S.p.A.

Director of: BANCA GALILEO S.p.A.
 DATA SERVICE S.p.A.
 LA MAGONA S.r.l.
 VIGEST S.r.l.

Giuseppe MORBIDELLI

Director of: ACF FIORENTINA S.p.A.
BANCA CR FIRENZE S.p.A

Cosimo RUCELLAI

Chairman of: MERCANTILE LEASING S.p.A.

Vice Chairman of: MILANO ASSICURAZIONI S.p.A.

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

Salvatore SPINIELLO

Chairman of the Board of
Directors of: CAMPO CARLO MAGNO S.P.A.
IMMOBILIARE ANDRONICA S.P.A.

Director of: EUROFLY SERVICE S.P.A.
IMMOBILIARE LOMBARDA S.P.A.
SASA ASSICURAZIONI RIASSICURAZIONI S.P.A.

Member of the
Supervision Board: ATAHOTELS S.P.A.

Sole Director of: G.B. & CO S.R.L.
G.B.H. S.P.A.

Chairman of the Board of
Statutory Auditors of: EDILNORD GESTIONI S.P.A.
EMITTENTI TITOLI S.P.A.
GRANDI LAVORI FINCOSIT S.P.A.
IMHOLDING S.R.L.
ITALHOLDING S.R.L.
M.T. MANUFATTURA TABACCHI S.P.A.
PIRELLI & C REAL ESTATE PROPERTY MANAGEMENT S.P.A.
TA.RO. S.P.A.
UNICREDIT BANCA PER LA CASA S.P.A.
X-ROP40 S.P.A.
YSL BEAUTE ITALIA S.P.A.

Statutory Auditor of:

ASG S.C.A.R.L.
EDISON S.P.A.
ELILARIO ITALIA S.P.A.
FINAGIN S.P.A.
LAZARD INVESTMENTS S.R.L.
P.TV. PROGRAMMAZIONI TELEVISIVE S.P.A.
PRO MAC S.P.A.
TELECOM ITALIA S.P.A.
TI MEDIA S.P.A.
UNICREDIT BANCA S.P.A.

Ezio TOSELLI

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

Oscar ZANNONI

Chairman of :

GRUPPO CERAMICHE RICCHETTI S.p.A.
ARCA S.p.A.
FINCISA S.p.A.
SIC S.p.A.

Director of:

AFIN S.p.A.
FIN-ANZ S.p.A.
FINANZIARIA NORDICA S.p.A.
HERMES INVESTIMENTI S.p.A.

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

On the outcome of this valuation, the Board considers that the number of offices held by directors and/or statutory auditors held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of FONDIARIA-SAI, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group. The Board reserves the right to consider, where necessary, the position taken, also in order to provide an indication to the shareholders before the expiry of their mandate in order that they may have an additional element of valuation in the selection of the candidates for the office of director.

The office of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed Italian companies is reported below:

Marco SPADACINI

Director of : A. MONDADORI EDITORE S.p.A.

Chairman of the Board
of Statutory Auditors : ATLANTIA S.p.A.
SORIN S.p.A.

Statutory Auditor: IMMSI S.p.A.
SNIA S.p.A.

The Chairman of the Board of Statutory Auditors Mr. Benito Giovanni MARINO and the standing auditor Mr. Giancarlo MANTOVANI do not hold other offices in other listed companies.

Chairman of the Board of Directors

The Chairman of the Board of Directors convenes and co-ordinates the meetings of the Board and the Executive Committee. The Chairman ensures that the directors and the members of the Committee are provided with, before each meeting, the documentation and the information necessary, except in the cases of necessity and urgency with reference to the nature of the deliberations to be taken, in line with the degree of confidentiality and the timing with which the Board or Executive Committee must assume these decisions. The Chairman, with the agreement of the participants, may invite participation at the meetings of the Board and the Executive Committee - as attendees and/or with consultant duties - of external parties to these meetings. The Chairman of the Board of Directors, in addition, presides over and organises the Shareholders' Meeting. He is also attributed - as described - powers by the Board, as previously indicated. The Chairman normally exercises these powers only in the case of necessity or urgency, in the absence or impediment of the Chief Executive Officer, or - in any case - when particular circumstances render it necessary.

Treatment of corporate information

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chief Executive Officer. The executives and the employees of the Company and its subsidiaries are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by Consob - relating to operations on financial instruments undertaken by “relevant persons”, considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company’s website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to “confidential” information.

In relation to the regulations which govern insider trading offences and market manipulation, a procedure is also implemented relating to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Companies in a manner not in line with current regulations. This procedure in particular relates to:

- The operations on treasury shares, of the parent company and of the listed subsidiaries;
- The operations on determined financial instruments;
- The counterparties with which the Company operates.

Appointment of the Directors

In 2007, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is sufficiently concentrated and there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

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

At the shareholders' meeting of April 28, 2006 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates, distributed to the participants. The candidature for director is accompanied by indications of whether they qualify as independent. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The new statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Remuneration of directors and senior management

The remuneration of directors is decided by the Board pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the parties concerned.

The Board has always determined, upon appointment, the compensation of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office. Where the Board has resolved to confer to this director, or to other directors, offices to undertake and/or manage particular operations, the Board evaluates, normally "ex-post", the results achieved and, where appropriate, determines, with the favourable opinion of the Board of Statutory Auditors, a special fixed remuneration based on the importance of the operation and the results achieved.

The remuneration paid to the directors in 2007 is reported in a schedule in the Notes to the financial statements.

The next shareholders' meeting called to approve the financial statements will also be proposed to decide, as permitted by the company by-laws, the attribution to the directors of a profit share, whose total amount will be attributed by the Board, as a bonus, to the directors, including those not with corporate offices, which have undertaken particular activities (instead of the amounts up to now decided by the Board, as reported above). For this purpose, the remuneration of a one-off fee to each director will be determined by the Board within the maximum total amount decided by the shareholders' meeting.

On July 14, 2006, the Board of Directors of Fondiaria-SAI agreed to assign the options of the 2006-2011 stock option plan in favour of executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company Premafin Finanziaria, for the acquisition of saving shares of Fondiaria-SAI.

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

The Board also required that the exercise of the options would be related to the achievement of the principal objectives of the Group's 2006-2008 Industrial Plan.

The option rights assigned became partially exercisable by the beneficiaries from July 14, 2007, after the first phase of the vesting period of 12 months established for both plans by the respective regulations, as modified by the Board of Directors' meeting of June 20, 2007, that - as announced to the market - expired a year earlier than the three vesting period phases originally established by the Board, also taking into account the advanced achievement of some of the 2006-2008 Industrial Plan objectives of the Group.

With regard to the executive directors, it is intended to create an adequate remuneration structure, which facilitates their interests along with the creation of value for the shareholders over the medium-long term period, through the achievement of the 2006-2008 Industrial Plan of the Group. In this manner, it was also considered necessary to comply with the recommendations contained in the Code in relation to linking a part of the remuneration of the executive directors to the financial results of the Company and of the Group.

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

Also taking into account the adoption of the above-mentioned stock option plans, the Board of Directors of Fondiaria-SAI, in the meeting of March 27, 2007, appointed a Remuneration Committee, which has the following functions, with reference also to the subsidiary companies:

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;
- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the executive directors and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

The Remuneration Committee is composed of the Chief Executive Officer and of two independent non-executive directors, Mr. Enzo Mei and Mr. Oscar Zannoni. The Board also considered it appropriate that the Chief Executive Officer was a member of the Committee in order to allow co-ordination of the operational management. The Chief Executive Officer did not participate at meetings where his remuneration was discussed.

In 2007, the Committee met twice during the year. Minutes are kept of the Committee meetings.

Executive responsible for the preparation of the corporate accounting documents

The Board of Directors' meeting of June 20, 2007, appointed the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the "Executive Responsible") as Mr. Pier Giorgio Bedogni, Vice General Manager of the Company and responsible for the Administration Department.

In accordance with the provisions of the company by-laws, the Board undertook the appointment with the favourable opinion of the Board of Statutory Auditors and verified the professional qualifications of the person appointed pursuant to the company by-laws which requires that the Executive Responsible is a person of *"adequate professional ability who has undertaken management activity in the administrative/accounting sector or finance or management control or internal audit of a company whose financial instruments are listed on a regulated market or that undertake banking, insurance or financial activities or, in any case, is of significant size"*.

The duration of the appointment was established until the expiry of the mandate of the current Board of Directors.

The Company also adopted a specific management model with reference to application of law No. 262/2005, which introduced the above-mentioned article 154-bis of the Consolidated Finance Act. This management model is integrated into the organisational structure of Fondiaria-SAI and its constitution is based on the fact that the administrative and accounting procedures are part of a wider internal control system, whose responsibility is - and remains - that of the Board of Directors. This latter, however, maintains the general responsibility of direction in relation to the provisions introduced by the above-mentioned law No. 262/2005.

Internal Control

The current provisions require that insurance companies adopt adequate internal control procedures. ISVAP in turn - since 1999 and, recently, with circular No. 577/D of December 30, 2005 - define the internal control system of the companies and the relative functioning procedures, providing indications in order to facilitate, while respecting entrepreneurial independence, the realisation of adequate control systems and risk management, which each enterprise must develop, taking into account the size of their operations and their risk profile.

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

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company's assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Pursuant to circular 577D the enterprise must have an adequate system of risk management, calibrated with respect to the size and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise's objectives. The final objective of the risk management system is to maintain an acceptable level, in line with the available assets of the enterprise, of the risks identified and evaluated.

The Company therefore realised, where necessary, an adequate organisation process in accordance with circular No. 577/D, within the prescribed period required in the circular.

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures today provide for control by the individual operating units (so-called "line control"), as well as by the managers of each unit.

The verification of the adequacy, efficiency and effectiveness of the procedures adopted and, in general, of the internal control system is undertaken by the Audit function of the Group, reporting to the Chief Executive Officer and whose activities also have the purpose of the correct identification and management of business risks. The Audit activities also extend to all the business processes of Fondiaria-SAI and of Group companies (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies the adequacy and effective functioning and is assisted by the Internal Control Committee. The Chief Executive Officer has the responsibility to overview the functioning of the internal control system, identifying the business risks and undertaking the design, management and monitoring of the internal control system, through which he appoints the manager of the Audit function of the Group.

The Board of Directors annually approves the work plan of the Group Audit function. This latter is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers. This manager - who interacts with the Executive Responsible in relation to the management model pursuant to law No. 262/2005 - also coordinates with the Internal Control Committee, to which it reports its work, with the Board of Statutory Auditors and with the audit firm of the Company.

The managers of the operating area of the business must ensure that the Group Audit function has free access to all operating structures and all documentation relating to the operating area subject to control. The Group Audit function has contacts with all the officers of the Company and of the Group companies and its manager has the necessary authority to guarantee the independence of the function.

In particular, following the attribution of a specific Internal Control Committee of the functions in accordance with the Code and as already reported and having regard to the fact that, among these functions, are the valuation of the work plans prepared by the Group Audit function and the receiving of their reports, this latter prepares these reports, presenting them to the Internal Control Committee. This latter, in turn, reports to the Board of Directors its opinions of the work plan of the Group Audit function and on the adequacy of the internal control system.

The manager of the Group Audit function reports also to the Chief Executive Officer on the conclusion of each individual activity undertaken.

In application of Isvap circular 577/D above, the Board annually examines and approves the following documents, which are then transmitted to Isvap:

- A report on the internal control system and risk management system;
- The business organisational structure, specifying the duties attributed to the individual business units and identifying the managers;
- The system of powers delegated within the entity;
- The structure of the Group Audit function and the number of resources dedicated to the activities as well as the characteristics and technical-professional experience;
- The internal audit activities undertaken, any deficiencies reported and the corrective actions adopted;
- The strategic information and communication technology (ICT) plan, in order to ensure the existence and maintenance of a highly integrated overall architecture from an application and technological viewpoint and adequate to the entity's needs.

A Risk Management function was also created, with the duties of:

- Managing the activities to complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Defining and maintaining, in collaboration with the Group Audit function, the mapping of the business risks, with the relative control procedures;
- Monitoring recurring risks, reporting on the results to the Group Audit function;
- Prepare reports for the Board of Directors, the Internal Control Committee and operational functional managers in relation to the evolution of risks and any anomalies;
- Undertake ongoing control of the activities carried out by the different business functions in execution of the resolution procedures for the problems noted;

-
- Transmitting, together with the Group Audit function, the periodic reports to Isvap.

The Risk Management function also undertakes specific periodic stress testing in relation to the principal sources of risk and reports these results to the Board of Directors.

The Risk Management function manager reports directly to the Chief Executive Officer.

Internal Control Committee

The Board of Directors has set up an Internal Control Committee, to assist the Board of Directors, which has the duties of analysing the problems relating to the control of the business activities, attributing to it specific functions which have merely a consultative and proposing function, while the deliberations are exclusively the competence of the Board of Directors.

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Enzo Mei, Salvatore Spiniello and Ezio Toselli. This latter is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board resolved to attribute to these directors a special remuneration for the role undertaken.

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

The Internal Control Committee has the role to:

- Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
- Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
- Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;
- Assist the Board, in relation to the application of law No. 262/2005, in the supervision:
 - On the implementation of the Action Plan;
 - On the effective compliance with the administration and accounting procedures;
 - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
 - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
- Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
- Evaluates the work plan prepared by the Group Audit function and receive periodic reports;

-
- Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
 - Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
 - Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
 - Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

The Committee reports at least every six months, at the time of the approval of the annual and half-yearly accounts, and informs the Board on the work carried out and the adequacy of the internal control system.

The Committee has an active role in evaluating the work plan of the Group Audit function and of the periodic reports issued.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning. The Board also assigned an amount to permit the Internal Control Committee, where necessary, to make recourse to external professional advisors for the analysis of specific issues of particular complexity and of risks for the Company.

In 2007, the Committee met 7 times.

In particular, in the meetings prior to those that the Board of Directors called to approve the draft financial statements for the year ended December 31, 2006, the Committee expressed its favourable opinion on the Group Audit function and considered, at the present moment, the internal control system of the Company to be adequate. The Committee also expressed its opinion:

- That the accounting principles utilised, having consulted with the administrative manager of the Company and the opinion of the audit firm Deloitte & Touche S.p.A., on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- That, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Company;
- That the governance rules adopted by the Company, to the current knowledge of the Committee, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations supplied by Assonime and Emittenti Titoli S.p.A., taking into account the new legislation introduced and justifying the reasons for the choices made where these are different than those recommended by the Code, as well as indicating those initiatives which it intends adopting.

On the occasion of a subsequent meeting before the Board of Directors' meeting called to approve the half year report at June 30, 2007, the Internal Control Committee confirmed its evaluation on the adequacy of the internal control system, and also did not report any critical elements in the audit undertaken by the audit firm.

Social Report

In September 2007, the social responsibility statement concerning the activities of the Fondiaria-SAI Group

was presented for the year 2006.

This document, already prepared with reference to the previous two years, analyses, from a qualitative and quantitative viewpoint, the impact of the Group activities on the various stakeholders whose interests, in addition to those of the shareholders, vary in relation to the Company and the Group.

For the preparation of the social responsibility statement, the Company undertook this in collaboration with the Economics Faculty of the University of Turin.

The social report is available on the Company's website.

Organisation, Management and Control Model pursuant to Legislative Decree. No. 231/01

The Board of Directors of the Company approved an organisational, management and control Model appropriate to prevent the committing of offences contained in Legislative Decree No. 231 of June 8, 2001, relating to the "Regulation of administrative responsibility of legal persons, of companies and of associations including those without legal form, in accordance with article 11 of law No. 300 of September 29, 2000", which introduced for the first time into Italian law criminal responsibility, which is added to that of personal responsibility.

The Board considered that the adoption of the organisational, management and control Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Fondiaria-SAI and all other parties with co-interests, in the undertaking of their activities, and correct conduct so as to prevent the risk of offences as contained in the decree.

In compliance with the provisions of the Decree, the Model approved by the Board of Directors complies with the following principles:

- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principle of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;
- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervision Board of the relevant information;
- The creation of specific preventive "controls", specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control "ex ante");
- The availability to the Supervision Board of adequate resources to support the duties assigned and the achievement of results reasonably obtainable;
- The activity of verifying the functioning of the Model with consequent periodic updating ("ex post" control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervision Board, it was considered appropriate to opt for a mixed composition, with two external professionals with knowledge of the Company and of the Group together with one internal party.

Finally, the Board of Directors approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Fondiaria-SAI believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

Significant transactions with related parties

The Board of Directors approved specific conduct principles for the undertaking of significant operations and with related parties. In defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the operations with related parties - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

Significant operations

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

Transactions with related parties

With reference to the transactions with related parties, it is noted that:

- The related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, relating to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of Consob Regulation No. 11971/1999, are reserved to the exclusive and prior approval of the Board of Directors;
- Also presented for examination and approval of the Board of Directors or of the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman and Chief Executive Officer, are a series of transactions with related parties specifically identified by type and value (other than inter-group transactions as per letter “c” below), considered individually or cumulatively with other transactions in the previous twelve months;

-
- In relation to inter-group transactions, these generally are within the powers delegated by the Board to the Chairman and to the Chief Executive Officer and are therefore generally not reserved to the remit of the Board of Directors and/or of the Executive Committee except where their value is generally above the limits established for the exercise of these delegated powers. The following is also noted:
 - in accordance with the specific regulations for insurance companies, the inter-group transactions in which at least one of the parties is an insurance company - or transactions considered significant according to the quantitative parameters determined by the regulations of the sector - are in any case subject to prior authorisation by ISVAP and are only completed after the authorisation by the Supervision Authority;
 - the inter-group transactions concluded between two non insurance subsidiaries are, where applicable, among those subject to communication to the parent company which require specific resolutions of the Board of Directors or of the Executive Committee pursuant to the conduct rules described in the last paragraph of the first section.

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

A directive was then issued by the Chief Executive Officer to regulate the operating procedures for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

In general all transactions with related persons must comply both in substance and in form.

Where the nature, value or others characteristic of the transaction requires, the Board of Directors will ensure that the transactions with related parties are concluded with the assistance of independent experts for the evaluation of assets and the provision of financial, legal or technical consultants for fairness and/or legal opinions.

The directors which have an interest in the operation must inform in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting. Where this relates to an Executive Director, he must abstain from undertaking the operation.

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

The Board of Directors will resolve on the most appropriate action to be taken in the case where the exclusion of the directors at the moment of the resolution could prejudice the constitutive of the necessary quorum.

Relations with institutional investors and other shareholders

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman and the Chief Executive Officer.

The Company has identified the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

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

Shareholders' Meetings

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

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

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

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings.

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

General representative of the saving shareholders

The Special Shareholders' Meeting of Savings Shareholders of April 30, 2005 appointed Mr. Sandro Quagliotti Common Representative of the Savings Shareholders for the years 2007/2008/2009 and, therefore, until the approval of the financial statements as at December 31, 2009.

Statutory Auditors

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

The statutory provisions for the appointment of the Board of Statutory Auditors will be changed in accordance with law and regulations which Consob - pursuant to article 148, paragraph 2, of Legislative Decree No. 58/98 - will establish through regulations in relation to the election of the Board of Statutory Auditors by the voting of slates.

The current Board of Statutory Auditors is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 28, 2006, when only one slate was presented by shareholders, within the terms established by the by-laws. This slate obtained the majority of the votes at the shareholders' meeting.

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

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

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

The by-laws set out a procedure to appoint the Statutory Auditors which assures transparency. The appointment is made in accordance with a voting mechanism of slates.

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Company at least 15 days before the date fixed for the shareholders' meeting in first convocation, except in the cases as per article 144, paragraph 5 of Consob Regulation No. 11971/1999. Together with the slates, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate .

Independent Auditors

The ordinary Shareholders' Meeting of April 28, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

Within the Group, the audit was appointed for some subsidiaries, among which Immobiliare Lombarda, to the audit firm Reconta Ernst & Young S.p.A.

Tables are attached which summarise the Company's procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders' meetings, internal control and investor relations.

TABELLA 1: STRUTTURA DEL CONSIGLIO DI AMMINISTRAZIONE E DEI COMITATI

| Board of Directors | | | | | | | Internal Control Committee | | Remuneration Committee (a) | | Nomination Committee (b) | | Executive Committee | |
|-------------------------|--------------------------|-----------|---------------|--|------|--------------------------------|----------------------------|------|----------------------------|------|--------------------------|-----|---------------------|------|
| Office | Members | executive | non executive | independent as per the Self-Governance Code | *** | Number of other offices held * | ** | *** | ** | *** | ** | *** | ** | *** |
| Chairman | Jonella LIGRESTI | X | | | 90% | 9 | | | | | | | X | 100% |
| Vice Chairman | Giulia Maria LIGRESTI | | X | | 90% | 14 | | | | | | | X | 75% |
| Vice Chairman | Massimo PINI | | X | | 80% | 4 | | | | | | | X | 100% |
| Vice Chairman | Antonio TALARICO | X | | | 100% | 11 | | | | | | | X | 100% |
| Chief Executive Officer | Fausto MARCHIONNI | X | | | 100% | 16 | | | X | 100% | | | X | 100% |
| Director | Andrea BROGGINI | | X | X | 80% | 7 | | | | | | | | |
| Director | Mariella CERUTTI | | X | | 50% | 2 | | | | | | | | |
| Director | Maurizio COMOLI | | X | X | 80% | 5 | | | | | | | | |
| Director | Francesco CORSI | | X | X | 80% | 4 | | | | | | | | |
| Director | Carlo d'URSO | | X | | 80% | 11 | | | | | | | | |
| Director | Vincenzo LA RUSSA | | X | | 100% | 1 | | | | | | | X | 75% |
| Director | Giocchino Paolo LIGRESTI | X | | | 100% | 18 | | | | | | | X | 100% |
| Director | Lia LO VECCHIO | | X | | 70% | 3 | | | | | | | | |
| Director | Enzo MEI | | X | X | 70% | 6 | X | 57% | X | 100% | | | | |
| Director | Giuseppe MORBIDELLI | | X | X | 40% | 2 | | | | | | | | |
| Director | Cosimo RUCELLAI | | X | X | 100% | 4 | | | | | | | | |
| Director | Salvatore SPINIELLO | | X | | 100% | 29 | X | 86% | | | | | | |
| Director | Ezio TOSELLI | | X | X | 100% | 0 | X | 100% | | | | | | |
| Director | Oscar ZANNONI | | X | X | 80% | 8 | | | X | 100% | | | | |

a) Reasons for non-establishment of the Committee:

In 2006, the Board of Directors did not establish a specific internal committee for the remuneration of directors who are attributed specific offices. This was undertaken directly by the Board where specific mandates were conferred to directors, with the prior approval of the Board of Statutory Auditors. The Remuneration Committee was established on March 27, 2007.

b) Reasons for non-establishment of the Committee:

The ownership of the Company is sufficiently concentrated and there have never been difficulties by the shareholders to make nominations.

| | | | |
|--|----------------------------------|--------------------------------------|-------------------------------|
| Number of meetings held during the year | Board of Directors: 10 | Internal Control Committee: 7 | Executive Committee: 5 |
| | Remuneration Committee: 2 | | |

NOTE:

* This column indicates the number of directorships or statutory auditor positions held in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The corporate governance report indicates all other offices held.

** This column indicates with an “X” whether the member of the Board is a member of the Committee.

*** This column indicates the percentage of attendance of the Director compared to the number of Board and Committee meetings.

TABELLA 2: COLLEGIO SINDACALE

| Office | Members | Percentage of attendance at Board meetings | Number of other offices held * |
|--|------------------------|---|---------------------------------------|
| Chairman | Giovanni Benito MARINO | 100% | - |
| Statutory Auditor | Giancarlo MANTOVANI | 94% | - |
| Statutory Auditor | Marco SPADACINI | 94% | 5 |
| Alternate Auditor | Alessandro MALERBA | | |
| Alternate Auditor | Maria Luisa MOSCONI | | |
| Number of meetings held during the year: 18 | | | |
| Indicate the quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA): 3% | | | |

NOTE:

* This column indicates the directorships or statutory auditor positions held in other listed companies in regulated Italian markets. The corporate governance report indicates all other offices held.

TABELLA 3: ALTRE PREVISIONI DEL CODICE DI AUTODISCIPLINA

| | YES | NO | Summary of the reasons for any differences from the recommendations of the Code |
|--|-----|----|--|
| <i>Powers delegated and transactions with related parties</i> | | | |
| The BoD has attributed powers defining: | | | |
| a) limits | X | | |
| b) functioning | X | | |
| c) and periodic reporting? | X | | |
| The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)? | X | | |
| The BoD has defined guidelines and criteria for the identification of "significant" operations? | X | | |
| The above guidelines and the criteria are described in the report? | X | | |
| The BoD has defined specific procedures for the review and approval of operations with related parties? | X | | |
| Are the procedures for approval of transactions with related parties described in the report? | X | | |
| | | | |
| <i>Procedures for the most recent appointment of directors and statutory auditors</i> | | | |
| The filing of the candidates for the office of director is made at least ten days in advance? | | X | At the shareholders' AGM of April 28, 2006 a single slate was presented by shareholders to the meeting, together with the curriculum vitae of the candidates, distributed to the participants. |
| The candidature for director is accompanied by full and complete information? | X | | |
| The candidature for director is accompanied by information on independence? | X | | |
| The filing of the candidates for the office of statutory auditor is made at least ten days in advance? | X | | |
| The candidature for statutory auditor is accompanied by full and complete information? | X | | |
| | | | |

TABELLA 3: ALTRE PREVISIONI DEL CODICE DI AUTODISCIPLINA

| | YES | NO | Summary of the reasons for any differences from the recommendations of the Code |
|---|-----|----|--|
| <i>Shareholders' Meetings</i> | | | |
| Has the Company approved Shareholder Meeting Regulations? | | X | The provisions of the by-laws - which attribute to the Chairman the power to manage the discussions and define the functioning of the Shareholders' Meetings - were held to be appropriate and allow for an orderly functioning of these meetings. |
| | | | |
| <i>Internal Control</i> | | | |
| Has the company appointed persons responsible for internal control? | X | | |
| Are they hierarchically independent from Operational Area managers? | X | | |
| Dept. responsible for Internal Control (as per article 9.3 of the Code) | | | Group Internal Audit Function |
| | | | |
| <i>Investor relations</i> | | | |
| Has the Company appointed an investor relations manager? | X | | |
| Dept. (address /telephone/fax/e-mail) and person responsible for investor relations | | | <i>Investor Relations Department</i> - Corso G. Galilei, 12 TURIN Tel. 011/6657.642 e-mail: investorrelations@fondiaria-sai.it |

Social Responsibility Report

The subject of ethics and social responsibility is quite complex and also controversial, but it is essential to inform stakeholders of our view of Corporate Social Responsibility as an opportunity to “act positively” rather than as an obligation not to cause harm.

This view is the basis for the Fondiaria-SAI Group's strategic plan, which in line with its social responsibility record has the objective of creating value for Shareholders and also for all stakeholders who are either directly or indirectly involved in the Group's activities.

A number of legal requirements have been outlined in administrative and management guidelines for insurance companies and listed Groups such as Fondiaria-SAI. However, the IAS 1.10 standard provides that corporate and environmental information, and information relating to stakeholders, are not a mandatory part of IAS/IFRS annual accounts; nonetheless, it is considered opportune to present this information, both in order to create a policy of accountability for intangibles and to provide additional decision-making tools for those reading the annual accounts and providing information well beyond the legal requirements.

2007 Social Responsibility Report

The social responsibility report fulfils the mandatory requirement of being subjected to judgement by Third Parties, communicating the positive achievements in terms of social value and also that which has not been attained. The awareness of internal problems or inabilities and the will to define them is a step forward in terms of transparency which displays the social commitment that the Group has always held in its basic conduct.

During 2007, the Group issued its social responsibility statement for the third year in a row. This edition is also the result of collaboration with the University of Turin, whose students were once again the main participants involved in the evaluations that were used to draft the statement. This collaboration is indicative of a culture of responsibility towards those, who in the future, will have the dual role of being drivers of corporate processes and at the same time utilise them in the environment in which we collectively live.

An expanded version has been drafted this year as it contains more information, even though it essentially has the same structure. It includes three sections (identity, calculation of the added value and its distribution, social responsibility report), as set out in the GBS model. It has been published in two versions - in print and on CD-Rom. The latter has also been published on the Internet.

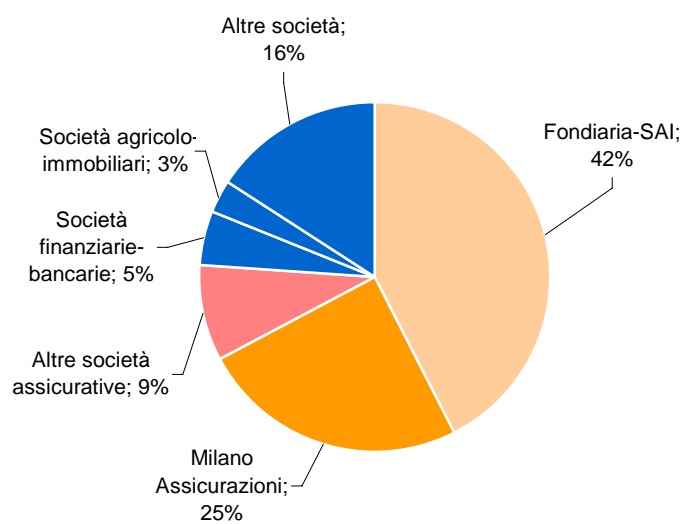
The new statement confirms that the practice of drafting the social responsibility statement has been adopted by the Group; it has become a recurring obligation and the information system now includes special procedures for collecting and processing the information required for its creation.

HUMAN RESOURCES

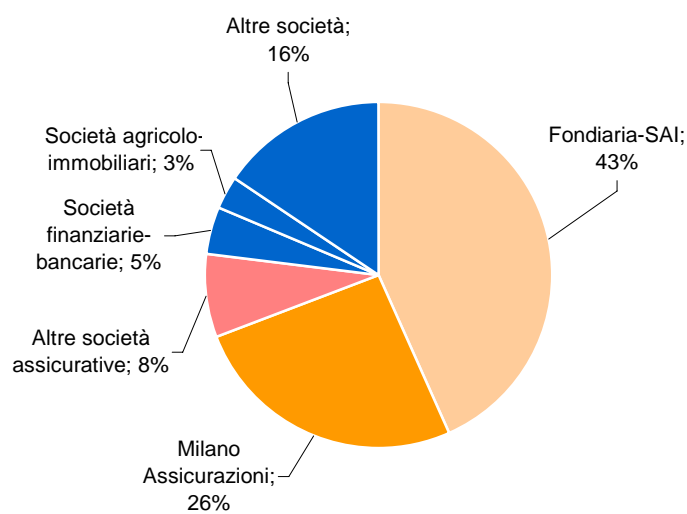
General Information

In 2007, the Fondiaria-SAI Group employed 6,191 people (6,130 at 31/12/2006) of which 2,623 employees were in the Parent Company (2,649 in 2006) and 3,568 in the subsidiaries (3,481 in 2006).

As at 31/12/2007



As at 31/12/2006



Management of Human Resources

The passage from the view of simple “employee administration” to the view of the “development and enhancement of Human Resources” requires:

- new directions for strategies and objectives;
- the organisational units, roles and professional experience that guarantee the technical “expertise” to support these new strategies;
- the methodologies and the instruments that enable “specialised management units” for personnel and executives to focus their actions in innovative ways;
- the creation of a “shared culture” that encourages behaviours that are in line with new management and personnel development directions.

Within these new directives, the priority requirements are:

- to plan and implement in an integrated manner the activities that characterise the function of the organisation and the management of personnel, in terms of analysis and organisational planning, the selection of personnel, training and development and mobility and evaluation;
- to develop a culture that is open to external influences (other public and private organisations) and is aimed at developing a “shared vision” for the organisation based on the values of orientation towards service and processes, quality of service and organisational integration;
- to involve the internal components (executive, intermediate and operational) in the innovation processes to guarantee success, with a view that the methodologies and the instruments must become an integral part of the organisational culture.

ORGANISATIONAL DYNAMICS

Hiring Policies

In 2007, the hiring that had begun in 2005 continued, despite the fact that there is still a negative balance between entries and exits resulting from the transfer of a business unit of the Company to Fondiaria-SAI Technological Services (142 employees).

Hiring mainly involved new graduates with high potential, both previously included in the Group with administration contracts, especially in the Claims and Life Divisions, as well as personnel with previous experience in insurance and financial markets, in the sectors of Finance and Risk Management.

| Numbers Hired | Entrants | Departures |
|-----------------------------|------------|------------|
| Fondiaria-SAI S.p.A. | 108 | 131 |
| Milano Assicurazioni S.p.A. | 40 | 81 |
| Total | 148 | 211 |

At the same time, the Group has focused on the enhancement of its already existing Human Resources with an attentive and constant policy of internal mobility, providing employees with all possible opportunities for professional growth.

Training at Fondiaria-SAI

Training is a constant and fundamental element for work as well as an essential tool for human resources management.

In order to manage change and guarantee a high quality of service, knowledge and skill must be central to an organisation. Therefore, they must ensure the right to continual training opportunities, through the planning and programming of training activities that also consider the needs and inclinations of individuals, through identifying their needs, providing the skills necessary to attain objectives and to fulfil newly assigned duties and complying with regulatory innovations and technologies that may be introduced.

The primary objective of Training is to impart knowledge and contribute to the development of the professional skills of colleagues, providing coherence to the know-how that is present within the Group.

Training activities have been organised and managed in consideration of three principal guidelines:

1. Training provides both the cultural tools necessary to align managerial behaviour and language and the content required for tomorrow's challenges. This guideline relates to all of the projects that are aimed at a genuine integration of the Group's cultural elements, both with regard to managerial language and skills and in relation to technical and sales know-how. For this reason, if there are no specific requirements, training situations that allow people with different duties from the different companies belonging to the Group to interact with one another are favoured.
2. Training supports corporate development with specific, specially created projects. In relation to organisational changes, training is used to impart the knowledge, abilities and conduct required for new processes and/or new structures.
3. Training is provided to individual employees at significant points in their professional careers. In fact, the Group plans initiatives are to provide individuals with the skills necessary to pursue their own professional development plans (for example on becoming a Director or Manager).

The Strategic Role of Training

Training is necessary in order to impart values, work methods, strategies, objectives, a professional culture, the development of technological skills and the development of skills in order to allow for the application of new management tools and customer satisfaction systems, the improvement of the internal organisation, the supply of quality products and services, allowing the players involved in the training process to recognise and develop their intrinsic potential, developing and directing planning creativity and allowing for the creation of a network of relationships that allow knowledge and skills to be shared.

Throughout 2007, training was divided into the following areas:

- technical insurance;
- technical professional;
- management;
- "customised" training;
- company courses;

providing the necessary enhancements for the enrichment of the available courses.

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- The types of training activities offered can also be divided according to their organisational methods:
 - external courses organised at consulting companies, universities or business schools;
 - internal courses organised within the Group and managed by internal instructors or external consultants;
 - FAD or “long-distance training”, carried out with the use of computer technology.

The criteria to be adhered to in selecting external activities favour primary institutes and are specialised according to individual subjects, favouring the participation of no more than one person from the same department. The internal training activities are carried out from time to time in partnership with those specialised in the technical skills for each case. With respect to instruction activities, specialised courses allow for the acquisition of classroom management and course planning methodologies.

Some of the most important activities carried out during the year include:

- A training course on the subject of the direct remuneration system, which involved all of the professionals working within the claims network and the agency network in a cycle of courses on the subject, with the objective of highlighting the opportunities that the new settlement system provides for with regard to improving customer service.
- The development of the first initiative for Departmental Management dedicated to technical hiring structures. In this way, a training activity has been put in place that allows certain people to be chosen from the Departments (including the “product factories” and technical assistance for Damages) and Human Resources and Organisational Management in order to expand their own knowledge regarding the company’s operations, the market and the development prospects in the sector.
- The opening of 7 new educational departments and the consequent planning of 11 new courses, including the first integrated training cycle involving long-distance training and classroom training for the retail sector.
- The continuation of the Skills Development project for non-managerial professionals and the completion of the Skills Development program for supervisors (with courses regarding delegation and development awareness), which include the themes of leadership, planning and coordination.
- The creation of the Training (FOR) website with the inclusion of the online Group Course Catalogue. FOR is an informational area that is dedicated to all of the operators involved with the Fondiaria-SAI Group to communicate with them, enrich their own professional culture and encourage new opportunities for success. The website is continuously updated to aid the duties carried out by employees and to offer all of the tools necessary to face the market dynamically and professionally – it is an evolving workshop and allows them to become aware of all of the innovations offered by Fondiaria-SAI training in real time. In this context, supervisors may register their own staff for technical courses included in the Course Catalogue by completing the appropriate online form.

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- The implementation of a library that allows employees access to publications on subjects of professional interest, developed with a view to carrying out the most traditional classroom activities by integrating them with additional tools that are aimed to support the processes focused on the sharing of know-how.

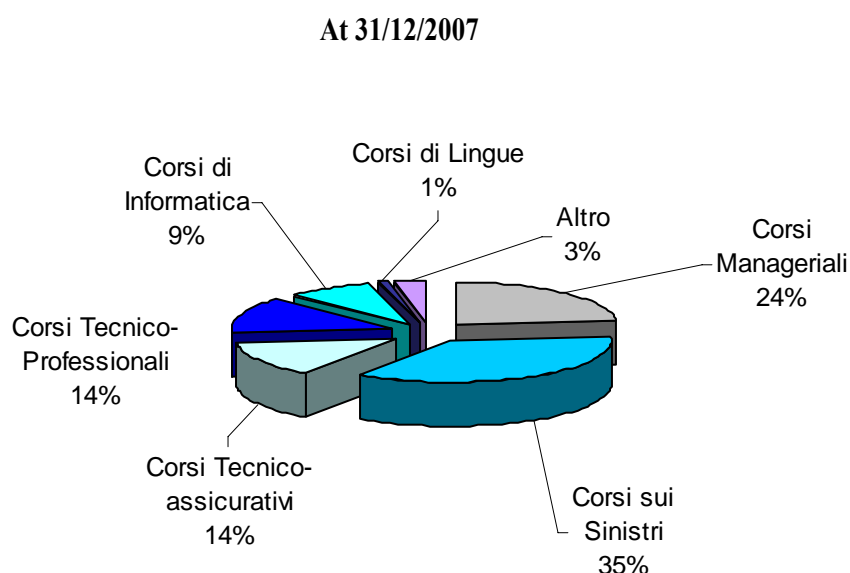
In 2007, the progress achieved with regard to internal training provided for, even in the presence of a total volume of training activities that was similar to previous years (with an increase of approximately 60 days/student), a considerable increase in internal courses (+ 1,423 days/student), with obvious benefits from a cost perspective.

We recall that “days/student” (dd/s) means the number of participants for each individual initiative (for example, if an employee takes part in 2 different and distinct initiatives, 2 attendances will be registered).

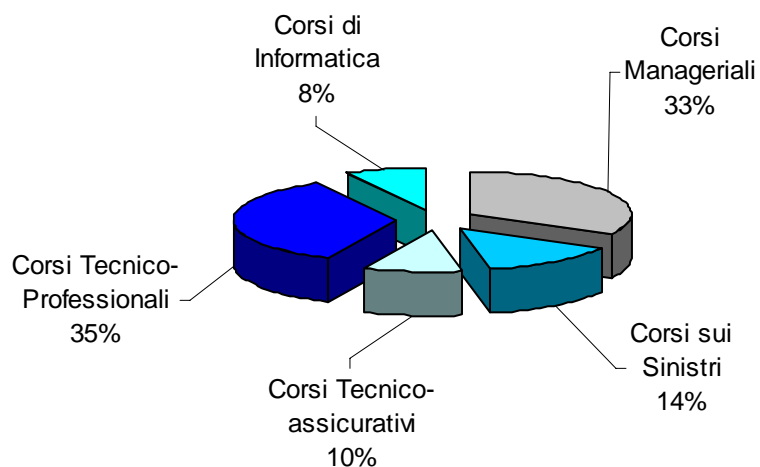
Throughout 2007, 3,165 people were involved in training activities (3,977 at 1/12/2006). Compared to the previous year, there was a different balance of these activities: the development of classroom training, with a longer average duration than long-distance training, determined a total pro capita increase of days (2.1 dd/s compared with 1.7 dd/s in 2006) even in the presence of a decrease in the number of people involved.

The following graphs highlights how the maximisation of the interventions occurred with the support of the integration of the managerial culture.

Situation Regarding Personnel Involved by Type of Initiative



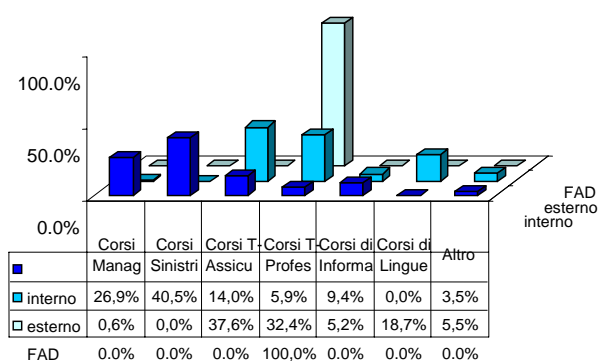
At 31/12/2006



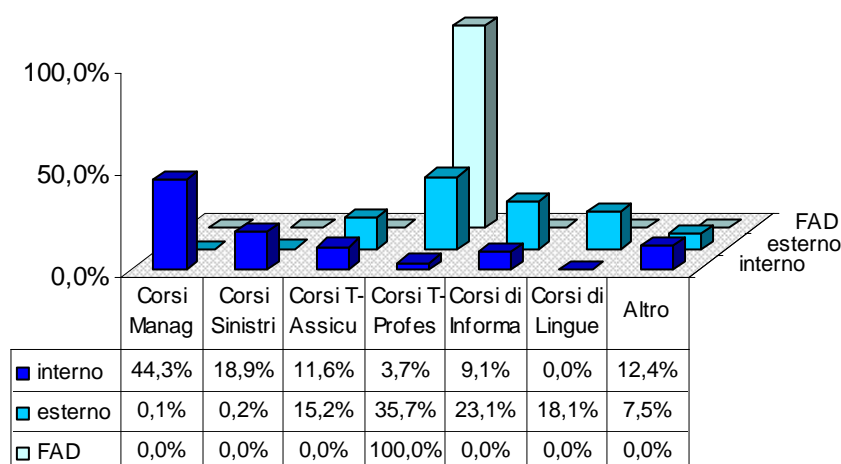
The following graphs and tables highlight that a large part of these training activities have occurred within the Group or through long-distance training, with a marginal use of inter-company courses.

Situation Regarding Personnel Involved by Type of Initiative and Course Method

At 31/12/2007



At 31/12/2006



Industrial Relations Policy

With regard to Industrial Relations during the year 2007, they were also carried out within the context of the Fondiaria-SAI Group according to the consolidated principles of information and dialogue on contractual negotiations.

Throughout the year, in addition to integrated company contracts for the individual companies, 7 union agreements were made, for a total of 53 agreements since July 30, 2002 (the date of the subscription to the Memorandum of Understanding relating to the merger by incorporation of La Fondiaria S.p.A. with SAI S.p.A.) at December 31, 2007. These understandings refer to both companies in the insurance sector and those operating in other sectors in which the Group is active (including finance, banking and services).

Beyond those of an ordinary nature, in other words those that are inherent to the implementation of the negotiations in force, the agreements subscribed to on January 30, 2007 and March 19, 2007 are of particular importance.

The first was reached at the conclusion of the union negotiation, as provided for by legislation and the national work contract for the insurance sector, with regard to the transfer of the business units relating to the management of the Group's Information Technology infrastructures. These infrastructures were provided by Fondiaria-SAI S.p.A., by Milano Assicurazioni S.p.A. and by Starvox S.p.A. to Fondiaria-SAI Servizi Tecnologici S.r.l., a company that was established as a joint venture with EDS Italia S.p.A.

The second was signed with the Union Organisations to define the contractual terms for the company Starvox S.p.A. which, through the successive phases of gradual integration, shall bring the regulatory and economic provisions for the employees of these companies in line with those of the parent company, Fondiaria-SAI S.p.A. by January 1, 2009.

Another theme that was the subject of union negotiations was the harmonisation of contractual regulations for work hours and part-time work schedules, according to the principle of market rationalisation within the Group; specifically the Agreement subscribed to on June 18, 2007 redefined the applicable regulations for the Turin area for all of the insurance companies belonging to the Fondiaria-SAI Group.

During the same period, Industrial Relations throughout Italy were also evaluated; inspection meetings took place in the months of March and April 2007 in Rome and Naples respectively, with regard to some specific subjects relating to the claims settlement structure.

Within the sector, it should be mentioned that on September 17, 2007, an agreement for the renewal of the Collective National Work Contract for Non-Manual Employees, which expired on December 31, 2005, was subscribed to. Of particular importance is the fact that the agreement that was subscribed to involves a 4-year timeframe (2006-2009) for both the regulatory and economic elements, without prejudice to the prescribed effective dates for the increases in the contributions, with an obvious advantage in terms of the certainty and stability of the contractual relationships. The economic increase for the majority of employees, referring to the direct contributions, includes the wage-tariff increases and promotional increases, which will be 10.90% during the 2006-2009 four-year period, slightly above the forecast and real inflation indices.

Last October 15, the agreement for the renewal of the Collective National Work Contract for Managers in the insurance sector was subscribed to between ANIA -Associazione Nazionale fra le Imprese Assicuratrici (National Association of Insurance Companies) and FIDIA - Federazione Italiana Dirigenti Imprese Assicuratrici (Italian Federation of Insurance Company Managers). The subscription to the agreement, which occurred at the end of a long period of negotiation, holds particular importance also in light of the fact that the regulatory elements of the contract have been renewed 11 years after expiration (December 31, 1996), while the economic portion was renewed on June 30, 2003. The contract will expire on December 31, 2010, for both the regulatory and economic portions, since an understanding was also reached for the second two-year period for the latter (2009-2010). The revaluation of the salary compensation terms was identified based on the Protocol indices from July 23, 1993 (programmed inflation and the differential between real and programmed inflation for the period from July 1, 2003 – July 1, 2010).

With regard to the most important events that took place after year-end, the following should be mentioned:

- the continuation of union negotiations relating to the definition of the regulations on the subject of work hours and part-time schedules, which have been harmonised within the Group and in relation to the market;
- the signing on January 18, 2008 of a union agreement, which substitutes the previous one which expired on December 31, 2007, with which the supplementary corporate salary compensation terms for the employees of Banca SAI S.p.A. have been renewed;
- the continuation of negotiations for the definition of the supplementary corporate salary compensation terms for the subsidiary Banca Popolare di Milano Vita S.p.A.

Finally, it should be mentioned that on December 31, 2008 the integrated corporate contracts for the companies belonging to the Group will expire, the most important of which are listed below: Fondiaria-SAI S.p.A., Milano Ass.ni S.p.A., SIAT S.p.A., SASA Ass.ni e Riass.ni S.p.A. and SASA Vita S.p.A.

Workplace Health and Safety

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

The Prevention and Protection Service makes use of the technical skills of the internal structures, including, in the case of healthcare surveillance, the Health Care Management Office. This office represents a centralised structure that has been established to control any processes related to healthcare issues or which involve healthcare elements, and advocates the use of adequate resources, structures and methods for all of the Group's companies.

A similar and innovative project that is unique in Italy provides General Management with a better strategic vision and homogeneity of healthcare related interventions among the various Group companies through the use of the four units belonging to the structure: medical consultancy management, Group healthcare services, a healthcare network and auditing. For this purpose, there are nine workplace physicians, each of whom has been assigned a territorial area, to execute periodic verifications for healthcare surveillance (pursuant to Legislative Decree 626/94).

It is important to highlight that in addition to compliance with regulatory and contractual obligations, the Group's attention to the protection of employee health and safety as well as the prevention of healthcare problems is also shown through individual initiatives undertaken by the Group companies. In fact, a variety of different services of a medical/healthcare nature are carried out, including eye and audiometric examinations and other interventions for both male and female employees, including check-ups, ECG, flu vaccinations, etc.

With regard to compliance with the requirements of Legislative Decree 626/94 all supporting documents have been made available, Employee Safety Agencies have been established, while, with regard to the management of emergencies, personnel have been assigned to fire-prevention and emergency aid teams. The training/continuing education of the aforementioned personnel involved approximately 130 employees in 2007.

The efficiency of these teams is periodically verified with specific trial runs that involve entire facilities and hundreds of employees. The worksite inspections are carried out periodically by the Competent Physicians along with the Prevention and Protection Service.

In these circumstances, special attention is paid to fire-prevention and emergency aid safeguards, the layout of work environments and ergonomic elements, and if required, as in the case of noise or air quality, specific instrumental inspections are provided for. In certain markets, especially Turin, the provision of extraordinary maintenance, which will allow for significant improvements in terms of workplace safety and environmental comfort, has continued.

Another aspect, relating to prevention, relates to the ongoing activities of employee training and information which are carried out in relation to the "guidelines for the use of video terminals" (Ministerial Decree 02/10/2000), through both classroom computer training days and independent learning programs that are made available through the Internet, involving approximately 200 employees during 2007.

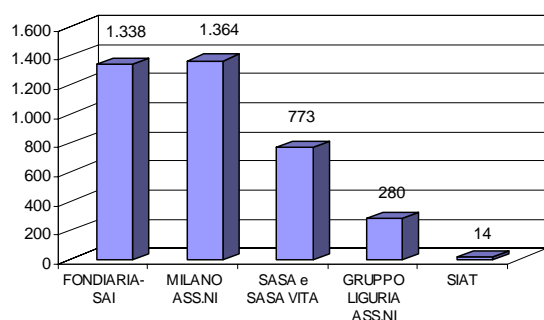
AGENTS

The sales network, which is based around the insurance agent, represents for all intents and purposes, the point of sale for Fondiaria-SAI's services. Even with a variety of distribution channels, the agency network continues to play a central role in the marketing and sale of the Group's products, both for the retail and corporate markets. The Group's agents are entrusted with the mission of assisting or providing consultancy to all customers by offering the most suitable insurance solutions for their needs, and increasingly of making customers aware of all of the potential risks which generally customers are unaware of. All of this has emerged from interviews conducted with a sample group of agents who were identified based on the Group's various brands.

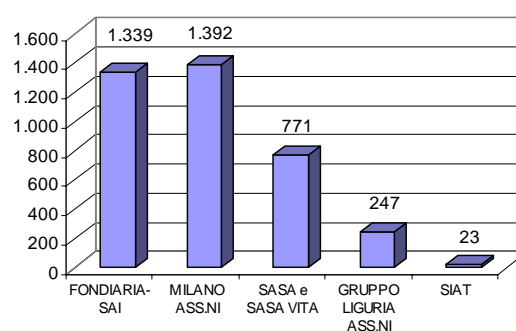
In 2007, premiums were mainly produced by 3,769 agencies operating through 2,934 points of sale and representing the traditional sales channels. Specifically, the distribution structure includes 1,338 sole agencies and other localisations belonging to the Parent Company, as well as 2,431 sole and multi-firm agencies that collaborate with the other Group companies.

641 of the aforementioned agencies operate according to mandates from BANCASAI, which also include mandates for the subsidiary Effe Investimenti Sim and which markets mutual investment funds from SAI A.M. SGR (formerly Effe Gestioni Sgr), supporting the BANCASAI network, which has a total of 1,286 financial consultants.

as at 31/12/2007



as at 31/12/2006



Commercial Training

Training activities have always been the feather in the cap of the Fondiaria-SAI Group: specifically, technical, sales and managerial training activities are a key element of the development of the Group's distribution networks' policies. Training is considered to be a genuine strategic element for providing added value to Group's Human Resources in terms of professionalism, a basic element required to be competitive and successful in the marketplace.

In 2007, the new "Gate Training" program was inaugurated, which benefits from a wealth of experience that has been acquired in recent years.

Gate provides for a reorganisation of training themes, according to the various recipients. In fact, 3 macro-categories of recipients have been created:

- Agents,
- Sub-Agents and producers,
- Front Line resources,

which have been sub-divided further in order to separate personnel with significant and consolidated experience from those who have recently begun their work activity.

The subjects for this training range from the technical elements associated with the products that are distributed to the most advanced commercial subjects that can be used to provide customers with the best possible consulting services.

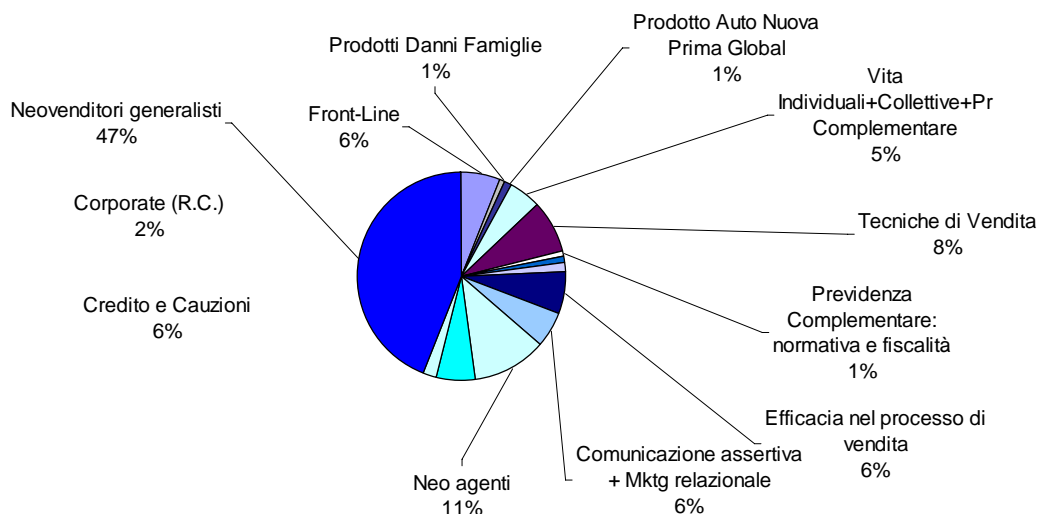
The training offerings also include some modules that explore the themes of relationships and behaviour in more depth and customised management training courses - for agents in particular.

Course registration mainly occurs by catalogue: it is accessed upon request with approval from the Territorial Supervisor

In some cases and for certain subjects, the selection and invitation of participants is the Management's responsibility. Some examples include a program dedicated to agents who have recently been granted their sales mandates, courses on Corporate products offered by Senior Agents and training modules related to recruitment campaigns for new sales representatives.

During the year, a database containing information pertaining to the sales force was also created, which in combination with the company's Intranet sites, allows for the accessing of requests to participate in the courses and registration and archiving of the complete training histories of the personnel that operate within the sales network.

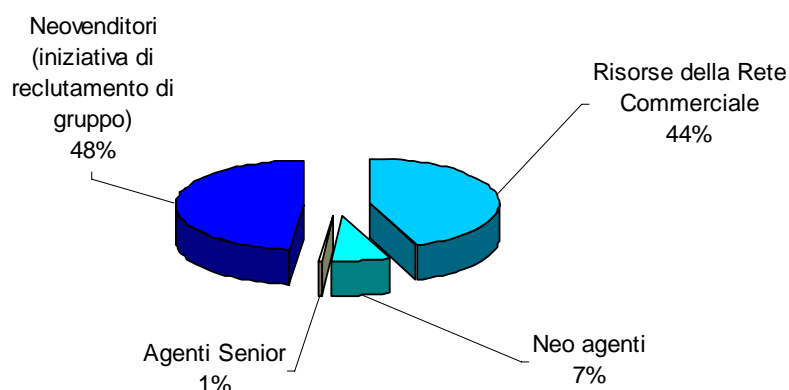
Fondiarria – SAI –Training Activities According to Course Type at 31/12/2007 (dd/person)



With regard to the company Milano Assicurazioni, which was involved in the launch of the Gate project only at the end of the year, much work was done to harmonise the skills and operational methods for the personnel who operate within the Group's sales network, following an in-depth commercial reorganisation that involved all Departments.

For this reason, a detailed training program was implemented for all territorial supervisors at all levels which culminated in a final "outdoor training" activity to optimise and consolidate "teamwork" dynamics.

Milano Assicurazioni S.p.A. –Training Activities for Course Participants at 31/12/2007 (dd/person)



SUPPLIERS

General Information

Insurance company suppliers can be essentially separated into suppliers of goods and suppliers of services. The first carry out a role that is not directly related to the company's core business, while the second occupy an important position with regard to the service itself.

Included among these are: loss assessors, physicians, lawyers and auto-body mechanics.

Stability, reliability, shared values and the quality of services offered are the features that the Fondiaria-SAI Group looks for in its third-party suppliers, as the suppliers of services are the first contact for customers that make claims.

The Group has always focused its attention on the selecting and choosing of its partners, requiring professionalism and attention and sensitivity in customer relations: once the most appropriate and adequate suppliers have been identified, stable relationships that provide the best conditions for both the suppliers and the other stakeholders, especially customers and agents, are pursued.

As a guarantee, a unique, professional register has been established and an Internet site has been set up for all of the partners and suppliers that are regularly used for claims management.

Thanks to the definition of shared and standardised IT procedures, the Group has been able to create lean and efficient methods for the granting of assignments and the restitution and subdivision of claims, with a consequent improvement in the quality of service and execution times with regard to the end users.

Through a dynamic relationship, which has evolved along with the changing needs of the counter-parties, it is possible to respond in a timely manner to the new market trends requested by the clientele.

COMMUNITY

Corporate Social Responsibility

Companies involved in the insurance industry, which basically operate in order to provide an improvement in the quality of life for their customers, must respond to collective security needs, thereby behaving ethically and responsibly, including through the creation of economic value.

However, a company must aim even higher, transforming its social responsibility into a code of ethics, in the true sense of the term. Social responsibility creates value. It means knowing how to combine ethics and social responsibility and profit, without sacrificing any of these objectives. In other words, the presence of these features means developing a broader concept of wealth rather than a simple economic situation, evolving towards an intangible goal in which collective well being and satisfaction encompasses all of its members and at the same time also includes a healthy environment - and not simply the work environment - with improved psychological-physical living conditions.

This is how our Group interprets social responsibility. Therefore, the Group's objectives are focused on maintaining the commitments that have already been undertaken in terms of sponsorships and charitable contributions with regard to a variety of stakeholders in the areas of culture, art, sport and education, but also in relation to the pure social value of specific projects in disadvantaged categories. These activities are carried out both by the Group and the Fondiaria-SAI Foundation (when the main social aspect involves charitable contributions).

With regard to the direction of the declared objectives, this also includes the Group's support of organisations or associations that handle socio-cultural interests of a variety of types.

Corporate Image and Public Relations Interventions

In order to increase and consolidate the institutional role and visibility of the Fondiaria-SAI Group on a national level, the Group has provided support to and collaborated with the following cultural institutions during the period in question:

- the Fondazione Teatro Regio di Torino (Royal Theatre of Turin Foundation) of which Fondiaria-SAI is a founding partner;
- the Museo Nazionale del Cinema (National Cinematic Museum) - of which Fondiaria-SAI is a member of the management committee;
- the Committee for the promotion of the Beni Artistici e Culturali di Torino (Artistic and Cultural Heritage of Turin), for which Fondiaria-SAI is a member of the management board and in 2007 was actively involved in its 20th Anniversary celebrations;
- the Fiera Internazionale del Libro (International Book Fair) (Turin, 2006/2007 World Book Capital);
- the Turin Industrial Association's Conference Centre;
- the City of Florence's May Florentine Music Festival;

as well as other institutions that operate in social and cultural areas.

Specifically, in order to continue the Group's commitment as a promoter of a high-level artistic-cultural setting and its continued willingness to create a solid relationship with the city of Turin, during the month of September, significant support was provided for the traditional MITO-September Music event (which saw Fondiaria-SAI acting in the cities of Turin and Milan at the same time) and on October 7, for the fourth year in a row, the opening night (featuring Giuseppe Verdi's *Falstaff*) at the Royal Theatre of Turin, which is now acclaimed by the public and receives excellent media coverage.

Fondiarria-SAI Foundation

The Fondiarria-SAI Foundation was established at the end of 2005 with the aim of promoting a “culture of solidarity” and providing support in the community and in cultural and scientific initiatives, not only as a supporter but also as a genuine promoter; yet another testimony to the organisational and planning experience that the organisation has acquired.

The main initiative for 2007 was the second year of involvement with the “Forgotten Needs” project which is being promoted in collaboration with the Congregation of the Sisters of Divine Providence for Abandoned Children; the Foundation provides assistance to a village on the outskirts of Hossana (a city located approximately 230 km from Addis Ababa, Ethiopia’s capital city), whose inhabitants survive mainly through agriculture and are subjected to an extremely underdeveloped socio-economic situation.

This is an elaborate project, which has been created to provide support to the children and families of the village and has the goal of integrating the Group into the social fabric, through three types of projects: guarantee instruction and education of children, provide for the construction of homes and encourage adults to obtain the skills required to improve the quality of their products, ensuring adequate profit from the sales of these products in order to satisfy their basic needs.

The project has also provided for the involvement of local authorities, volunteers and Teachers Without Borders as well as other cultural organisations.

The first objective of this initiative was already reached on the October 24 last, when an educational centre with a capacity for 400 children was inaugurated.

Fondiarria-SAI Foundation’s project is in line with the development strategy that has been outlined by the Ethiopian Government and approved by the UN and UNESCO, which proposes raising the rate of those in education from 25% to 50% over five years. Currently, only 55% of children attend elementary school, while the literacy rate among 15 to 24 year olds is only 31.2%.

The project has now moved on to its second phase, which consists of the construction of shelters with the use of local resources and at the same time encourages adult involvement in training courses and artisan activities.

The collaboration that has been undertaken with a variety of institutions and has allowed for work to be done with an international focus, providing space for initiatives that have offered the necessary assistance to those in difficulty, at the lowest possible cost.

As confirmation of the Group's sensitivity towards those who are in less fortunate situations, the most important initiatives undertaken during 2007 are included below:

- Gurula Project – “Teachers Without Borders”. The objective of the project is the adoption of a complete educational facility and orphanage in India. During 2007, charitable contributions made in favour of the project amounted to Euro 200 thousand. Moreover, in March a convention with the socially beneficial non-profit association “Teachers Without Borders” was signed with the objective of creating projects and programs through the training of available and skilled teachers to share and manage difficult situations in a variety of countries, in order to use education as a tool for liberation. From the month of June through March of 2009, volunteers from the non-profit association “Teachers Without Borders” will collaborate with personnel from the Vanaprastha centre in order to allow for improved educational services, to provide support to teachers who are already present in the school and to expand educational programs. Through the signing of this convention, the Foundation is committed to supporting the educational project with the Vanaprastha school through contributions to the socially beneficial non-profit association “Teachers Without Borders” for a total amount of Euro 20 thousand
- Paediatric Palliative Home Care. Together with the Region of Piedmont, the Foundation acts as guarantor for a project that has the objective of creating a complex at the Regina Margherita Children's Hospital of Turin, which will accept requests for patient assistance. It should be highlighted that this Centre does not receive any financial contributions from the Foundation. The structure, which shall be managed by a team of specialised physicians, will allow for the support of paediatric oncology patients who will be allowed to continue their therapies at home. The Luce per la Vita (Light for Life) Association, thanks to annual contributions of Euro 50 thousand over a three-year period as decided by the Foundation's Board in December of 2006, allows Local Healthcare Authorities (ASLs) to provide free palliative care to paediatric age patients that meet certain requisites and who are affected by terminal oncologic, cardiologic, pneumologic, nephrologic, hepatic and neurological pathologies or who require specific support at least in the first phase following their release from residential care centres.
- “SAN PATRIGNANO” Polyvalent Medical Centre. The cost for the upkeep of these healthcare services was Euro 300 thousand for 2007. The amount has been calculated net of some important transactions that provide assistance to the structure, including: the supply of over-the counter drugs at no cost by the Banco Farmaceutico, the supply of C-level healthcare products and pharmaceuticals by the Local Healthcare Authority (ASL), the free supply of orthodontic materials by some important companies in the industry and finally the availability of some professionals and services at no cost from the Local Healthcare Authority (ASL).
- “Tempus” Programme. Euro 75 thousand has been apportioned to the Specialised Training Course in Palliative Care organised by the Department of Medicine and Surgery at the University of Florence for research projects and publications relating to the European Project.
- “Forgotten Childhood” Project. A Euro 45 thousand contribution allowed a nursery school in Fonko, Ethiopia to be completed and made operational; the school was inaugurated on October 24, 2007.
- Saint Jean de Dieu Tanguietà Hospital. In 2007, Euro 80 thousand was apportioned for the creation of a Burn Unit at the Saint Jean de Dieu Tanguietà Hospital in Benin (Africa).
- Zaccheo Onlus House. A contribution of Euro 20 thousand was made in support of the Association which covered the management expenses for a shelter that hosts homeless families and persons who find themselves in disadvantaged economic and psychological situations.

Cultural and Social Interventions

The awareness, which is strongly rooted in Fondiaria-SAI, that economic development must proceed by accompanying and sustaining social, cultural and artistic progress in the interests of the collective, has led to the planning of sponsorships and charitable donations during 2007, both at corporate and local levels, which have been programmed in order to consolidate the presence of the Holding Company in its operational centres of Florence, Milan and Turin.

The areas of intervention have mainly involved social services, with initiatives that favour the weakest and most disadvantaged populations and medical-scientific research. Another important area of intervention is culture, which has been supported by both high profile initiatives and more accessible and informational initiatives, for the purpose of responding to the needs of the most diverse target audiences. With regard to sport, some opportunities were selected that have provided high visibility to the Group's logo as well as activities that have provided important competitive results.

Specifically, among the initiatives involving social and humanitarian content, which reflect the attention that the Group has focused on the values of solidarity and the principles of Corporate Social Responsibility, some of the most important include the assistance provided to ANDOS-Associazione Nazionale Donne Operate al Seno (National Association for Women Who Have Undergone Breast Surgery); AID-Associazione Italiana Dislessia (Italian Association for Dyslexia) for the creation of the A.P.R.I.CO project, which was founded with the goal of activating preventive, re-education and compensatory projects using IT tools within schools for people with dyslexia; AIMAC-Associazione Italiana Malati di Cancro (Italian Association for Cancer Victims), which provides information and psychological support to cancer sufferers and their families. Moreover, assistance was provided to the Gulliver Centre, a social co-operative that works for the rehabilitation of young drug addicts, ARCA, a socially beneficial non-profit organisation for those with severe mental handicaps, and the Ideando Social Cooperative, which is involved in the rehabilitation of minors who live in severely disadvantaged family situations.

Also in 2007, support was provided for the Dino Ferrari Centre, a support organisation involved in the battle for the diagnosis and therapy for neuromuscular and neurodegenerative diseases, the Umberto Veronesi Foundation, which has the goal of promoting scientific cancer research and providing information at all levels, and the socially beneficial non-profit organisation, Aldo Garavaglia "Doctor Smile" Foundation, which through comic-therapy, brings a smile to the faces of children that are admitted to Italian hospitals.

In the socio-cultural area, the traditional contribution to the "Rimini Meetings" was reconfirmed. In its 28th Edition, the theme for the Meeting was Friendship among Cultures and the central theme was "Truth is the fate for which we were created", a subject that included an intense series of meetings among politicians, entrepreneurs and scientists as well as religious leaders and international cultural and artistic personalities. This edition attracted a large number of people, characteristic of the event for several years: 700,000 visitors, 118 meetings, 400 speakers, including the Chief Executive Officer of Fondiaria-SAI, and with 800 accredited journalists in the press room, resulting in significant returns in terms of image.

Fondiaria-SAI also supported the "Agorà dei Giovani Italiani", an initiative by the Catholic Church aimed at promoting a new focus on youth pastoral activities in our nation's dioceses which concluded in Loreto with a large meeting that also saw the participation of Pope Benedict XVI.

On a cultural level, the sponsorship of MITO September Music, the International Music Festival, was of special importance in terms of artistic quality and media impact and for the entire month of September, it united Milan and Turin in a busy calendar of musical events, from classical to contemporary music, from jazz to rock to pop, and which was met favourably by a wide variety of target audiences. Born from the thirty-year experience of Turin September Music, the MITO Festival, during its first edition in Milan, met with great success from the public, with more than 160,000 visitors and the participation of critics.

The sponsorship relationship with the Philharmonic Orchestra of La Scala continued, with additional support from Fondiaria-SAI for the special concert that took place in the Cathedral Square of Milan for the Festa della Repubblica and for the Orchestra's United States tour. Subscriptions were renewed as extraordinary members and supporters of some important institutions in Milan, including, among others, the La Scala Theatre, the PierLombardo Foundation and the AIM-Associazione Interessi Metropolitani (Metropolitan Interests Association), which studies the problems of Lombardy's metropolitan areas to favour of a balanced modernisation and to increase international competitiveness.

To highlight Fondiaria-SAI's deep set roots in Milan's history as well as the bond it shares with the city, the Group continued for the first two months of the year with the financial intervention it began in November of 2006 for the restoration of the facade of the city's Cathedral.

With support for the "A Masterpiece for Milan" initiative, the Group continued to strengthen its relationships with the institutions of Milan, by once again taking part in the city's greatest cultural events. Promoted by the Diocesan Museum of Milan and Bipiemmi Gestione – Gruppo Banca Popolare di Milan, a banking and insurance partner, and under the patronage of the City of Milan's Regional Office of Culture and the Arts, this initiative "brings" some important works of art from other cities or nations, which are not normally readily available to the public, to one of the most prestigious museums in the Region of Lombardy. During the months of September and October Antonello da Messina's *Annunciation*, from the Regional Gallery of Sicily at Palermo's Palazzo Abatellis, was exhibited for the first time.

Moreover, La Milaneseana, an event promoted by the Province of Milan, organised by the "Musical Afternoons/Dal Verme Theatre" and created and directed by Elisabetta Sgarbi with support from Milano Assicurazioni, had a significant impact within Milan. This was an important cultural event, which hosted eminent figures from the fields of literature, art and science, including several Nobel Prize winners, in different areas of the city.

Milano Assicurazioni also sponsored the exhibition "*Il Corriere's* Sunday Edition" – The 20th Century in Illustrations. The exhibition, which was promoted by the *Corriere della Sera* Foundation, was installed at the prestigious Palazzo Reale of Milan, and recounted events from the 20th Century through the history of illustration. Alongside the exhibition, a number of different meetings providing additional information involving contributions from artists as witnesses to and players in the history of the Sunday edition as well as extensive involvement from the public.

The Group also renewed its support for No'HMA, a cultural association founded by Teresa Pomodoro which carries out activities of research, training and cultural and creative experimentation through the use of music, art and theatre, also creating "cultural volunteerism" in prisons, schools and universities as well as for the elderly, through debates, seminars and experimental laboratories.

Once again in 2007, Fondiaria-SAI was one of the “500 of FAI”, in other words, among the regular supporters of the Fondo per l’Ambiente Italiano (Italian Fund for the Environment), and it was one of the sponsors of the annual special fundraising concert which this year was conducted by Maestro Riccardo Muti and took place in Rome’s Music Park.

Finally, in the area of sport, Gruppo Fondiaria-SAI provided support to a number of organisations: the most important one in terms of media coverage and financial commitment was the +39 Challenge, the Italian racing sailboat that took part in the 32nd America’s Cup, which displayed Fondiaria-SAI’s logo on its sails. Also worth mention is the renewed support for the women’s track and field team, the Fondiaria-SAI Athletics team of Rome, which participated in its sixth consecutive national championship in 2007 as well as the Supercoppa, an important event that recognises the Senior and Youth activities of the association throughout the entire year, as well as the prestigious Fondiaria-SAI Swing Cup, one of Italy’s most important golf tournaments, featuring 16 stages with the final competition held at the Alahotel’s Tanka Village course at Villasimius in Sardinia.

Throughout 2007, some important events acted as confirmation of the strong link that exists between the Company and the city of Florence.

In particular, on March 21, the city hosted delegations from all of the nations of the European Community along with the Presidents of the European Parliaments for the 50th Anniversary celebration of the Rome Treaties, welcoming them with a concert held at the Theatre of the “Florentine Musical May”, featuring Beethoven’s Ninth Symphony. Fondiaria-SAI acted as a partner to offer this concert to the city of Florence and the European delegations.

In keeping with tradition, Fondiaria-SAI sponsored the final concert of the Musical May Festival, which celebrates its 70th edition this year. The concert was held against the splendid backdrop of the Piazza della Signoria with an “all Cajkóvskjy” concert directed by Maestro Zubin Mehta. Zubin Mehta had previously conducted an exclusive concert for guests of Fondiaria-SAI at the Sala Botticelli of the Uffizi Galleries featuring Mozart’s K550 Symphony.

And also in 2007, Fondiaria-SAI supported the edition of the Festival of Creativity organised by the Tuscan System Foundation. Fondiaria-SAI Group has participated in the Tuscan System Foundation’s programs through its participation at the Investors Shareholders’ Meeting. At the end of the 2nd edition of the Festival of Creativity, which saw the participation of more than 400,000 visitors, the Uffizi Galleries hosted an exclusive concert by the viola soloist Giovanni Sollima, which was broadcast live on Radio Tre.

Moreover, the presence of the Company’s brand in the road safety campaign promoted by the City of Florence continued, with a testimonial by the footballer Giampaolo Pazzini and the headline “You can lose a game, but not your life. Don’t drink and drive!”

COMMUNICATIONS

Internal Communications

In order to proceed with the consolidation of the integration of different corporate cultures present within the Group, throughout 2007 the planning and study of a variety of Internal Communications activities continued, which through the creation of print/online tools and internal events—have involved and will continue to involve the Group in upcoming months:

Among the most important activities we report:

- sharing information through the NEWS newsletter and the TEAM house organ, which are distributed to all employees and distribution networks;
- the development of ad hoc Communications Plans (specifically for Milano Assicurazioni with which collaboration is also taking place for the study of a new dedicated print publication called Milano Magazine) and the realisation of communications projects targeted at the Group's different companies;
- creating customer loyalty among the best clients (Club Assicurati) through the creation of a quarterly magazine, LINEA DIRETTA CLUB;
- the distribution of 2007/2008 Free Catalogues for all employees and distribution networks to manage the Group's promotional offerings;
- the continuation of the integration of the Intranet system;
- the management of the major brands (with specific reference to the new Fondiaria-SAI headquarters in Rome) and the agency brands belonging to the entire Group;
- the planning of events targeted at employees and agency networks.

External Communications

2007 was particularly dedicated to the development of new corporate communications projects which, through different methods and varying levels, have the goal of pursuing the objectives that are typical of these types of activities: communicate the values and the resources that the Group uses to operate within the market, expressing its competitive positioning and strengthening the Group's brand awareness.

In this perspective, the first "Libera la Vita" ("Free Life") initiative was born referring to the institutional payoff of the Group last year, which was targeted at all of the distribution network agencies with the objective or harmonising the communications activities throughout the territory and providing an expression of Fondiaria-SAI Group's market positioning. The operation apportioned a financial contribution to local charitable-social initiatives and is coherent with the communications philosophy that supports the "Free Life" premise, selecting those projects that are capable of transmitting Gruppo Fondiaria-SAI's important role of social responsibility and setting it apart for its innovation and visibility.

This is an effective method for transmitting our brand's personality, values and uniqueness, and at the same time enhancing the role of the agencies.

The second project, which was developed in the corporate area, is the Group's new magazine, called VISION – Valore e Valori della Comunicazione (Value and Values of Communications) targeted at employees and all of the agencies and completely dedicated to the subjects that animate the field of Communications: scenarios, awareness surveys on the health status of our major brands and the main emergent social phenomena, successful case histories, new projects created by the Group, etc.

The newsletter, with a bi-annual distribution, pursues the objective of promoting a more diffuse and mature culture of communications and supplying useful informational/training instruments to the insurance sales networks, which are also of interest to the Group's entire Management.

The name itself is an implicit declaration of intent: to provide a contribution of awareness, clarity and concreteness to the understanding of the dynamics of communications, with special, yet not exclusive, attention to changes taking place in the insurance-financial market, to investigate today the elements that will constitute tomorrow's tastes and public opinion, to identify the utility of the correct use of "communications" in reaching the company's objectives and express the values in which our Group's vision has its roots.

The second edition of Vision, which was published and distributed in the month of December, coherently with its editorial mission, has already inaugurated the first collection of volumes dedicated to communications training (entitled Say, Do, Communicate).

Moreover, the Parent Company has also guaranteed adequate support and the necessary visibility to the initiatives developed by the corporate business centres and the Companies belonging to the Group:

- A project for the harmonisation of the Claims Inspectors' image.
- A SIAT-Società Italiana Assicurazioni e Riassicurazioni (Italian Insurance and Reinsurance Society) institutional communications review aimed at enhancing its new position in the Group's Transportation Facility.
- The implementation of a communications project in support of Auto Presto&Bene.

Moreover, the agencies have been guaranteed the necessary assistance, in a continuous manner, for the realisation of local communications tools, according to specific territorial marketing requirements.

Press Office

The press office's activity has guaranteed a continual flow of information to media outlets regarding the Group's companies, which has allowed for increased visibility, both at an institutional level in relation to financial performance, management objectives and strategies, and with regard to the products that are offered to customers with an improvement in the external perception of the brand and the activities carried out by the Group.

Specifically, the press office has supported the dissemination of 52 press releases, 44 of which are price sensitive, and the carrying out of meetings and interviews between journalists and the CEO and other members of top management.

Moreover, the press office has collaborated with the Investor Relations Department for an annual meeting with financial analysts, focusing on the state of advancement of the Group's 2006-2008 Industrial Plan and the new market challenges resulting from the introduction of direct compensation and by the Bersani Decree, in support of media impact.

LITIGATION

Actions by shareholders

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to Consob regulation of December 2002, it should be mentioned that five first instance proceedings are pending.

Specifically, it should be mentioned that on December 13, 2007, the Company, Premafin and Mediobanca received notice of a new summons to appear before the Court of Milan from Ms Maria Antonietta Ravizzoni, a shareholder of the subsidiary Fondiaria Assicurazioni. The Parent Company has established a hearing before the court.

Four proceedings initiated by the Company for the reform of four judgements issued by the Court of Milan are pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeals of Florence following the counter-party's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Court of Appeals of Milan, with sentence No. 3425, filed on 20/12/2007 and as confirmation of the previous sentence issued on the subject, has fully reformed the sentence issued by the Court of Milan in the trial brought forth by Messrs Marcegaglia, accepting the Company's objections and rejecting the requests for compensation made by the claimants. Following the aforementioned judgement, the Company proceeded to recover the amounts paid out in compliance with the sentence of first instance, in addition to interest charges and legal expenses.

At the moment, a summary judgement which was brought forth by Promofinan S.p.A. in appeal of the sentence in our favour that was issued by the Court of Appeals of Milan is pending with the Superior Court. The Parent Company has established a hearing before the court.

The provisions in the financial statements at 31/12/2007 are sufficient against the litigation outstanding.

DISCLOSURES ON SHARE OWNERSHIP PURSUANT TO ARTICLE 123 OF THE CONSOLIDATED FINANCE ACT AS AT MARCH 26, 2008

a) Share capital structure

The subscribed and paid-in share capital is Euro 168,626,612.

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

| | Nr. shares | % of share capital | Quoted on | Rights and obligations |
|-----------------|-------------|--------------------|----------------------------|------------------------|
| Ordinary shares | 125,265,390 | 74.29 | MTA – BORSA ITALIANA Sp.A. | (*) |
| Savings shares | 43,361,222 | 25.71 | MTA – BORSA ITALIANA Sp.A. | (**) |

(*) Each Fondiaria-SAI ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of FONDIAIRIA-SAI S.p.A.
On the distribution of the profits or on the liquidation of the company the ordinary shares of FONDIAIRIA-SAI S.p.A. do not have any privileges.

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company by-laws and other rights pursuant to law.

In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.

The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares.

Where the profits for the year do not permit a dividend of 6.5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.

The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividends higher than the ordinary shares of 5.2% of the nominal value of the share.

When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.

Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

The following financial instruments which attribute the right to subscribe to newly issued shares were also issued:

| | Quoted on | No. of instruments outstanding | Category of shares for the conversion/exercise | No. of shares of the conversion/exercise |
|--|----------------------------|--------------------------------|--|--|
| Warrant Fondiaria-SAI S.p.A. 2002-2008 | MTA – BORSA ITALIANA Sp.A. | 4,194,017 | Ordinary shares | 1,048,505 |

With reference to the Fondiaria-SAI 2006-2011 stock option plans in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and of the parent company for the purchase of savings shares of Fondiaria-SAI, reference should be made to the first part of the report, as well as the press release of the Company published on September 14, 2007.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

The significant shareholdings of the Company, in accordance with article 120 of the Consolidated Finance Act, are as follows:

| Shareholder | Direct shareholder | % of ordinary share capital | % of voting share capital |
|----------------------------------|----------------------------------|-----------------------------|---------------------------|
| Premafin Finanziaria S.p.A. H.P. | | 50.004 | 45.016 |
| | Premafin Finanziaria S.p.A. H.P. | 37.272 | 40.990 |
| | Milano Assicurazioni S.p.A. (*) | 6.692 | - |
| | Finadin S.p.A. | 3.661 | 4.026 |
| | Fondiarìa – SAI S.p.A. | 1.421 | - |
| | SAI Holding Italia S.p.A.(*) | 0.958 | |

(*) excluded voting right pursuant to law.

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Fondiarìa-SAI and those held by subsidiaries may not exercise voting rights pursuant to law.

g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

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

Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The new statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by Consob.

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.

The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

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

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

- The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;
- When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.

In the event that the majority of the Directors' offices becomes vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

i) Powers to increase share capital and authorisation to purchase treasury shares

The Board of Directors does not have powers to increase the share capital pursuant to article 2443 of the civil code.

We recall that:

1. In relation to the merger by incorporation of LA FONDIARIA ASSICURAZIONI S.p.A. in SAI - SOCIETA' ASSICURATRICE INDUSTRIALE S.p.A., the extraordinary shareholders' meeting on September 19, 2002 approved a paid-in share capital, in one or more tranches on the merger, of a maximum of Euro 1,048,505, through the issue of a maximum number of 1,048,505 ordinary shares of a nominal value of Euro 1.00. This increase will be to service the exercise of the "Warrant Fondiaria-SAI 2002-2008" plan, exercisable on FONDIARIA-SAI S.p.A. ordinary shares based on 1 Fondiaria-SAI ordinary share for every 4 warrants.
2. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a maximum amount of Euro 8,700,000 through the issue of a maximum of 8,700,000 savings shares of a nominal value of Euro 1.00 each, to be assigned to the executive directors of the Company, its subsidiaries and parent company, in accordance with the procedures and criteria established by the Board of Directors, in compliance with the shareholders' meeting resolution and of the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.
3. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a further amount of Euro 6,249,400.00 through the issue of a maximum of 6,249,400 savings shares of a nominal value of Euro 1.00 each, to be assigned to the management of the Company, its subsidiaries and parent company, in accordance with the procedures and criteria established by the Board of Directors, in compliance with the shareholders' meeting resolution and of the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 30, 2007 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 2,600,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 94,000,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by CONSOB, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

l) Change of control clauses

Fondiaria-SAI signed bancassurance agreements with the Unicredit Group and with the Banco Popolare Group, which may be void in the case of change in control of Fondiaria-SAI.

Milano Assicurazioni signed a bancassurance agreement with Banco Popolare di Milano which may be void on the change of control of Milano Assicurazioni.

m) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer.

SIGNIFICANT EVENTS AFTER THE YEAR END

Purchase of 83.32% in the share capital of DDOR NOVI SAD

On the awarding of the tender for the sale of the company DDOR Novi Sad on November 26, 2007 and on the completion on November 30, 2007 of the purchase contract of 83.32% of the share capital of the above-mentioned company with the Deposit Insurance Agency of Serbia, as shareholder and representative of a group of minority shareholders, and having obtained all the authorisations requested, Fondiaria-SAI acquired on January 31, 2008 the above-mentioned holding, against the payment of the purchase price of approx. Euro 220 million.

It is expected that DDOR Novi Sad will shortly make a request for admission of its shares for quotation on the OTC market of Belgrade and, subsequently, Fondiaria-SAI will launch a public offer for the purchase of a further holding equal of approx. 10%, in accordance with the purchase contract.

DDOR is the second largest insurance company in the Serbian market with a market share of approx. 30% and expected premiums written in 2007 of approx. Euro 159 million, a growth of 13% compared to 2006 (Euro 140 million). The activities of the insurance company are focused in non-life business and in particular in the motor TPL sector where it derives approximately half of all premiums written. DDOR recorded a claims ratio to premiums of 65%. The company recorded a net profit of Euro 2 million (Euro 9 million in 2006) and net equity amounted to Euro 54 million (Euro 53 million in 2006).

The company has a presence throughout the country with a network of over 100 direct sales point for a total of approx. 1,000 brokers, to which is added a network of 60 branches thanks to the recent bancassurance agreement with Metalsbanka, the second largest independent bank in the country and which holds 15% of DDOR. The commercial presence is particularly concentrated in the richest regions of the country - Vojvodina and central Serbia.

DDOR - with 700,000 customers - is a historic and affirmed brand, and is the leading private operator in the Serbian insurance market behind the state company Dunav (approx. 37% market share). The Serbian market, with an expected growth in GDP in 2007 of 7%, a decrease in inflation and a stable currency with the Euro, has interesting opportunities as the insurance business is still underdeveloped (the ratio between insurance premiums and GDP is 1.8% compared to 7.2% in Italy and an 8% EU average).

For Serbia, which has recently signed with the European Union an agreement of association and stabilisation, the first step towards entry into the EU expected for 2014, Italy represents the principal commercial partner with a share of 15% of total exports. The Serbian market also reports a significant presence of direct foreign investments, especially in the financial sector where the most important credit institutions of the company are controlled by foreign groups, and in particular Italian banking groups, which own the first and fifth largest banks in the country.

The price paid for control of DDOR is in line with market averages and highlights the commitment of Fondiaria-SAI to only undertake international growth opportunities where they are based on a concrete forecast of creation of value for its shareholders. The return on investment is estimated as already positive from the third year from acquisition, and when fully operational is expected to achieve an over 20% return on the capital invested.

Fonditaria-SAI with this operation completes a first step in the expansion strategy announced on international markets, acquiring the leadership in a market with a significant growth potential in the insurance sector and with few further opportunities of entry by foreign operators, and at the same time laying the foundations for further growth in Eastern Europe.

Agreements with Banca Italease

Fonditaria-SAI and Banca Italease on January 8, 2008, following the changed conditions in the prospects of the industrial partnership resulting from the well documented matters concerning the Italease Group and of the position taken by the Bank of Italy, jointly resolved the sales/purchase contract and the related agreements, signed on April 26, 2007, which provided:

- The initial acquisition by Banca Italease of a share of 50% in the share capital of Banca SAI;
- The acquisition by Banca Italease of a share of 80% in the share capital of SAI Asset Management SGR (formerly Effegestioni SGR);
- The incorporation of an insurance joint venture in the Life division through the initial acquisition by Banca Italease of a minority share in the share capital of Effe Vita.

Within the complex agreements which resulted in the joint resolution of the above-mentioned contracts, Fonditaria-SAI and Banca Italease signed, also on January 8, 2008, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fonditaria-SAI Group through the branches and networks of the agents and conventioned intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

For Fonditaria-SAI, the agreement represents a further growth opportunity in the Life classes through an innovative distribution strategy based on the “alternative” networks not in competition with the traditional networks of Fonditaria-SAI (agents/bank branches) which continue to remain strategic for the growth policies of the Company.

On February 20, 2008, Fonditaria-SAI ceded the distribution agreement with Banca Italease to its subsidiary EFFE VITA S.p.A. (100% subsidiary of Fonditaria-SAI), taking into account that EFFE VITA S.p.A. is the insurance company of the Fonditaria-SAI Group which acts as a vehicle for the realisation of distribution agreements with banks in the Life Division.

Loan from Mediobanca

On January 11, 2008, Fonditaria-SAI S.p.A. and Mediobanca - Banca di Credito Finanziario S.p.A. signed a senior loan agreement for a nominal amount of Euro 250 million in order to temporarily support the financial needs of the Parent Company, while awaiting more favourable market conditions for the placement of the hybrid bond which has already been described in the section relating to debt. The loan was received in one single amount on January 25, 2008.

The payment of the interest is made in arrears on a quarterly basis, at an interest rate of Euribor at 3 months increased by a spread of 100 basis points for the first year and 115 basis points for the second year. The repayment will be made in one single amount after 24 months from the obtaining of the loan (therefore January 25, 2010) or for minimum amounts of Euro 25 million before the maturity.

Sale of the investment held in the company Po Vita S.p.A.

With a letter dated January 17, 2008, Cassa di Risparmio di Parma e Piacenza (hereafter: CRPP) exercised the purchase option of the shareholder agreement relating to the holding in the share capital of Po Vita S.p.A. (divided 50% between CRPP and the subsidiary of Fondiaria-SAI S.p.A., SAI Holding Italia S.p.A.), designated as buyer of the investment in Credit Agrigole Assurance Italia Holding S.p.A..

The withdrawal will be effective from March 31, subject to the obtaining, by that date, of all the authorisations by the buyer: the transfer of the shares will take place within 15 days after March 31.

As an exception to the shareholder agreement, the parties agreed to a determination of the relative price at 50% of the holding in Po Vita S.p.A., established at Euro 105 million, in addition to the right of SAI Holding Italia S.p.A. to receive the payment of the dividend decided on February 25, 2008 by the Board of Directors of Po Vita S.p.A. amounting to Euro 1 million.

From the sale, the Fondiaria-SAI Group will realise a significant gain before taxes, of approx. Euro 33 million.

Launch by Fondiaria-SAI of a share swap public offer on the shares of Immobiliare Lombarda for payment of shares in Milano Assicurazioni, for the purpose of the delisting of Immobiliare Lombarda - industrial/corporate restructure project of the Fondiaria-SAI Group.

In the meeting of January 30, 2008, following a careful examination of the current strategic commercial position of the Group on the market, in view of the numerous acquisitions in recent years which has changed the competitive scenario (also due to recent regulations), as well as the recent trend in financial markets, the Board of Directors of Fondiaria-SAI examined an overall industrial/corporate reorganisation project of the Group concerning the real estate activities managed by the subsidiary Immobiliare Lombarda S.p.A., in addition to the activities of some subsidiary insurance companies.

In particular, the possibility was examined of undertaking a project to internalise all of the real estate activities managed by the subsidiary Immobiliare Lombarda through a market operation to acquire all of the share capital of the company, the delisting of the company and the subsequent restructuring of the real estate activities within Fondiaria-SAI and Milano Assicurazioni.

The complex project, as previously described, also includes a restructuring of the non-listed companies with a direct commercial presence on the market, concentrating the activities undertaken by the subsidiaries SASA Assicurazioni e Riassicurazioni S.p.A. (hereafter: SASA), SASA Vita S.p.A. (hereafter: SASA Vita) and Liguria Assicurazioni S.p.A. (hereafter: Liguria), into the subsidiary Milano Assicurazioni, through the conferment/merger of these companies.

In the above-mentioned meeting of January 30, 2008, the Board therefore approved the launch by Fondiaria-SAI of a voluntary public purchase and exchange offer (hereafter “Offer” or “Public and Exchange Offer”) concerning all of the ordinary shares of Immobiliare Lombarda not held by the Group (and therefore with exclusion of the holdings held by Fondiaria-SAI, equal to 50.1%, and of the subsidiary Milano Assicurazioni, equal to 11.1%) and corresponding to a share of approx. 38.8% of the share capital of the company.

The Board meeting of February 19, 2008 of Fondiaria-SAI therefore approved the Offer document pursuant to articles 102 and thereafter of Legislative Decree No. 58/98 and the subscription procedure to the Offer which were filed at Consob on the same date. The Board meeting of February 27, 2008 examined and approved the clarifications requested by Consob in relation to its report in order to authorise publication of the Offer document.

On March 13, 2008, Consob authorised publication of these documents, as well as the communication of Immobiliare Lombarda, pursuant to article 103 of Legislative Decree No. 58/98, as commented upon below. All of these documents included the amendments and additional information required by Consob in their review phase.

The Offer period, as agreed with Borsa Italiana S.p.A., commenced on March 18 and will terminate on April 17.

Some aspects of the Offer and the underlying reasons for the operation are outlined below.

The overall project was studied with the assistance of KPMG Corporate Finance, a division of KPMG Advisory S.p.A. (hereafter KPMG) and by Studio d’Urso Gatti e Associati as financial and legal advisors of the operations respectively.

In particular, Fondiaria-SAI will pay each subscriber to the Offer, for every 46 shares in Immobiliare Lombarda, a consideration subdivided as follows:

- (i) One Milano Assicurazioni ordinary share valued by the Bidder on the basis of yesterday’s official price of Euro 4.918, corresponding to approx. 74% of the payment (so-called cash equivalent);
- (ii) Euro 1.752 (approx. 26% of the payment) in cash.

The Offer values the shares of Immobiliare Lombarda, of Euro 0.145 per share, with:

- A premium of approx. 22% on the official share price registered on January 29, 2008, the day prior to the Board meeting of Fondiaria-SAI which approved the launch of the Offer;
- A premium of 25% on the average official share price recorded in January;
- A discount respectively of 8% on the average official price at 120 days and 24% on the average official price at 252 days;
- A discount of 11% on the book net equity at September 30, 2007 and of 22% on the Net Asset Value.

Fondiaria-SAI will therefore recognise, in the case of full subscription to the Offer by the holders, a maximum total payment of approx. Euro 230.6 million, divided as follows:

- (i) Approx. Euro 170 million (74% of the payment) through the delivery of approx. 34.6 million Milano Assicurazioni ordinary shares equal to a share of 7.6% of the ordinary share capital,
- (ii) Approx. Euro 60.6 million (approx. 26% of the payment) in cash.

The payment was determined by the Board of Directors of Fondiaria-SAI, also with the assistance of its financial advisor KPMG, on the basis of the performance of the share price of Immobiliare Lombarda (Stock Exchange Quotation Method) in the last six months, three months and one month prior to January 29 inclusive (last stock exchange day prior to the announcement of the launch of the Offer). In particular, the Total Payment was determined analysing the average arithmetic stock exchange prices of the shares of Immobiliare Lombarda for each of the above-mentioned periods offering a premium on the official price of January 29, 2008 which the Board of Directors of Fondiaria-SAI considered fair, taking into consideration the reasons and the strategic importance of the operation for the Company, also in view of the analysis undertaken by the advisor KPMG with regard to comparable offers made in recent years.

This operation, where the Bid is successful, will permit Fondiaria-SAI to acquire the minority shareholdings in Immobiliare Lombarda at convenient values (discount on net equity and on Net Asset Value), availing of an asymmetry of valuations on the prospects of activities of Immobiliare Lombarda expressed, on the one hand, by the share price - which in this historic phase significantly penalises the real estate sector - and on the other hand, from valuations made with reference to the perspective valuations of the assets and real estate development initiatives undertaken by Immobiliare Lombarda.

In addition, in the case of delisting the company, Fondiaria-SAI could obtain further advantages:

- Undertake replacement between listed shares in portfolio and the relative underlying assets, with a consequent reduction of the potential negative effect on the Fondiaria-SAI share price, due to the volatility of the listed share prices in the real estate sector compared to the market values of the underlying assets;
- Achieve greater efficiency compared to the current situation in the allocation of capital within the group, of the risks and returns of the three principal business areas which characterise the activities of Immobiliare Lombarda: Facility management, property management and project development;
- Simplification of the operating management of the company, in terms of reduced compliance and typical charges of listed companies with cost savings.

In order to maintain in all phases of the operation the controlling interests of Fondiaria-SAI on Milano Assicurazioni, indispensable to maintaining the requisites for the tax consolidation and the inter-group VAT liquidation procedure, Fondiaria-SAI has acquired, through equity loan operations at market conditions authorised by Isvap, the temporary availability of Milano Assicurazioni shares held by the subsidiary Fondiaria Nederland BV and SAI Holding Italia S.p.A., for a total holding of 2.47% of the share capital.

We also report that the Board of Directors of Immobiliare Lombarda, in the meeting held on February 26, 2008, examined, among other matters:

- The Offer documents approved by the Board of Fondiaria-SAI on February 19, 2008 and transmitted them to Consob on the same date, as well as made them available to Immobiliare Lombarda;
- The fairness opinion given by the financial advisor Leonardo & Co. S.p.A. appointed by the Board of Directors of Immobiliare Lombarda.

On the completion of the examination of this documentation, the Board of Directors of Immobiliare Lombarda, in order to provide the shareholders of this latter and the market with all the necessary information to assess the Offer as well as its own valuation on the Offer, approved the communication pursuant to article 103, paragraph 3, of the Consolidated Finance Act and article 39 of the Issuers' Regulations. This communication, modified and integrated in accordance with the requests of Consob, was published as an attachment to the Offer document.

In particular, as announced to the market by Immobiliare Lombarda on February 26, 2008, the Board of Directors of Immobiliare Lombarda agreed with the following opinion of its financial advisor:

"... Leonardo & Co. S.p.A. is of the opinion that at the present date, the Payment of the Offer in terms of offer price and share swap with the Milano Assicurazioni shares, is not fair for Immobiliare Lombarda from a financial viewpoint.

However, for completeness of analysis, in order to provide the Board of Directors with all the necessary elements for a full appreciation of the financial conditions of the Offer, as well as the implicit share swap, the following matters should be taken into consideration:

- *Expected dividends: Against the Immobiliare Lombarda share price, whose profit estimates do not allow the forecast of the distribution of dividends in the short term period, also in consideration of the necessity of self financing by the Company of its development projects, the Milano Assicurazioni share price has a significant historical dividend yield, which has been in constant growth over the last 5 years and has good dividend prospects for the coming years. The share price also appears to be better value compared to shares of comparable companies; it in fact presents a price/earnings ratio of approx. 7.7, the lowest among listed Italian insurance companies.*
- *Immobiliare Lombarda share price: The prospects on the performance of the Immobiliare Lombarda share price are characterised by strong uncertainty related (i) to the general negative trend of real estate, and for which an expansive phase in the short/medium term period is not expected (ii) to the characteristics of the Immobiliare Lombarda real estate portfolio, with a strong project development component, which results in fluctuations of the share price more than proportional to the fluctuations in the real estate market (iii) to the fact that the current stock exchange performance incorporates the positive effects of the offer, rendering therefore uncertain the estimates of the performance of the share price at the end of the offer period;*
- *Liquidity of the Immobiliare Lombarda share price: Analysing volumes, quantities and prices over a 6-month period, the Immobiliare Lombarda share price has scarce "liquidity" (turnover ratio equal to 34.8%). The operation under examination would also result in a further contraction of the floating capital and therefore would render the sale of significant quantities on the market difficult without having a negative effect on the share price."*

On the examination of the second phase of the project, as described at the beginning, in the meeting of January 30, 2008 in which the launch of the Offer was approved, the Board of Directors of Fondiaria-SAI examined and approved the guidelines of the corporate/industrial reorganisation of the Fondiaria-SAI Group, which concerns the activities of some insurance companies belonging to the Group and the real estate activities managed by Immobiliare Lombarda.

The possibility was examined to undertake a restructuring of the non-listed companies of the Fondiaria-SAI Group with a direct commercial presence on the market concentrating the activities undertaken by SASA, SASA Vita and Liguria in Milano Assicurazioni through conferment/merger of these companies.

Specifically, the project provides:

- The merger by incorporation into Milano Assicurazioni of SASA, held 99.9% by Fondiaria-SAI, and of Sasa Vita, held 50% by SASA and the residual 50% by Fondiaria-SAI;
- A share capital increase of Milano Assicurazioni with exclusion of the pre-emptive right, in accordance with article 2441 of the civil code, fourth paragraph, reserved to the parent company Fondiaria-SAI, to be paid through conferment in kind of the entire holding held by this latter in Liguria;
- A share capital increase of Milano Assicurazioni with exclusion of the pre-emption right, in accordance with article 2441 of the civil code, fourth paragraph, for the parent company Fondiaria-SAI, to be paid through conferment in kind of the investments held by Fondiaria-SAI in excess of the 51% of the direct share capital held in Immobiliare Lombarda.

The above operations will be approved by the Board of Directors of the companies concerned, in April and May, on the basis of the financial statements as at December 31, 2007 and, therefore, will be subject to the approval by the relative extraordinary shareholders' meetings, which will deliberate also on the evaluations made by the experts required by current regulations.

The overall operation is subject to authorisation by Isvap.

The industrial advantages which these operations will create are as follows:

- Rationalise the commercial presence of the entire Group in the market, in view of the numerous acquisitions made in recent years and the increased level of competition in the market, also due to regulatory modifications introduced, with the final objective to more efficiently undertake the strategy of creation of value which will permit growth in the coming years;
- Identify a specific mission for the two listed companies:
 - Fondiaria-SAI, as insurance parent company, with strategic and operational functions of the networks which belong to the two historic brands Fondiaria and SAI;
 - Milano Assicurazioni, as holding of the assets from the strong expansion by external lines realised by the Group in recent years.

Within Milano Assicurazioni, there will be an even greater concentration of the coordination of the brands of the distribution networks of non-listed companies, with a direct commercial presence on the market in order to combine:

- The benefits deriving from the synergies/optimisation of the costs expected from the merger of SASA and SASA Vita and from the conferment of Liguria, preliminarily estimated at around Euro 15/20 million for the operations. With regard to Liguria, a conferment is preferable to a merger also due to the conditions contained in the purchase contract of this latter, agreed around two years ago;
- The competitive/organisational benefits from the application of SASA and Liguria of the know-how within Milano Assicurazioni in valuing the agency networks of the Group connected to matters in terms of brand and/or agency mandate and/or territorial presence;
- The maintaining of the commercial identity and of the appropriate autonomous operations in order to preserve the typical flexible approaches to the markets which characterises these companies and which has permitted a loyal agency network and achievement of excellent results in terms of premium growth.

The operations relating to SASA, SASA Vita and Liguria will therefore take place with the integration of the further conferment into Milano Assicurazioni of the direct investments held by Fondiaria-SAI in Immobiliare Lombarda in excess of 51% of the share capital. The realisation of this operation, as well as the further objective of delisting Immobiliare Lombarda on the successful outcome of the Purchase and Exchange Offer, will permit the Fondiaria-SAI Group to achieve greater efficiency compared to the current situation in the internal allocation of capital and of the risks and returns of the three principal business areas of Immobiliare Lombarda: Facility management, property management and project development.

Also, the Board of Directors of Milano Assicurazioni, in the meeting of January 30, 2008, examined the industrial/corporate restructuring project mentioned above and approved the guidelines, emphasising also the strategic importance for Milano Assicurazioni and taking into account, in particular, that the operation would also permit Milano Assicurazioni to obtain the following additional benefits:

- Significant increase in the capitalisation of Milano Assicurazioni following the merger/conferment, with consequent improvement in the liquidity of the share and the re-rating of the share within the Midex;
- Increase of the consolidated premiums written by Milano Assicurazioni of approx. Euro 700 million without any financial investment by the Company and shareholders.

The Fondiaria-SAI Board of Directors' meeting of February 27, 2008 appointed KPMG and Mediobanca as advisors to the Company in the operation, in order to undertake an evaluation of the share swap ratio of the merger by incorporation of SASA and SASA Vita into Milano Assicurazioni and the value of Liguria and, where applicable, of Immobiliare Lombarda for the conferment to Milano Assicurazioni, by Fondiaria-SAI, of investments in Liguria and Immobiliare Lombarda, in accordance with the project described previously.

The Milano Assicurazioni Board of Directors' meeting of February 26, 2008 appointed Morgan Stanley and Credit Suisse as advisors, in order to undertake the above-mentioned valuation activities. In particular, the company Morgan Stanley was appointed on the proposal of the independent directors and during the assignment by the advisor chosen by them met with the management and the advisor, and discussed in detail the activities undertaken. This activity was undertaken in order to guarantee not only adequate and complete information, which could have been undertaken by only one advisor, but in particular so that the independent directors may, where considered appropriate, in the interests of the Company and in accordance with best market practices, would have a detailed exchange of opinion with their chosen advisor, including during the preparation of the opinion.

Tikal R.E. Fund

Tikal R.E. Fund in January signed the preliminary purchase, from the related party Sinergia Seconda Srl, of the following buildings: The entire office building, located at Milan, via dei Missaglia, 97, building A2, with a down-payment of Euro 2.5 million; a portion of an office building, located in Rome, via Vincenzo Bellini, 14 with a down-payment of Euro 0.5 million.

Renewal of the shareholder agreement relating to IGLI S.p.A.

On March 12, 2008, Immobiliare Lombarda S.p.A. signed an agreement with Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A. which governs, among other matters, the renewal until June 12, 2009 of the shareholder agreement signed on March 8, 2007, whose expiry was originally fixed at June 12, 2008, relating to the respective holdings in IGLI S.p.A., a company which has a 29.548% holding in the ordinary share capital of Impregilo S.p.A., listed on the Milan Stock Exchange.

It is recalled that Immobiliare Lombarda S.p.A. has a total holding in the company IGLI S.p.A. of 33.3% of the share capital and that the shareholder agreement relates to the governance of IGLI S.p.A. as well as rights deriving from the holding held by IGLI S.p.A. in the share capital of Impregilo S.p.A.

The effectiveness of the renewal of the agreement is subject to the European Commission by June 12, 2008 having informed Immobiliare Lombarda S.p.A., Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A. that the agreement is not a concentration pursuant to EU Regulation No. 139/2004, or rather, having informed the parties that the agreement is a concentration pursuant to EU Regulation No. 139/2004, has adopted an authorisation measure.

OUTLOOK

During 2007 the operational actions and programmes continued for the realisation of the objectives in the 2006-2008 three-year strategic plan. In the coming years, the Group and the Parent Company's activities will be principally directed towards maintaining leadership in the Motor Division and in the retail sector within the other divisions in Italy, reaching high levels of profitability, developing new growth initiatives in Italy and Abroad and offering an attractive risk and return profile for shareholders.

The leadership position in the Motor Division will be further consolidated through the relaunch of the direct sales channel, which will have dedicated resources to ensure the degree of visibility and publicity needed. Better competitive efficiency will also be prioritised, with efforts to contain internal costs, for example relating to disputes before the compensation offer by the company, as well as reducing repair costs by directing clients towards tied workshops.

In relation to this we recall that Fondiaria-SAI commenced a new management approach of the reparation circuit as part of the value chain, with the objective of achieving strong savings on the average cost of claims, through a specialised company Auto Presto & Beneficiary S.r.l., which will act as spare parts broker for the conventional workshops, with an estimated cost savings of around 15-20%.

In this context the initiatives of reinforcing and training the sales network are being further consolidated, while the development of the Non-Motor Division will also be undertaken through the commencement and strengthening of agreements in the Non-Life bancassurance sector.

The activity in the Life Division, thanks to a doubling of the life portfolio compared to 2006, will continue with greater control on the capital expiring, with preference to the commercial objectives with greater focus in the inherent value of the portfolio, rather than on the volume levels, and with a re-equilibrium of the premiums presently too much in favour of the Non-Life Division..

Also within this segment the development of the bancassurance channels will continue both through targeted commercial agreements and through subsidiaries with strong agreements in the banking sector.

In relation to the synergies with the banking sector, the strategic role of Banca SAI will be re-launched, with the objective to continue the development of the asset management activity, whilst also promoting the placement of bank products, integrated with the insurance and financial offer of the Group.

In the coming years, differentiated geographical choices will be closely evaluated, with the objective of redistributing the risk. A prudent approach will be taken towards international expansion, with a view towards those markets, such as Eastern Europe, which still offer good opportunities in terms of quality-price, permitting expansion as the markets are not yet saturated.

Milan, March 26, 2008

*For the Board of Directors
The Chairperson*

Jonella Ligresti

2007 Consolidated Financial Statements

Fondiaria-SAI S.p.A. is a limited liability company incorporated in Italy: the addresses of the registered office and of the locations in which the main activities are carried out are indicated in the introduction to the accounts. The Company is listed on the Italian Stock Exchange. The principal activities of the Company and of its subsidiaries are described in the Directors' Report and in the section Segment Information.

The present consolidated financial statements comprise, pursuant to IAS 1.8 (Presentation of Financial Statements), the Balance Sheet, the Income Statement, the Statement of change in Shareholders' Equity, the Cash Flow statement and the Notes to the Financial Statements. They also include the attachments as per Isvap Regulation No.7 of July 13, 2007 and the information required by Consob and the Stock Exchange pursuant to article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Fondiaria-SAI S.p.A. have the objective to present financial statements in accordance with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), also taking into account the formats and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007.

They also include additional information, which illustrates some examples contained in IAS/IFRS, which are considered best practice.

In the preparation of the financial statements, it is assumed that Fondiaria-SAI prepares the consolidated financial statements in accordance with the IAS/IFRS currently in application.

GRUPPO FONDIARIA-SAI

FONDIARIA - SAI GROUP BALANCE SHEET - ASSETS (thousands of euro)

| | | 2007 | 2006 |
|----------|---|-------------------|-------------------|
| 1 | INTANGIBLE ASSETS | 1.754.254 | 1.173.487 |
| 1.1 | Goodwill | 1.474.258 | 1.013.370 |
| 1.2 | Other intangible assets | 279.996 | 160.117 |
| 2 | PROPERTY, PLANT AND EQUIPMENT | 1.201.862 | 1.164.620 |
| 2.1 | Buildings | 1.000.050 | 986.250 |
| 2.2 | Other property, plant and equipment | 201.812 | 178.370 |
| 3 | REINSURERS' SHARE OF TECHNICAL RESERVES | 905.307 | 895.703 |
| 4 | INVESTMENTS | 38.020.752 | 33.812.476 |
| 4.1 | Investment property | 2.142.923 | 2.125.628 |
| 4.2 | Investments in subsidiaries, associates, joint ventures | 270.025 | 155.921 |
| 4.3 | Investments held to maturity | 0 | 0 |
| 4.4 | Loans and receivables | 1.333.262 | 1.305.863 |
| 4.5 | Available-for-sale financial assets | 23.335.001 | 23.067.611 |
| 4.6 | Assets at fair value through profit and loss | 10.939.541 | 7.157.453 |
| 5 | RECEIVABLES | 2.574.174 | 2.646.728 |
| 5.1 | Receivables relating to direct insurance business | 1.812.015 | 1.941.642 |
| 5.2 | Receivables relating to direct reinsurance business | 183.476 | 192.575 |
| 5.3 | Other receivables | 578.683 | 512.511 |
| 6 | OTHER ASSETS | 822.370 | 807.326 |
| 6.1 | Non-current assets held for sale or discontinued operations | 1.366 | 15.390 |
| 6.2 | Deferred acquisition costs | 290.517 | 320.972 |
| 6.3 | Deferred tax assets | 103.867 | 96.978 |
| 6.4 | Current tax assets | 149.051 | 89.775 |
| 6.5 | Other assets | 277.569 | 284.211 |
| 7 | CASH AND CASH EQUIVALENTS | 701.195 | 723.032 |
| | TOTAL ASSETS | 45.979.914 | 41.223.372 |

GRUPPO FONDIARIA-SAI

FONDIARIA - SAI GROUP

BALANCE SHEET - SHAREHOLDERS' EQUITY AND LIABILITIES

(thousands of euro)

| | | 2007 | 2006 |
|------------|---|-------------------|-------------------|
| 1 | SHAREHOLDERS' EQUITY | 5.170.935 | 5.054.542 |
| 1.1 | attributable to the Group | 3.857.752 | 3.896.991 |
| 1.1.1 | Share capital | 168.534 | 177.681 |
| 1.1.2 | Other equity instruments | 0 | 0 |
| 1.1.3 | Capital reserves | 207.785 | 207.410 |
| 1.1.4 | Retained earnings and other equity reserves | 2.807.956 | 2.643.229 |
| 1.1.5 | (Own shares) | -310.961 | -359.987 |
| 1.1.6 | Reserve for net exchange rate differences | -1.623 | -126 |
| 1.1.7 | Gains or losses on available-for-sale financial assets | 415.143 | 694.538 |
| 1.1.8 | Other gains or losses written directly to equity | 63.952 | 53.042 |
| 1.1.9 | Profit (loss) for the year | 506.966 | 481.204 |
| 1.2 | attributable to minority interests | 1.313.183 | 1.157.551 |
| 1.2.1 | Capital and reserves | 1.157.681 | 972.179 |
| 1.2.2 | Gains or losses written directly to equity | 42.417 | 65.808 |
| 1.2.3 | Profit (loss) for the year | 113.085 | 119.564 |
| 2 | PROVISIONS | 236.155 | 236.676 |
| 3 | TECHNICAL RESERVES | 31.343.064 | 26.926.593 |
| 4 | FINANCIAL LIABILITIES | 7.185.687 | 7.079.895 |
| 4.1 | Financial liabilities at fair value through profit and loss | 5.031.453 | 4.842.032 |
| 4.2 | Other financial liabilities | 2.154.234 | 2.237.863 |
| 5 | PAYABLES | 1.141.625 | 1.069.419 |
| 5.1 | Payables relating to direct insurance business | 185.576 | 177.205 |
| 5.2 | Payables relating to direct reinsurance business | 106.259 | 113.102 |
| 5.3 | Other payables | 849.790 | 779.112 |
| 6 | OTHER LIABILITIES | 902.448 | 856.247 |
| 6.1 | Held-for-sale liabilities of discontinued operations | 0 | 0 |
| 6.2 | Deferred tax liabilities | 276.854 | 256.777 |
| 6.3 | Current tax liabilities | 110.729 | 31.474 |
| 6.4 | Other liabilities | 514.865 | 567.996 |
| | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 45.979.914 | 41.223.372 |

GRUPPO FONDIARIA-SAI

FONDIARIA - SAI GROUP

PROFIT AND LOSS

(thousands of euro)

| | | 2007 | 2006 |
|--------------------|---|-------------------|-------------------|
| 1.1 | Net Retained Premium | 11.501.073 | 9.649.838 |
| 1.1.1 | Gross premiums written | 11.828.091 | 9.986.706 |
| 1.1.2 | Outwards reinsurance | -327.018 | -336.868 |
| 1.2 | Commissino income | 119.597 | 76.499 |
| 1.3 | Net income on financial instruments at fair value through profit and loss | -255.725 | 80.267 |
| 1.4 | Income from subsidiaries, associates and joint ventures | 29.056 | 19.500 |
| 1.5 | Income from other financial instruments and investment property | 1.465.855 | 1.136.397 |
| 1.5.1 | Interest income | 865.404 | 710.662 |
| 1.5.2 | Other income | 247.389 | 228.534 |
| 1.5.3 | Realised gains | 352.852 | 196.917 |
| 1.5.4 | Unrealised gains | 210 | 284 |
| 1.6 | Other revenues | 481.690 | 400.946 |
| 1 | TOTAL REVENUES | 13.341.546 | 11.363.447 |
| 2.1 | Net charges relating to claims | 9.359.735 | 7.833.827 |
| 2.1.1 | Amounts paid and change in technical reserves | 9.639.099 | 8.018.174 |
| 2.1.2 | Reinsurers' share | -279.364 | -184.347 |
| 2.2 | Commission expense | 70.777 | 39.754 |
| 2.3 | Charges relating to subsidiaries, associates and joint ventures | 5.537 | 54 |
| 2.4 | Chargers relating to other financial instruments and investment property | 351.480 | 257.787 |
| 2.4.1 | Interest expense | 118.036 | 88.097 |
| 2.4.2 | Other expense | 63.630 | 77.680 |
| 2.4.3 | Realised losses | 129.333 | 54.581 |
| 2.4.4 | Unrealised losses | 40.481 | 37.429 |
| 2.5 | Management expense | 1.868.120 | 1.644.278 |
| 2.5.1 | Commissions and other acquisition expense | 1.475.846 | 1.289.588 |
| 2.5.2 | Investment management expense | 13.754 | 10.462 |
| 2.5.3 | Other administrative expense | 378.520 | 344.228 |
| 2.6 | Other costs | 793.691 | 678.863 |
| 2 | TOTAL COSTS AND CHARGES | 12.449.340 | 10.454.563 |
| | PROFIT (LOSS) FOR THE YEAR BEFORE TAX | 892.206 | 908.884 |
| 3 | Tax | 273.235 | 308.116 |
| | NET PROFIT (LOSS) FOR THE YEAR | 618.971 | 600.768 |
| 4 | PROFIT (LOSS) ON DISCONTINUED OPERATIONS | 1.080 | 0 |
| | CONSOLIDATED PROFIT (LOSS) | 620.051 | 600.768 |
| | attributable to the Group | 506.966 | 481.204 |
| | attributable to Minorities | 113.085 | 119.564 |
| EPS (Euro) | | 3,66 | 3,48 |
| EPS DILUTED (Euro) | | 3,62 | 3,42 |

Statement of changes in Consolidated Shareholders' Equity for the year ended December 31, 2007

Relating to the statement of change in shareholders' equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1 is shown below.

In particular:

- The account “Profit and loss on available-for-sale financial assets” refers to the recording of effects of the valuation of the related financial instruments net of those attributable to the policyholders and recorded as a deferred liability to policyholders.
- The column “Allocation” relates to the allocation of the profit for the year, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves and the changes in profits and losses recorded directly in equity.
- The column “Transfers” to the income statement includes the gains and losses previously recorded directly in equity in accordance with international accounting standards.
- The “Other transfers” reports the ordinary distribution of dividends and the decrease of capital and other reserves, among which the purchase of treasury shares and the quota of gains and losses deriving from valuations of available-for-sale financial assets attributed to the policyholders against insurance liabilities.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(in Euro thousands)

| | | | Balance at Dec 31, 2005 | Change in opening balance | Allocation | Transfer to In- come Statement | Other transfers | Balance at Dec 31, 2006 | Change in opening balances | Allocation | Transfer to In- come Statement | Other transfers | Balance at Dec 31, 2007 |
|----------------------------|---|---|----------------------------|---------------------------------|-------------------|-----------------------------------|--------------------|----------------------------|----------------------------------|-------------------|-----------------------------------|--------------------|----------------------------|
| Group shareholders' equity | Share capital | | 173,114.00 | | 4,567.00 | | | 177,681.00 | | 343.00 | | -9,490.00 | 168,534.00 |
| | Other equity instruments | | 0.00 | | 0.00 | | | 0.00 | | 0.00 | | | 0.00 |
| | Capital reserves | | 193,729.00 | | 13,681.00 | | | 207,410.00 | | 375.00 | | | 207,785.00 |
| | Retained earnings and other reserves | | 2,378,368.00 | | 264,861.00 | | | 2,643,229.00 | | 164,727.00 | | | 2,807,956.00 |
| | (Treasury shares) | | -270,057.00 | | 0.00 | | -89,930.00 | -359,987.00 | | 182,240.00 | | -133,214.00 | -310,961.00 |
| | Reserve for net exchange differences | | -441.00 | | 315.00 | | | -126.00 | | -1,497.00 | | | -1,623.00 |
| | Profit or loss on available-for-sale financial assets | | 535,891.00 | | 72,987.00 | -73,204.00 | 158,864.00 | 694,538.00 | | -337,629.00 | -99,989.00 | 158,223.00 | 415,143.00 |
| | Other gains and losses recorded directly in equity | Profit or loss on cash flow hedges | 0.00 | | 2,913.00 | | | 2,913.00 | | 942.00 | | | 3,855.00 |
| | | Profit or loss on a net foreign investment hedge | 0.00 | | 0.00 | | | 0.00 | | 0.00 | | | 0.00 |
| | | Reserve on net equity changes in investments | -707.00 | | 40,247.00 | | | 39,540.00 | | -11,176.00 | | | 28,364.00 |
| | | Revaluation reserve of intangible assets | 0.00 | | 0.00 | | | 0.00 | | 0.00 | | | 0.00 |
| | | Revaluation reserve of tangible assets | 0.00 | | 0.00 | | | 0.00 | | 0.00 | | | 0.00 |
| | | Income/(charges) on non-current assets or of a discontinued group held for sale | 0.00 | | 0.00 | | | 0.00 | | 0.00 | | | 0.00 |
| | | Other reserves | -15,520.00 | | 26,109.00 | | | 10,589.00 | | 21,144.00 | | | 31,733.00 |
| | Net profit for the year | | 465,283.00 | | 177,958.00 | | -162,037.00 | 481,204.00 | | 196,497.00 | | -170,735.00 | 506,966.00 |
| | Total Group | | 3,459,660.00 | 0.00 | 603,638.00 | -73,204.00 | -93,103.00 | 3,896,991.00 | 0.00 | 215,966.00 | -99,989.00 | -155,216.00 | 3,857,752.00 |
| Minority equity | Minority capital and reserves | | 892,353.00 | | 79,826.00 | | | 972,179.00 | | 185,502.00 | | | 1,157,681.00 |
| | Gains and losses recorded directly in equity | | 35,809.00 | | 30,626.00 | -34,265.00 | 33,638.00 | 65,808.00 | | -41,936.00 | -12,143.00 | 30,688.00 | 42,417.00 |
| | Net profit for the year | | 121,067.00 | | 56,704.00 | | -58,207.00 | 119,564.00 | | 58,221.00 | | -64,700.00 | 113,085.00 |
| | Minority share | | 1,049,229.00 | 0.00 | 167,156.00 | -34,265.00 | -24,569.00 | 1,157,551.00 | 0.00 | 201,787.00 | -12,143.00 | -34,012.00 | 1,313,183.00 |
| Total | | | 4,508,889.00 | 0.00 | 770,794.00 | -107,469.00 | -117,672.00 | 5,054,542.00 | 0.00 | 417,753.00 | -112,132.00 | -189,228.00 | 5,170,935.00 |

Consolidated cash flow statement for the year ended December 31, 2007

In relation to the Cash Flow Statement, the attachment as per Regulation No. 7/07 is provided which complies with IAS 7; this statement provides for a schedule prepared in a free format with a series of minimum requirements and, relating to the presentation of the cash flow deriving from operating activities requires the utilisation, alternatively, of the direct method, which indicates the principal categories of gross receipts and payments or the indirect method, in which the results for the year are adjusted for the effects of non-cash items, of any deferral or accrual of future operating receipts and payments, and from revenues or costs relating to financial cash flows deriving from investments and financial activities.

The indirect form of the cash flow statement, reported below, separately shows the net liquidity deriving from operating activity and that deriving from investment and financial activity.

CASH FLOW STATEMENT AS AT 31/12/2007 AND 31/12/2006

| (in Euro thousands) | 31/12/2007 | 31/12/2006 |
|---|--------------------|--------------------|
| Profit before taxes | 892,206 | 908,884 |
| Non-cash adjustments | 1,656,900 | 1,876,452 |
| Change in non-life unearned premium reserve | 60,548 | 76,046 |
| Change in claims reserve and other non-life technical reserves | (131,951) | 148,599 |
| Change in actuarial reserves and other life technical reserves | 1,433,781 | 1,343,589 |
| Change in deferred acquisition costs | 103,724 | 103,063 |
| Change in provisions | 34,295 | 37,305 |
| Non-cash income/charges from financial instruments, property investments and holdings | 68,443 | 89,766 |
| Other changes (Gains, Losses, Release on provisions, bad debts, provisions, amortisation, extraordinary tax income/charge, transfer reserves to income statement) | 88,060 | 78,084 |
| Change in payables and receivables from operating activities | (206,850) | (77,697) |
| Change in payables and receivables from direct insurance operations and reinsurance | (77,364) | (213,614) |
| Change in other payables and receivables | (129,486) | 135,917 |
| Income tax paid | (150,631) | (172,623) |
| Net liquidity generated/absorbed from cash items relating to investing and financing activities | (662,869) | (263,373) |
| Investments where risk is borne by Life policyholders and pension fund | | |
| Management | 325,479 | 378,161 |
| Bank and interbank payables | 73,037 | (160,476) |
| Loans and receivables from banks and interbank | (75,157) | (40,327) |
| Other financial instruments at fair value recorded through profit or loss | (986,228) | (440,731) |
| TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES | 1,528,756 | 2,271,643 |
| Net liquidity generated/absorbed from property investments | 60,877 | (107,630) |
| Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures | (90,607) | (73,083) |
| Net cash generated/absorbed from loans and receivables | (25,069) | 140,382 |
| Net cash generated/absorbed from investments held to maturity | 0 | 0 |
| Net cash generated/absorbed from available-for-sale financial assets | (545,531) | (1,814,581) |
| Net cash generated/absorbed from intangible and tangible fixed assets | (593,812) | (374,864) |
| Net cash generated/absorbed from other investing activities | 14,024 | 0 |
| TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES | (1,180,118) | (2,229,776) |
| Net cash generated/absorbed from Group equity instruments | 37,099 | 14,736 |
| Net cash generated/absorbed from treasury shares | (142,626) | (50,063) |
| Dividends distributed | (170,734) | (162,037) |
| Net cash generated/absorbed minority interest capital and reserves | 42,547 | (41,241) |
| Net cash generated/absorbed from subordinated liabilities and financial instruments in holdings | 0 | 300,000 |
| Net cash generated/absorbed other financial liabilities | (136,761) | 93,265 |
| TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES | (370,475) | 154,660 |
| Exchange difference effect on cash and cash equivalents | 0 | 0 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 723,032 | 526,505 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (21,837) | 196,527 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 701,195 | 723,032 |

Explanatory Notes

PART A - Accounting Principles

Section 1 - Declaration of compliance with international accounting standards

Following the entry into force of European Regulation No. 1606 of July 2002, the European companies traded on regulated markets must adopt IAS/IFRS for the preparation of consolidated financial statements with the purpose of increasing comparability and transparency at European level.

The application in the European community of the international accounting standards - IAS for those issued up to 2001 and IFRS for those issued subsequently, as well as the relative interpretations, the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) is undertaken through an approval process, in order to guarantee that the international accounting standards are compatible with European Community Directives and is concluded with the publication of the documents adopted in the Official Gazette of the European Union.

European Commission Regulations

The standardisation of the principles by the European Union was undertaken gradually, through the following regulatory measures. In particular:

- EU Regulation No. 1725 of September 29, 2003 adopted, in accordance with Regulation 1606/2002, all the international accounting standards and interpretation documents as at September 14, 2002, with the exception of the standards relating to financial instruments (IAS 32 and 39) and the relative interpretations (SIC 5, 16 and 17).
- EU Regulation No. 707 of April 6, 2004 modified Regulation 1725/03, substituting document SIC-8 (First time application of IAS as an accounting system) with IFRS I (First-time adoption of IFRS).
- EU Regulation No. 2086 of November 19, 2004 adopted IAS 39 (Financial instruments - Recognition and measurement), excluding some provisions relating to unlimited options at fair value and hedge accounting, which had given rise to concerns by the supervision authority in relation to the possibility that these norms could be inadequate.
- Regulations 2236, 2237 and 2238 of December 29, 2004 adopted the new principles IFRS 3 (Business combinations), IFRS 4 (Insurance contracts) and IFRS 5 (Non-current assets held for sale and discontinued operations) and IAS 32 (Financial instruments: presentation and disclosure), and the re-approval of those standards, already adopted with Regulations 1725/03 and 707/04, but subsequently subject to revision by the IASB.
- Regulation No. 211 of February 4, 2005 adopted the new IFRS 2, relating to Share-based payments.
- In August 2005, the IASB issued another amendment to IAS 39 and IFRS 4, on the accounting treatment of financial guarantee contracts. Based on this amendment the liability deriving from financial guarantee contracts must be recorded in the financial statements of the guarantor and is initially valued at fair value; subsequently, it must be measured at the greater of (i) the best estimate of the cost required to fulfil the obligation at the balance sheet date, determined in accordance with IAS 37 and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 - Revenues. The application of this amendment did not produce any significant impact on the accounts.

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- Also in August 2005, the IASB issued the new standard IFRS 7 – Financial instruments: disclosures. IFRS 7 requires disclosure of the recording of financial instruments related to the performance and to the financial position of an enterprise, including those requirements previously included in IAS 32. The new accounting standard also requires disclosure relating to the level of exposure of risks deriving from the utilisation of financial instruments and the description of the policies, of the objectives, and of the procedures for the management of these risks. The disclosures required by IFRS 7, largely included in the 2006 accounts, have been fully applied from January 1, 2007.
 - On November 16, 2005, EU Regulation No. 1864 of November 15, 2005 was published, which include amendments to IFRS 1 as well as IAS 32 and 39, following the new formulation of the fair value option published by IASB on June 16, 2005 after wide debate, in particular with the European Central Bank and with the supervision authorities represented in the Basilea Committee.

We recall the IASB decision not to request the application of new standards before January 1, 2009 in order that all the stakeholders have a “stable platform” of uniform accounting standards.

Section 2 - General preparation principles

The financial statements were prepared on the going concern principle. There are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

The consolidated financial statements were prepared based on the Isvap instructions contained in Regulation No. 7 of July 13, 2007.

Section 3 - Consolidation methods

CONSOLIDATION PRINCIPLES

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the consolidated financial statements, the balance sheets of the companies of the Group examined by the respective Boards of Directors were utilised. These financial statements were adjusted and reclassified in order to reflect the application of the International Accounting Standards.

CONSOLIDATION PROCEDURES

■ Line-by-line consolidation

The consolidated financial statements include the financial statements of the Parent Company and of the companies, Italian and foreign, in which Fondiaria-SAI has the power to exercise control as defined in paragraph 4 of IAS 27 and also considering potential voting rights.

Control also exists when the Parent Company owns half or less of the voting power of an entity when there is:

- The control of more than half of the voting rights in virtue of an agreement with other investors;
- The power to determine the financial and operating policies of the entity in virtue of a clause in the company's by-laws or of a contract;
- The power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- The power to exercise the majority of the voting rights in the Board of Directors or equivalent administrative body.

Under the line-by-line consolidated method, the book value of the investments is eliminated against the relative net equity, recording the total assets and liabilities as well as income and charges of the investing company.

The share of net equity and result for the period relating to third party shareholders are recorded in specific accounts in the balance sheet and income statement.

The differences between the carrying value of the investments and the share of net equity, which arises at the acquisition date of the investments, is attributed to the identifiable specific fixed assets where the higher cost reflects the fair value and to the specific intangible assets (among which the Voba -Value of business acquired), the Vif (Value in Force), the Value of the premiums or of the client list, in this case valuing also the minority share and the tax effect and, residually, to the account Goodwill, in the case of a higher price paid to reflect the future prospects of the economic results.

■ Proportional consolidation

Also included in the consolidated financial statements are the companies in which a company has joint control with other shareholders and based on a contractual agreement, in accordance with the provisions of IAS 31. In this case, the inclusion in the consolidation is undertaken, alternatively through the utilisation of the net equity method or in accordance with the proportional method of the investment held.

■ Equity method consolidation

The associated companies are valued under the net equity method in accordance with IAS 28: an associated company is an entity in which the Parent Company has a significant influence without being a subsidiary - or a joint venture investment.

In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.

In accordance with this procedure, the consolidated financial statements only include the share of book net equity of the investment including the result for the year, but not the individual accounts of the financial statements.

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- Other consolidation operations

The other consolidation operations prevalently consist of the substantive application of uniform accounting principles in the accounts of the financial statements and in the formal presentation of the consolidated financial statements.

In particular, the utilisation of a rigid financial statement format, such as that required by the Supervision Authority, together with the utilisation of a common reporting package for all of the Group companies, ensures the compliance of the formal standardisation.

With reference to the substantive application of uniform accounting principles the following occurred:

- The elimination of the dividends paid or deliberated by the consolidated companies;
- The elimination of significant inter-company transactions, both in the income statement and the balance sheet;
- The elimination of gains and losses deriving from sale/purchase operations made between Group companies and relating to equity values, even if consolidated under the Net Equity method;
- The necessary adjustments to apply standard accounting principles within the Group;
- The recording, where applicable, of the tax effects consequent of any adjustments to apply uniform measurement criteria in the accounts of the financial statements or other consolidated adjustments.

DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are as of December 31, 2007, a date coinciding with that of all the financial statements of the line-by-line consolidated companies.

Therefore, there were no problems in the uniform accounting of the periods, considering the uniformity of the administrative periods of the financial statements in the consolidation.

CURRENCY

The present financial statements are expressed in Euro as this is the currency in which the majority of the operations of the Group are carried out. Considering therefore the substantial uniformity of the functional currencies with the presentation currency of the consolidated financial statements, the conversion of financial statements in currencies other than the Euro was made applying the current exchange rates at the year-end for the balance sheet accounts and the average rate for the income statement.

The exchange rates utilised are reported, for the principal currencies other than the Euro in the notes to the financial statements.

It is also reported in the accounts whether the amounts are in thousands or millions.

SECTION 4

Accounting principles and policies

The accounting principles adopted are in line with those utilised in the previous year.

The main accounting principles utilised in the financial statements are shown below:

1. INTANGIBLE ASSETS

Goodwill

In accordance with IAS 38 “Intangible assets” and IFRS 3, Goodwill, having an indefinite useful life, these are not systematically amortised, but subject to an impairment test, made on an annual basis or a shorter period where events or circumstances indicate the existence of a permanent loss in value.

For this purpose, the Group:

- Identified the cash flow generating units relating to the goodwill recorded;
- This identification is made through criteria which takes into account the minimum organisational level to which the goodwill is monitored by senior management;
- Determines the recoverable value of the cash-generating unit as the higher between its fair value and its value in use;
- For the goodwill which utilises the value in use the future cash flows from the cash-generating unit were identified;
- Appropriately discounted the cash flows in order to determine the “recoverable value” of the goodwill and record any loss in value.

For the business combinations and the other business aggregations completed in 2007, reference should be made to part G.

Other intangible assets

In accordance with IAS 38 an intangible asset is recorded only if identifiable, controllable, determinable in the cost and capable of generating future economic benefits.

Consequently, set-up and formation costs and research and advertising costs are recorded in the income statement when incurred.

The intangible assets which may be capitalised are amortised on a straight-line basis with reference to the relative useful life, with prior verification of whether there has been a loss in value. There are no intangible assets generated internally.

The notes to the accounts provide indications on the useful life of the various categories of intangible assets.

2. PROPERTY, PLANT & EQUIPMENT

This account includes buildings for use by the company and other fixed assets.

IAS 16 “Property, plant and equipment” provides that, on initial inscription, the buildings for use by the enterprise are recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the revalued amount (paragraph 31).

In relation to investment property, the Group decided to utilise the cost principle for the valuation of buildings for both own use and investment use. Reference should be made to the paragraph relating to property investments.

Also included in this category are buildings classified as inventory in the accounts of the companies operating in the real estate segment. These are valued, in accordance with IAS 2, at the lower between cost (including purchase cost, transformation and other costs incurred) and net realisable value. In particular, the purchase cost of the buildings completed and the real estate initiatives in course is determined based on the historic cost increased by the costs incurred for works of an extraordinary nature, which increase the value permanently or the purchase cost of investments allocated to assets up to the current value attributed to them at the moment of acquisition; the cost is also increased for incremental expenses and, for the buildings under construction, of the financial charges capitalised, specifically referring to the construction.

Relating to the agricultural activities, for the anticipated cultivations a valuation of the work was made at the reporting date, while for the biological activities the fair value was determined through a comparison between the production values and market values.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The reserves attributable to the reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves. In particular in relation to the unearned Premium Reserves, these are calculated in accordance with article 32 of Legislative Decree 173/97 for the gross Unearned Premium.

4. INVESTMENTS

Investment property

The investment properties are represented by properties held for rental purposes and/or for the appreciation of the capital invested.

IAS 40 “Investment properties”, which governs the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, they should be recorded at cost, while in subsequent evaluations the entity can choose between the cost valuation or the fair value.

The fair value is the price at which the ownership of the building can be exchanged between knowledgeable and willing parties at an arm’s length transaction, which is normally referred to as the market price.

Except where indicated otherwise, the Group has chosen to utilise the cost as the principal valuation of all buildings - those utilised by the entity, those held as investment property and those utilised by third parties.

In accordance with IAS 16, which refers to IAS 40, it was decided to:

- Separate from the value of the buildings fully held, the value of the land where they are located as, having an unlimited duration, they are not subject to depreciation;
- Record the depreciation on the net value, thus determined, applying specific technical-economic depreciation rates determined in relation to the expected residual use of the individual buildings, represented by the structure and related plant;

The investment properties are subject to an impairment test also through comparison of the book value with the estimate of the fair value, undertaken by independent valuation experts.

The revaluation of the buildings made in previous years was not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflects the change in the price indices or that they were made for approximation of the fair value of the buildings at the revaluation date.

The buildings conferred to the Tikal R.E. Closed Real Estate Fund, vice-versa utilised the fair value as replacement of cost, as these buildings, due to the above-mentioned conferment, are subject to systematic improvements, in order to maximise profitability, also in the short-term period.

Any profit or loss deriving from the elimination of an investment property is recorded in the income statement in the year of its elimination.

Investments in subsidiaries, associates and joint ventures

Included in the account “Subsidiaries, associated companies and joint ventures” are the investments in associated companies valued under the net equity method, and some investments in subsidiaries which the Group considers to be non-material and therefore maintained at cost. As already described in the paragraph relating to the consolidation, no entity of the Group having joint control with other parties (joint ventures) is recorded in this account, due to the application of the proportional consolidation method.

Financial instruments

IAS 39 “Financial instruments: recognition and measurement” provides that the financial instruments are classified, not according to their nature, but based on their use within the operations of the entity. In particular, IAS 39 requires, for the financial assets, the following categories:

- “financial instruments valued at fair value through profit or loss” - includes the securities held to be traded in the short-term period and securities which, at initial recognition, have the characteristics to be designated by the entity in this category;
- “loans and receivables” which, in addition to receivables and loans in the strict sense, as defined by the Italian accounting principles, also include debt securities not listed, as not destined for sale and whose recovery depends exclusively on the credit worthiness of the issuer;
- “financial instruments held-to-maturity”, which include debt securities with fixed maturity and fixed or determinable payments which the entity intends to, and is capable of, holding to maturity. This category is not applicable in the Fondiaria-SAI Group;
- “available-for-sale financial instruments”, relates to a residual category which includes securities not classified in the previous categories.

On first recognition, the financial assets are recorded at fair value which generally corresponds to the price paid for their acquisition. Subsequently, the individual categories are recognised in accordance with IAS 39 criteria. In particular:

- The financial instruments at fair value through profit or loss, as indicated by the name of the category, are valued at fair value, recording the difference between the fair value and the initial value in the income statement;
- The financial instruments held to maturity and the loans and receivables are valued at amortised cost, calculated utilising the effective interest rate method;

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- The available-for-sale financial instruments are valued at fair value, recording the differences in a separate equity reserve. This reserve is reversed to the income statement at the moment of the realisation of the financial instrument or where a loss has occurred from a reduction in value.

As already illustrated, in accordance with IAS/IFRS, the fair value is an amount at which an asset (or a liability) may be exchanged between knowledgeable and willing parties at arm's length. In particular, the fair value of the financial instrument is determined based on the following:

- For the financial instruments quoted on active markets: normally at the stock exchange value of the last day of 2007. A verification is in any case made that the value utilised is representative of the fair value of the financial instruments;
- For the non-listed financial instruments, or for those in which there is no active market, the price is determined based on adequate techniques requesting the valuation by independent counterparties (so-called mark to model);
- Where the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

In addition, the ordinary sales and purchases of financial assets are recorded at the settlement date of the operation, that is to say the date in which the Group receives or delivers the above-mentioned asset.

We also recall that in accordance with IAS 32, no gains or losses deriving from sale/purchase operations on treasury shares are recorded in the income statement, while the amount paid or received is recorded directly in net equity.

This method is also adopted for the sales of treasury shares which do not result in loss of control. Therefore, as long as control is maintained the gains and losses from dilution are recorded in net equity for a better representation of the result for the year. This accounting method is not applied however for the sale of investments in subsidiaries held in portfolio of the separated management of the Life Sector, considering the particular consolidation mechanism of these profits in the services to be recognised to the policyholders.

It is also noted that for the accounting treatment of the acquisitions of further holdings in investments in companies that are already subsidiaries, the choice was made to record to Group net equity the difference between the purchase cost and book value of the minority shares acquired, applying the so called economic entity theory.

Loans and receivables

The account includes loans as defined by IAS 39.9, with the exclusion of trade receivables.

In particular, the account includes the deposits of the reinsurers of the ceding companies, some debt securities held which are not listed on an active market, the mortgages and loans given, as well as loans on life policies and time deposit contracts.

This latter includes the value of the "time deposit" securities acquired, while the value of the "time deposit" security sold is recorded under Financial Liabilities in the account Other Financial Liabilities.

The interest and the difference between the “current” and “forward” value is recorded as Income deriving from other financial instruments.

The loans and receivables are measured under the amortised cost criteria, using the effective interest rate method.

Available-for-sale financial assets

The account includes all non-derivative financial assets, designated as available-for-sale. The account relates to the major part of the financial assets of the Group, represented by equity securities prevalently listed, mutual investment quotas and debt securities (both listed and non listed), which the Group has designated as belonging to this category.

As previously illustrated, the gains and losses deriving from fair value changes of these assets are recorded directly in equity until they are sold or have incurred a loss in value. At that moment the gains or losses, already recorded in equity, are recorded in the income statement of the period.

Financial assets at fair value through the profit or loss

The account includes the financial instruments held for trading in the short-term period, as well as the assets which the Group has designated in this category in accordance with IAS 39, modified by EU Regulation No. 1864/, which placed significant limitations on the utilisation of the so-called fair value option. The category includes therefore both debt securities and equity securities listed and non listed, as well as the positions open on derivative finance contracts held for both efficient management and for fair value and cash flow hedges.

This account includes the so-called structured securities or hybrid financial instruments which have not been separated and the separate recording of the derivative component of the host financial instrument, in that the characteristics of the derivative significantly impacts the cash flows of the overall instrument.

This account also includes financial instruments hedging insurance or investment contracts issued by the insurance company for which the investment risk is borne by the policyholder, as well as the financial assets deriving from the management of pension funds (so-called class D of the investments according to Italian GAAP).

5. OTHER RECEIVABLES

This account includes the trade receivables as per IAS 32 AG4 (a) in application of IAS 39.

The principal receivables recorded in the account relate to positions with: policyholders for premiums due, agents and other brokers, co-insurance and reinsurance companies.

The receivables are valued at amortised cost calculated using the effective interest rate method, identified calculating the rate which equates to the present value of the future cash flows of the receivable to the amount of the loan granted. The amortised cost method is not utilised for receivables of a short-term nature. The receivables are valued at historical cost which coincides with the nominal value and are periodically subject to impairment tests. Similar criteria is utilised for the receivables without established maturities.

Periodically, an estimate is made of the unrecoverable credit risk. The uncollectible receivables are written down at the moment of the identification, taking into account the financial effects relating to the expected realisable period, where significant.

6. OTHER ASSETS

Non-current assets or of a discontinued group held for sale

This account includes non current assets or groups discontinued in accordance with the definition of IFRS 5. These assets are recorded at cost and valued at the lower between book value and fair value, net of selling costs.

Deferred acquisition costs

The acquisition commissions due to the brokers for the acquisition of long term policies are capitalised and amortised over the average duration of the contracts to which they refer. For the Life sector, the amortisation is made up to the limits of the policy loading. Periodically, the future use of the acquisition commissions are re-examined. All other charges incurred for the acquisition of the risks relating to long-term contracts and for their management are recorded in the income statement in the year incurred.

Current and deferred tax assets

The account current tax assets refers to assets of a fiscal nature as defined by IAS 12.

The Group records the effects relating to current and deferred income taxes based on the valuation of the tax charge for the year determined in accordance with current fiscal regulations. Where there are temporary differences between the result for the year and the assessable result, the deferred temporary tax is calculated taking into account the nominal fiscal rate in force at the moment of the reversal and adequate adjustments are made in the case of a change in rates compared to those applied in previous years.

The deferred tax assets are recorded up to the amount of their probable recovery in relation to the capacity to generate with continuity assessable taxable income.

In relation to this account, also recorded are the assets deriving from the payment of taxes pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02 as brought into law by article 1 of Law 265/2002, as supplemented. This is in compliance with Regulation No. 7 of July 13, 2007 even if the above-mentioned assets do not relate to income taxes.

At the year-end, the deferred and current income taxes are reported net of the tax liabilities in accordance with the compensation rules permitted by IAS 12.

Other assets

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not within the application of IFRS 4 and the other assets of a residual nature which are not within the previous accounts.

Financial service contracts related to insurance policies

The index linked and unit linked products of a financial nature are divided into a financial contract component (IAS 32 and 39) and a service contract (IAS 18) for the administration management of the investor's position. With reference to the service component of the index and unit linked contracts, IAS 18 requires that:

- The related revenues and costs of the operation must be recorded simultaneously;
- The associated revenues and costs for an operation which results in services must be recorded with reference to the stage of completion of the operation.

The stage of completion may be determined by a variety of methods. In particular, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

On the basis of these considerations it was determined, in accordance with the linear method, the quota of the amortisation of the costs incurred on the financial contracts and, conversely, the quota still not matured of the revenues related to these contracts.

Therefore for the financial contract component the liability is valued at Fair Value while the service contract component being the cash flows (loading) not aligned with the costs (commissions and management costs), defers the revenues (Deferred Income Revenue) and the acquisition commissions (Deferred Acquisition Cost).

For the index-linked the estimate of the DIR and the DAC, amortised for the period between the commencement up to the valuation date, is made directly on the portfolio in force taking into consideration the total loading and the acquisition commissions by tranche.

For the unit linked products of a financial nature, it is considered that the revenue flows, loading and management commissions, this latter for the estimated amount, are higher than the costs and they are recorded on an accruals basis over the residual duration of the contract.

7. CASH AND CASH EQUIVALENTS

The account includes cash, bank current accounts and deposits payable on demand as well as other highly liquid investments, readily convertible into cash and without any risks.

These balances are recorded at their nominal value.

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

Group share

The account includes instruments representative of capital and the related Group equity reserves.

The account **Retained Earnings and other equity reserves** includes the reserves from the first-time application of the international accounting standards, the consolidation reserve and the catastrophic reserves and equalisation reserves pursuant to IFRS 4.14 (a), as well as the reserves deriving from the share-based payments.

The account **Profits and losses on available-for-sale financial assets** includes the gains and losses consequent of the valuation of the available-for-sale financial assets net of the related deferred tax where applicable, and the part attributable to the policyholders and recorded under insurance liabilities (so-called shadow accounting).

The account **Treasury shares** includes, as adjustments to the Group net equity, the book value of the instruments representative of capital of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

Minority interest share

The account includes the instruments and the components representative of capital and related to minority share equity reserves.

2. PROVISIONS

The account includes the liabilities defined and governed by IAS 37. The provisions for risks and charges are only made when the Group has an actual obligation (legal or implicit) which derives from a past event and for which it is possible to make a reasonable estimate of the presumable financial obligation. The future financial cash flows are only discounted where the effect is significant: In this case the adjustment of the provisions made for the passing of time is recorded as a financial charge on the basis of a discount rate which reflects the current valuation of the cost of money on the market.

3. TECHNICAL RESERVES

The account includes the commitments deriving from insurance contracts gross of the reinsurance cessions. In particular, they include the reserves made following verification of the liabilities and the deferred liabilities to policyholders.

The general regulations on the technical reserves, pursuant to article 31 of Legislative Decree 173/97, sanctions the principle that the amount of reserves must always be sufficient to permit the companies to meet, as far as reasonably foreseeable, the commitments assumed on insurance contracts; the reserves are therefore calculated in accordance with the individual financial statement criteria and therefore no recalculation of the technical reserves was made as per IFRS 4. Specifically:

Non-Life Unearned Premium Reserve

Article 32 of Legislative Decree 173/97 requires the obligation to record the unearned premium reserve under two components, “reserve for fraction of premium” and “reserve for risks in course”.

The reserve for fraction of premium is calculated in all the classes, applying the pro-rata method, on the basis of the gross premiums recorded, net of the acquisition expenses, as outlined in articles 51 and 52 of the above-mentioned decree and subsequent measures.

The reserve for risks in course is made, in accordance with article 32 of Legislative Decree 173/97 to cover the risks on the company after the year-end, to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the Circular No. 360/D of January 21, 1999, applied separately for each class, and, within each class, for each type of risk included. The ratio of claims utilised was valued also taking into account a sufficient period of time in relation to each class.

Non-Life Claims Reserve

The claims reserve represents the total amount of the funds which, from a prudent valuation made based on objective elements, is necessary to meet the payment of claims open at the year-end, as well as the relative settlement expenses.

The claims reserve was valued in accordance with the provisions of paragraph 2 of article 33 of Legislative Decree 173/97, utilising the last cost as calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims not reported at the year end.

The claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process, assigned to a management level within the company, which utilises statistical-actuarial methods in order to determine the measure of the last cost of the claims.

In particular:

■ *Motor TPL Division*

The valuation of the open claims of the current generation is strongly impacted by the commencement of the new direct compensation procedures. From February 2007 a new procedure is in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

The short period of time since the commencement of the new compensation procedures has not permitted a complete and definitive valuation on the relative economic and financial impact and its precise effect on the future performance of the results, which present strong elements of change from the past.

Therefore the reserve for the current year was valued separately for the various types of management by the new regime, utilising methods based on the valuation of the respective average costs:

- For the claims up to January 31, 2007 and therefore prior to the entry into force of the new regime, the determination of the final costs was made through revaluation of open claims of the various settlement offices, on the basis of appropriate management parameters;
- For the claims within the CARD Debtor regime, the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006;

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- For the CARD Operator claims the forecast last cost was recorded net of the recoverable amounts;
 - For the claims after January 31, but not within the new regime (essentially as they involve two vehicles and permanent bodily damage greater than 9%), the valuation of the last cost was made revaluing the amounts indicated by the settlement offices, taking into account the specific average costs assumed for these type of claims, evidently more costly.

The previous generations are examined after the analytical recording made by the settlement offices, which verifies the appropriateness of the estimates. In relation to the claims portfolio of previous generations, subject to analytical verification by the settlement offices according to rotation criteria, the amounts of the reserves in the accounts of previous generations are utilised as initial data for an analysis model which takes into account, among other matters, of the sufficiency/insufficiency of the reserves, of the percentage of the “decrease” of the reserve for payments, of the percentage of the reserve included in the eliminations “without follow-up” and “reopenings”, as well as the revaluations, in order to define the final costs of the claims.

For the determination and final valuation of the last cost of the claims, taking into account the longer settlement period, statistical/actuarial methods were used on the evolution of the cost of the claims based on both historical and future elements, appropriately adjusted to the specific characteristics of the company (method attributable to the Fisher-Lange methodology): In particular for the determination of the future increase in the cost of the claims reserve, account was taken of the expected inflation and of the specific costs in the insurance sector.

In order to guarantee a uniform analysis on the claims population, separate valuations were made for the various divisions which compose the claims portfolio of the company. For each of these, the claims were classified by year of occurrence.

The process for the determination of the RCA reserve of previous years is based on the following principles:

- The Fisher Lange method was confirmed as the actuarial statistical benchmark method and control in that, taking account also of the number of claims, it permits the estimates of the reserve without neglecting any changes to the settlement policies of the claims.
- In support of the Fisher Lange method it was considered appropriate to utilise three other statistical-actuarial methods: the Chain Ladder, the Bornhuetter Ferguson and the separation method of Taylor. These methods were utilised to consider and, where necessary, supplement the estimate obtained with the Fisher Lange method. These methods, although simple to apply in relation to the information requirements, on the other hand require that the fundamental assumption of the constant progression of the cumulative payments is satisfied over time.
- The reserve determined with these methods includes the IBNR claims reserve.
- In relation to the distribution of this amount to the various generations it is reported that:
 - a. The generation reserve is determined as the average cost based on the generation cost from which the amount paid is subtracted.
 - b. The previous year's generation reserve has as reference the reserve communicated by the integrated settlement network on the basis of the statistical actuarial projections.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims followed up, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

■ *Other Non-Life Classes*

The valuations were made analytically claim-by-claim by the settlement structure. These valuations were adjusted by the management based on the results of specific valuation models, in order to determine the last cost of the claims. These models take into account past experience in relation to the adequacy of the claim reserve and the effective late claims.

Other technical reserves

Also included, in accordance with article 37, paragraph 8 of Legislative Decree 209/05, is the ageing reserve comprising the insurance contracts against long term health and for which the company has renounced the right of withdrawal; the reserve was calculated in accordance with paragraph eight of the above-mentioned article.

Catastrophic and equalisation reserves

IFRS 4 “Insurance contracts” defines insurance liabilities as a net contractual obligation by the insurer in accordance with an insurance contract.

Based on this definition, the accounts prepared in accordance with IAS/IFRS may not include any component of the premium reserves which, although obligatory in accordance with Italian GAAP in that made against specific regulations and not concerning the individual insurance contracts but the overall contracts covering a certain risk of a catastrophic nature and are provisioned, based on a flat-rate, in addition to the reserve for premium fraction of the individual contracts, calculated with the pro-rata method, with the purpose of strengthening the reserves to cover these risks of a catastrophic nature.

Therefore, these additional reserves are made not against claims already occurring (which gives rise to a contractual obligation of the insurer, to be recorded in the claims reserve) but against the possibility that the claims of this nature will occur in the future. In accordance with IFRS 4, this possibility is met not with a liability, but with a greater amount of net equity.

Life technical reserves

The technical reserves of the direct insurance relating to the Life Division is calculated analytically for each contract, on the basis of the commitments without deduction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and management expenses) adopted for the calculation of the premiums relating to the contracts in force. In any case, the actuarial reserve is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical reserves.

The technical reserves also include the additional reserve on the revaluable service contracts, in accordance with Isvap 1801-G of February 21, 2001 and article 25, paragraph 12 of Legislative Decree 174/95.

These reserves meet the commitments relating to the life insurance policies and those with discretionary profit participation.

Shadow Accounting

In order to provide greater disclosure of the data application was made of paragraph 30 of IFRS 4 to correlate the value of the actuarial reserve relating to the discretionary profit participation contracts of the policyholders (including the separated management in the Life Division) with the value of the relative assets determined in accordance with IAS 39.

The securities included in the separated management of the Life Division are included in fact in the category “available-for-sale”, or in the category “fair value through the profit or loss” and, as such, are valued at fair value, recording an increase in equity or in the result for the period of the difference between the fair value and the carrying value determined in accordance with Italian GAAP.

Therefore, the return on the securities included in the separated management determines the returns of the policyholders and, therefore, the impact on the amount of the actuarial reserve.

The technical reserves were adjusted for the contracts inserted in the separated management in accordance with the valuation of the related assets, recording the difference in equity (or through the income statement); in this manner the technical reserves of these contracts take into account the share of the policyholders of the latent gains and losses of the securities assigned to the separated management. Finally, based on the contractual clauses and current regulations, these differences are recognised to the policyholders only when realised with the sale of the relative assets.

It should be noted that the recognition method is adopted in the limits of safeguarding the minimum guaranteed return contractually, within each separated management, for each minimum guaranteed line, in order not to infringe on the rights of the policyholders.

The above-mentioned accounting treatment reduces, although partially, the valuation mismatch between assets and liabilities.

Adequacy test on liabilities (Liability Adequacy Test or LAT)

In accordance with IFRS 4 insurance companies must verify the appropriateness of the technical reserves recorded in the accounts. This verification must be made in accordance with some minimum provisions based on the best current estimates of the cash flows related to the contracts in portfolio at the year-end and those related (for example settlement expenses), as well as taking into account cash flows deriving from guarantees and implicit options.

Any deficiencies in the technical reserves recorded in the accounts in relation to the estimate of the future cash flows must be fully recognised in the income statement.

In relation to this it is noted that the Italian regulations do not explicitly provide for tests on the appropriateness of the technical-insurance reserves. However, the special Italian provisions in relation to insurance require certain fulfilments which are similar to IFRS 4, although not satisfying all the requirements. In particular, for the Life sector the actuarial reserves are determined with demographic and financial assumptions utilised in order to determine the pure premium (first order technical bases), in turn integrated by the so-called additional technical reserves based on current assumptions at the moment of the valuation (second order technical bases). These include:

- the reserve on the expected returns as per Isvap Measure No. 1801 which however is not extended to the duration of the contracts;
- the additional reserve for demographic risk Isvap Measure No. 1380;
- the additional reserve to guarantee the result and/or repayment of the capital (pursuant to article 30 Legislative Decree 174/95).

Therefore, the Group developed a measurement model on the appropriateness of the insurance liabilities in the Life sector which is illustrated in section F relating to the uncertainty of the financial insurance flows.

With reference to the Non-Life sector, it is considered that the components of the premium reserve attributable to the risk reserve in course, which is considered necessary whenever the expected claims in the class are higher than those utilised in the construction of the tariff premium, represents a reasonable approximation of the adequacy test of the liabilities. In relation to the claims reserve, the Italian regulations established that these must be determined in accordance with the last cost criteria, that is the total sum paid to the beneficiary at the moment of compensation. Also in this case it is considered that the determination of the claims reserve in accordance with Italian GAAP based on the principle of the last cost is inclusive of the principal future cash flows without taking into account any discounting factors and which therefore may be considered greater than those from the application of the L.A.T. in accordance with IFRS 4.

4. FINANCIAL LIABILITIES

The account includes the financial liabilities pursuant to IAS 39 other than commercial payables as described in IAS 32 AG4 (a).

Financial liabilities at fair value through profit or loss

The account includes the financial liabilities valued at fair value through profit or loss defined by IAS 39. In particular, the account includes the commitments to policyholders on investment contracts not included in IFRS 4, as well as those deriving from the management of pension funds.

This category includes the liabilities relating to those products with characteristics indicated by article 30, paragraph 1 and 2 of Legislative Decree 174/95, unit and index linked, whose limited underlying insurance risk resulted in the reclassification from insurance contracts to financial contracts, as well as the technical reserves deriving from the management of open pension funds.

In this case the recording through the income statement of the fair value changes permits the correlation with the valuation of the underlying assets and in accordance with the European Commission in relation to the correlated valuations between the assets and liabilities in the Explanatory memo of November 19, 2004, and the updated version of IAS 39 in November 2005, as well as the indications provided by Isvap in Regulation No. 7 of July 13, 2007.

The account also includes the losses on derivative finance contracts at the end of the year.

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39 not included in the previous category. This account includes the financial and operating payables of the Group, such as the subordinated loan (for the financial component), the deposits received from reinsurance, other loans and other financial payables.

Also included are the investment contracts not in application of IFRS 4, other than unit and index linked, such as, for example, contracts pursuant to article 23, paragraph 5 of Legislative Decree 173/97.

This liability which on first recognition is recorded at fair value, is subsequently valued at amortised cost determined utilising the effective interest rate method.

5. PAYABLES

The account includes trade payables as per IAS 32 AG4 (a) as per IAS 39. In particular, the account includes the payables deriving from direct and indirect insurance operations, as well as provisions for employee leaving indemnities.

Employee leaving indemnity and other employee benefits

Following the pension reforms, from January 1, 2007 with application of Legislative Decree No. 252/2005, private sector employees may choose, depending on whether they work in a company with less or more than 50 employees, to allocate the portion of the Employee Leaving Indemnity that matures after January 1, 2007 to an INPS Treasury Fund or to a Complementary Pension. This choice must be made by June 30, 2007 or within six months from the employment date.

Following this reform the portion matured at December 31, 2006 continues to be considered as a “defined benefit plan”, but the liability was actuarially recalculated without taking into account the pro-rata of the service as the service to be valued has already fully matured, giving rise to the “curtailment” recorded in the income statement in one single amount (see paragraph 111 of IAS 19).

In relation to the portion matured after December 31, 2006 and allocated to the INPS Treasury Fund and/or Complementary Pension, this is considered a defined contribution plan and therefore no longer subject to actuarial valuation.

It is also recorded that, as indicated in the Internal Communication to the Associates of Assirevi, as all the companies of the Group have chosen the accounting treatment to record the Actuarial Gains And Losses directly to Equity in the specific Reserve, the amounts recorded up to December 31, 2006 were reclassified to “Retained earnings”.

Service bonus pursuant to Art. 30 CCNL

The fund was created for all employees of insurance companies that had completed 25 and 35 years of service at the company based on the annual contributions matured at the payment date. In accordance with Italian GAAP, a provision is made for each employee in service of the amount matured. The provision is used for the premiums paid. Also this is recorded in accordance with IAS 19, as qualifying under “other long-term employee benefits”.

6. OTHER LIABILITIES

Current and deferred tax liabilities

The account includes the liabilities of a fiscal nature as defined and governed by IAS 12.

The valuation of the fiscal charge, current and deferred, relating to the income taxes is made based on the current national rates at the balance sheet date.

In particular, the recording of the deferred liabilities occurs, generally, for all the temporary differences, whether they relate to equity or income statement account items, which will reverse in future years applying, to the temporary differences, the rates in force when they reverse.

At the year-end, the current and deferred tax liabilities are recorded net of the corresponding tax assets in accordance with the compensation regulations of IAS 12.

Income Statement

Insurance contracts

From the date of entry into force of IFRS 4 (January 1, 2005), all the contracts not having a significant insurance risk, although legally insurance contracts, were reclassified. In particular all the contracts relating to the Life Division (except those with discretionary profit participation for which IFRS 4 provides adoption of the current accounting principles at the date of transition to IAS) which do not enter within the previous definition, must be recorded as financial contracts and therefore in accordance with the provisions of IAS 39 (“deposit accounting” method). The contracts which comply with the definition of IFRS 4 are recorded in accordance with the current rules of Italian GAAP and the relative reserves are subject to an adequacy test.

Therefore, based on IAS/IFRS principles, the insurance policies are classified in the following categories:

- Insurance contracts and financial instruments with discretionary profit participation are applied in accordance with IFRS 4 “Insurance Contracts”;
- Other financial instruments, accounted for in accordance with IAS 39 “Financial instruments: recognition and measurement” and IAS 18 “Revenues” for any service component.

Based on the analysis made on the policies in portfolio, all the contracts of the Non-Life Division are accounted in accordance with IFRS 4 and all the contracts of the Life Division with the exception of the unit linked contracts of some portfolio indices, which were valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (valued at fair value through the profit or loss) from the component of premiums attributable to the services on behalf of the policyholders, valued in accordance with IAS 18.

Premiums written

The gross premiums written include the amounts matured during the year for the insurance contracts, as defined by IFRS 4 (Insurance Contracts). The revenues relating to the policies that although legally insurance contracts but having an insignificant insurance risk are not included and are applied in accordance with IAS 39 and IAS 18. These contracts are in fact treated under the “deposit accounting” method which, among other matters, requires the recording in the income statement of the explicit and implicit loading, recorded in the account “commission income”.

The contracts recorded in application of IFRS 4 are treated in accordance with the accounting principles of the statutory accounts. In particular, in accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in Isvap Regulation in relation to the accounts of insurance companies, the premiums include:

- The cancellations motivated by technical reversals of the individual securities issued in the year;
- The cancellation of premiums in the Life Division from annuities expired in previous years;
- The changes of contracts with or without changes in premiums, made through replacement or supplemented.

Commission income and charges

The accounts include the commissions relating to the investment contracts not included within the application of IFRS 4. As already referred to in the comment on the premium accounts, they refer to:

- index-linked contracts within Class V “Securitisation”;
- unit-linked contracts, which record, under commission income, the loading on the contracts and the management commission income and, under commission expenses, the commissions paid to the brokers.

This account also includes the commission income for revenues on financial services which are recorded, based on existing contractual agreements, in the period in which the services were rendered.

Investment income

Net Income from financial instruments recorded at fair value through profit or loss

The account includes the gains and losses, including dividends and from trading, and the positive and negative changes to financial assets and liabilities measured at fair value through profit or loss. The change in value is determined based on the difference between the fair value and the book value of the financial instruments recorded in this category.

Income/charges from investments in subsidiaries, associates and joint ventures

Includes the income originated from investments in associated companies recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Income/charges from other financial instruments and property investments

Recorded in these accounts are:

- income and gains realised (and charges and losses realised) on the investments classified in the category “available-for-sale”;
- income and charges on loans and receivables;
- income and charges relating to property investments.

Other revenues

The account comprises:

- the receivables deriving from the sale of goods, from services other than those of a financial nature and from the utilisation, by third parties, of intangible and tangible assets and other activities of the company;

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- the other net technical income related to insurance contracts;
 - the exchange differences recorded in the income statement as per IAS 21;
 - the gains realised and any restatement in values relating to intangible and tangible assets.

Net charges relating to claims

The account comprises:

- the amounts paid, net of recovery;
- the changes in claims reserves and other technical reserves in the Non-Life Division;
- the changes in actuarial reserves and other technical reserves in the Life Division;
- The changes in technical reserves relating to the contracts for which the investment risk is borne by the policyholder relating to insurance contracts and financial instruments applied in accordance with IFRS 4.

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

Investments charges

Charges from investments in subsidiaries, associates and joint ventures

Includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Charges from other financial instruments and property investments

The account includes charges from property investments and financial instruments not measured at fair value through profit or loss and in particular:

- Financial charges recognised utilising the effective interest method;
- Other charges and, in particular, the costs relating to investment property, such as condominium expenses, and maintenance and repairs not of an incremental nature;
- Losses realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Losses on valuation, deriving principally from depreciation and impairment.

Management expenses

Commissions and other acquisition expenses

The account includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

Investment management charges

Refers to general expenses and personnel costs relating to the management of the financial instruments, investment property and investments, as well as custodial and administration costs.

Other administration expenses

The account includes general and personnel expenses not attributed to the relative claims charges, contract acquisition expenses and investment management charges. The account relates in particular to the general expenses and personnel costs of the companies which exercise activities other than in the insurance sector, not otherwise allocated, as well as the general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not included within IFRS 4.

Other costs

The account comprises:

- The costs relating to the sale of goods other than those of a financial nature;
- The other net technical charges relating to insurance contracts, for which reference should be made to the comments on the premium accounts;
- The provisions made in the year;
- The exchange differences recorded in the income statement as per IAS 21;
- The losses realised, impairment and depreciation on tangible fixed assets, and on intangible assets.

Income taxes

The income taxes recorded in the income statement include all taxes, current and deferred, calculated on the income of the Group on the basis of the nominal tax rates in force at the balance sheet date and excludes those directly recorded in equity, in that the relative adjustments to assets and liabilities in the accounts are directly recorded in equity.

The account is comprised of:

- The charges (or income) for current taxes in the year and any adjustments made in the year for current taxes relating to previous years;
- The charges (or income) for deferred taxes relating to the temporary fiscal differences as well as adjustments to deferred taxes made in previous years following, in particular, changes in tax rates;
- The amount of the deferred tax charge or income based on the cancellation, in future years, of the temporary fiscal differences which were originally recorded;
- The amount of tax charges (or income) relating to changes in accounting principles, valuation processes, estimates or errors compared to those made in previous years.

Other information

Stock options plans

Accounting principle IFRS 2 “Share-based payments” requires the recording in the income statement of the implicit cost related to the stock option plans for employees. In the case of the stock option plan, the regulation requires that the Company records the service received in the accounts, that is the employment service of the beneficiaries of the stock option, this latter valued at fair value of the shares/options paid. The consequence of this accounting approach is that the stock option plans increase the personnel costs recorded in the consolidated financial statements; for this purpose it was necessary to identify appropriate valuation models in order to determine the fair value of the options and therefore the personnel costs recorded in the accounts. The calculation method and the disclosures required by IFRS 2 are reported in the notes.

The fair value option was calculated using the Black-Scholes-Merton model. This relates to the most utilised valuation model of the options in Europe, based on which the theoretical price (value) of a call option is based on the increased price of the underlying security, of its volatility, of the market interest rate and of the time period, against the exercise price and the expected dividends.

In other words, the value of an option arises from the difference between two elements:

- The current market value of the underlying security discounted to an expected dividend rate;
- The exercise price of the underlying (strike price) value discounted to a rate equal to the private use of risk capital;

Both the criteria were in turn measured for the probability that the value of the underlying security is maintained higher than the exercise price of the option.

In particular the plans adopted by Fondiaria-SAI are those in application of IFRS 2 - Appendix B paragraph 5 - which permits the utilisation of this valuation method for the options which are not of long maturity or in any case must not be exercised within a short-time period after the maturity date. In addition, the fact that the two stock option plans examined do not provide for the possibility of exercise of the option before the maturity permits, in accordance with IFRS 2, the application of the Black-Scholes model.

The results deriving from the utilisation of the model are verified also through the application of alternative procedures; in particular recourse was made to the binominal and trinomial methods as validation and control instruments. Part H of the notes provides further details on the stock option plans.

Segment information

The primary reporting of the Group is by sector of activity as illustrated below:

- The Non-Life sector which includes the companies providing insurance cover as indicated in article 2, paragraph 3 of Legislative Decree. 209/2005;
- The Life sector which includes the companies providing insurance cover consisting of a payment of capital or an annuity based on an event relating to life;

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- The real estate sector includes the companies which rent offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties;
 - The Other Sectors include the remaining activities undertaken by the companies of the Group.

The reciprocal receivables and payables, as well as the inter-group costs and revenues are directly eliminated within the sectors of the companies if they operate within the same sector. Where the inter-company transaction relates to companies operating in different sectors, the data recorded is shown in the segment “Inter-segment eliminations”.

Otherwise, the treatment is as follows:

- Investments are eliminated within the sector in which the companies hold the assets;
- Dividends are eliminated in the companies that receive the payments;
- The gains and losses to be realised are eliminated by the company that realised the relative results; provided that the counterparties operate in different sectors.

Utilisation of estimates

The preparation of the financial statements in accordance with IAS/IFRS requires estimates and valuations which produce effects on the assets, liabilities, costs and revenues recorded, as well as the identification and measurement of the potential assets and liabilities. The directors periodically verify the estimates and valuations made based on historical experience and other factors from time to time considered reasonable.

The results may differ from the estimates made following differing operating conditions.

The use of estimates and valuations principally relates to the following accounts:

- Technical reserves;
- Employee benefits;
- Goodwill;
- Voba (value on business acquired).

Reference should be made to the accounting principles and valuation criteria for information on the methods used for the determination of the above-mentioned accounts and for the impairment test on the goodwill recorded.

Section 5 - Consolidation scope

At December 31, 2007, the Fondiaria-SAI Group, including the Parent Company, was made up of 123 Companies, of which 21 operated in the insurance sector, 2 in the banking sector, 48 in the real estate and agricultural sector and 24 in the financial services sector; the remaining companies are various service companies. The company has 14 overseas offices.

The total number of subsidiaries fully consolidated is 87 and the number of companies consolidated under the Net Equity method is 16, while the remaining companies are consolidated under the proportional method or maintained at carrying value given their insignificant amount to the Group.

There are 98 subsidiary companies, of which 41 are controlled directly by the Parent Company.

Excluded are the subsidiaries which due to their size or nature of activities are not significant for the purposes of a true and fair representation of the present accounts.

These exclusions, relating in total to 11 companies, derive directly from the requirement of relevance of disclosure in the accounts in accordance with the framework contained in IAS 1. These exclusions therefore are not a consequence of significant restrictions in the exercise of control.

During 2007, the consolidation scope of the Fondiaria-SAI Group saw the following changes:

- Purchase of the control of Popolare Vita S.p.A. (former BPV VITA S.p.A.) The holding is equal to 50% plus one share of the share capital. The investment is consolidated fully from the date of acquisition of control (September 2007).
- Acquisition of exclusive control and rights, by Milano Assicurazioni S.p.A., of the insurance company BIPIEMME VITA S.p.A. In fact the holding increased from 50% to 51%. Therefore the consolidation method of Bipiemme Vita S.p.A. changed from proportional to full consolidation. In particular, in the accounts of 2006 the balance sheet data was consolidated proportionally for 50% and, in relation to the income statement, the Company was valued utilising the net equity method, recorded in the income statement the share of the result in the third quarter and consolidated under the proportional method in the fourth quarter.
In the present accounts the data relating to Bipiemme Vita are recorded as follows:
 - full consolidation of the balance sheet as at December 31, 2007;
 - proportional consolidation, at 50%, of the income statement data relating to the first half and full consolidation of the income statement in the second half of the year;
- Purchase by the subsidiary Immobiliare Lombarda of a holding of 33.33% in the holding company IGLI S.p.A.. In particular IGLI S.p.A. is a company which holds an investment of 29.866% in the share capital of Impregilo S.p.A. - this latter is listed on the Italian Stock Exchange;
- Incorporation of the financial service company QUINTO ITALIA S.p.A. in which Fondiaria-SAI holds 49% of the voting rights of the share capital. Subsequently, the name of the company was changed to QUINTO GEST S.p.A.;
- Acquisition of control by Immobiliare Lombarda S.p.A. of 51.6% of the real estate company SOCIETA' EDILIZIA IMMOBILIARE SARDA - S.E.I.S. S.p.A.;
- Acquisition of control by Immobiliare Lombarda S.p.A. of the control (100%) of the real estate company SINTESI SECONDA S.r.l.;
- Acquisition by Scai S.p.A. of control of a stake of 63% of the services company NEXT SOLUTION S.r.l.;
- Acquisition by Fondiaria-SAI S.p.A. of the residual 40% of Banca GESFID S.A.;
- Acquisition by SAI Holding S.p.A. of further shares of SIAT S.p.A. increasing the holding to 94.20% of the share capital at December 31, 2007.
- Sale on October 11, 2007 of the company NOVARA ASSICURA S.p.A. by the subsidiary Milano Assicurazioni S.p.A.;
- Reduction in the holding (which decreases from 57.21% to 55.13%) held by Fondiaria-SAI S.p.A. in Milano Assicurazioni S.p.A.;

-
- Liquidation of the company Beltion Gestioni Patrimoniali S.A. on December 5, 2007;
 - Total sale of the investment held by the companies of the Group in the service company CESTAR CENTRO STUDI AUTO RIPARAZIONI S.c.a.r.l..

As already illustrated in the accounting principles, all the operations configured as a step-up or step-down of control only produce balance sheet effects and do not produce new goodwill.

In addition the following changes took place, which do not result in a change in the consolidation scope:

- Transfer of shares, equal to 11% of SAI INVESTIMENTI SGR S.p.A. from Milano Assicurazioni S.p.A. to Fondiaria-SAI S.p.A. which now holds control - at 51%;
- Transfer of 100% of the investment in DOMINION INSURANCE HOLDING Ltd from Fondiaria-SAI S.p.A. to Finsai International S.A.;
- Acquisition by Liguria S.p.A. of a holding of 44% in the services company Global Card Service S.r.l., already held by Liguria Vita S.p.A.;
- Merger by incorporation of MAA Finanziaria S.p.A. into Milano Assicurazioni S.p.A.;
- Merger by incorporation of Campo Carlo Magno Sport S.r.l. into Campo Carlo Magno S.p.A.;
- Changing the name of the company Immobiliare Portobello S.p.A. to Marina di Loano S.p.A.;
- Changing the name of the company Fonsai MB&A, its registered office and objects to the real estate company MERIDIANO QUINTO S.r.l.;
- Changing the name, registered office and share capital of the service company Euro C.S. to I.T. EURO CONSULTING S.r.l..

We also report that the subsidiary Uniservizi S.c.a.r.l. controls, in accordance with article 2359, paragraph 1 No. 3 of the Civil Code, the service company Wave Technology S.r.l. and Wave Logistica S.r.l. (of this latter company, the Parent Company has a stake of 15%).

The full consolidation continues of the Tikal R.E. Closed Real Estate Fund in which the Group holds control and determines the management guidelines of the company. This treatment is in accordance with IAS 27 and in particular with its Basis for conclusion.

Finally we report, in accordance with IAS 27 paragraph 40 d) that the associated company Fondiaria-SAI Servizi Tecnologici S.p.A. is valued at net equity in that, although Fondiaria-SAI has a majority shareholding (51%) of the voting rights, the operating control of the company is undertaken by another company in accordance with governance agreements made.

| Sector | Percentage of control | | Group Holding |
|--------------------------------------|-----------------------|------------------------------------|---------------|
| | Direct | Indirect | |
| SUBSIDIARY COMPANIES | | | |
| Companies consolidated line-by-line: | | | |
| BANCA GESFID S.A. | | | |
| Lugano (CH) | | | |
| Share Capital CHF 10,000,000 | Banking | 100.00 | 100.00 |
| BANCA SAI S.p.A. | | | |
| Turin | | | |
| Share Capital Euro 116,677,161 | Banking | 100.00 | 100.00 |
| BIM VITA S.p.A. | | | |
| Turin | | | |
| Share Capital Euro 7,500,000 | Life Insurance | 50.00 | 50.00 |
| BIPIEMME VITA S.p.A. | | | |
| Milan | | | |
| Share Capital EURO 73,500,000 | Life Insurance | MILANO ASSICURAZIONI S.p.A. 51.00 | 29.55 |
| BRAMANTE S.r.l. | | | |
| Milan | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| CAMPO CARLO MAGNO S.p.A. | | | |
| Pinzolo (TN) | | | |
| Share Capital Euro 3,649,500 | Real Estate | MILANO ASSICURAZIONI S.p.A. 100.00 | 57.94 |
| CAPITALIA ASSICURAZIONI S.p.A. | | | |
| Milan | | | |
| Share capital Euro 5,200,000 | Non-Life Insurance | 51.00 | 51.00 |
| CARPACCIO S.r.l. | | | |
| Milan | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| CASA DI CURA VILLA DONATELLO S.p.A. | | | |
| Florence | | | |
| Share Capital Euro 361,200 | Services | 100.00 | 100.00 |
| CASA DI CURA VILLANOVA S.r.l. | | | |
| Florence | | | |
| Share Capital Euro 182,000 | Services | 100.00 | 100.00 |
| CASCINE TRENNO S.r.l. | | | |
| Turin | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| COLPETRONE S.r.l. | | | |
| Umbertide (PG) | | | |
| Share Capital Euro 10,000 | Agriculture | SAIAGRICOLA S.p.A. 100.00 | 97.14 |

| | Sector | Percentage of control | | Group Holding |
|--|--------------------|-----------------------|---|---------------|
| | | Direct | Indirect | |
| CASTELLO CONSORTIUM | | | | |
| Florence | | | | |
| Share Capital Euro 51,000 | Real Estate | | NUOVE INIZIATIVE TOSCANE S.r.l. 99.66 | 98.35 |
| CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. | | | | |
| Turin | | | | |
| Share capital € 1.040.000 | Services | 30.07 | | 30.07 |
| COS.ED S.p.A. in liquidation | | | | |
| Milan | | | | |
| Share Capital Euro 120,000 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| CRIVELLI S.r.l. | | | | |
| Milan | | | | |
| Share Capital Euro 10,000 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| DIALOGO ASSICURAZIONI S.p.A. | | | | |
| Milan | | | | |
| Share Capital Euro 8,831,774 | Non-Life Insurance | | MILANO ASSICURAZIONI S.p.A. 99.85 | 57.85 |
| DOMINION INSURANCE HOLDING Ltd | | | | |
| London (GB) | | | | |
| Share Capital GBP 35,438,267.65 | Financial | | FINSAI INTERNATIONAL S.A. 100.00 | 99.98 |
| EFFE FINANZIARIA S.p.A. | | | | |
| Florence | | | | |
| Share Capital Euro 516,500 | Financial | | THE LAWRENCE RE IRELAND Ltd 100.00 | 100.00 |
| EFFE VITA COMPAGNIA DI ASS.NI SULLA VITA S.p.A. | | | | |
| Florence | | | | |
| Share Capital Euro 6,240,000 | Life Insurance | 100.00 | | 100.00 |
| EUROPA TUTELA GIUDIZIARIA S.p.A. | | | | |
| Milan | | | | |
| Share Capital Euro 5,160,000 | Non-Life Insurance | 100.00 | | 100.00 |
| EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. | | | | |
| Turin | | | | |
| Share Capital Euro 1,305,600 | Financial | | SAIFIN-SAIFINANZIARIA S.p.A. 100.00 | 100.00 |
| FINITALIA S.p.A. | | | | |
| Milan | | | | |
| Share Capital Euro 15,376,285 | Financial | | BANCA SAI S.p.A. 100.00 | 100.00 |
| FINSAI INTERNATIONAL S.A. | | | | |
| Luxembourg | | | | |
| Share Capital Euro 44,131,900 | Financial | 19.92 | SAINTERNATIONAL S.A. 43.92 SAILUX S.A. 36.15 | 99.98 |
| FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. | | | | |
| Florence | | | | |
| Share Capital Euro 10,400 | Services | | CASA DI CURA VILLANOVA S.r.l. 100.00 | 100.00 |

| Sector | Percentage of control | | Group Holding |
|---|-----------------------|---|---------------|
| | Direct | Indirect | |
| FONDIARIA NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070 | Financial | 100.00 | 100.00 |
| FONDIPREV - Compagnia di Assicurazioni sulla Vita S.p.A. Florence Share Capital Euro 6,240,000 | Life Insurance | 40.00 MILANO ASSICURAZIONI S.p.A. 60.00 | 74.76 |
| IMMOBILIARE LITORELLA S.r.l. Milan Share Capital Euro 10,329 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital Euro 697,907,753.59 | Real Estate | 50.12 MILANO ASSICURAZIONI S.p.A. 10.93 | 56.45 |
| INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Rome Share Capital Euro 10,329 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Rome Share Capital Euro 2,580,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| ITALIBERIA INVERSIONES FINANCIERAS SL Madrid Share Capital Euro 92,104,202 | Financial | 100.00 | 100.00 |
| LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. Segrate (Mi) Share Capital Euro 23,000,000 | Non-Life Insurance | 99.97 | 99.97 |
| LIGURIA VITA S.p.A. Segrate (Mi) Share Capital Euro 6,000,000 | Life Insurance | LIGURIA S.p.A. 100.00 | 99.97 |
| MANTEGNA S.r.l. Milan Share Capital Euro 10,000 | Real Estate | 100.00 | 100.00 |
| MARINA DI LOANO S.p.A. Milan Share Capital Euro 5,536,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MASACCIO S.r.l. Milan Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000 | Financial | 100.00 | 100.00 |

| Sector | Percentage of control | | Group Holding |
|--|-----------------------|---|---------------|
| | Direct | Indirect | |
| MERIDIANO BELLARMINO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MERIDIANO BRUZZANO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MERIDIANO EUR S.r.l. Milan | | | |
| Share Capital Euro 10,000 | Real Estate | MILANO ASSICURAZIONI S.p.A. 100.00 | 57.94 |
| MERIDIANO ORIZZONTI S.r.l. Milan | | | |
| Share Capital Euro 10,000 | Financial | MILANO ASSICURAZIONI S.p.A. 100.00 | 57.94 |
| MERIDIANO PRIMO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MERIDIANO QUARTO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | SAI HOLDING ITALIA S.p.A. 100.00 | 100.00 |
| MERIDIANO QUINTO S.r.l. (FORMER FONSAI MB&A) Milan | | | |
| Share Capital Euro 800,000 | Real Estate | 100.00 | 100.00 |
| MERIDIANO RISPARMIO S.r.l. Milan | | | |
| Share Capital Euro 10,000 | Real Estate | 100.00 | 100.00 |
| MERIDIANO SECONDO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| MERIDIANO TERZO S.r.l. Turin | | | |
| Share Capital Euro 10,000 | Real Estate | SAI HOLDING ITALIA S.p.A. 100.00 | 100.00 |
| MILANO ASSICURAZIONI S.p.A. Milan | | FONDIARIA NEDERLAND BV 1.85 NOVARA VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.07 SAI HOLDING ITALIA S.p.A. 0.63 | |
| Share Capital Euro 251,217,463.64 | Mixed Insurance | SAINTERNAZIONALE S.A. 0.25 | 57.94 |
| MIZAR S.r.l. Rome | | | |
| Share Capital Euro 10,329 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| NOVARA VITA S.p.A. Novara | | | |
| Share Capital Euro 66,000,000 | Life Insurance | SAI HOLDING ITALIA S.p.A. 50.00 | 50.00 |
| NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome | | | |
| Share Capital Euro 10,329 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |

| | Sector | Percentage of control | | Group Holding |
|--|--------------------------|-----------------------|---|---------------|
| | | Direct | Indirect | |
| NUOVE INIZIATIVE TOSCANE S.r.l. | | | | |
| Florence | | | | |
| Share Capital Euro 26,000,000 | Real Estate | 96.88 | MILANO ASSICURAZIONI. S.p.A. 3.12 | 98.69 |
| POPOLARE VITA S.p.A. | | | | |
| Verona | | | | |
| Share Capital Euro 87,600,005 | Life Insurance | 50.00 | | 50.00 |
| PORTOFINO VETTA S.r.l. | | | | |
| Florence | | | | |
| Share Capital Euro 10,400 | Real Estate | 100.00 | | 100.00 |
| PROGETTO BICOCCA LA PIAZZA S.r.l. | | | | |
| Milan | | | | |
| Share Capital Euro 3,151,800 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 74.00 | 41.77 |
| PRONTO ASSISTANCE S.p.A. | | | | |
| Turin | | | | |
| Share Capital Euro 2,500,000 | Non-Life Insurance | 100.00 | | 100.00 |
| PRONTO ASSISTANCE SERVIZI S.p.A. | | | | |
| Turin | | | | |
| Share Capital Euro 516,000 | Services | | PRONTO ASSISTANCE S.p.A. 60.00 SAIFIN-SAIFINANZIARIA S.p.A 40.00 | 100.00 |
| RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l. | | | | |
| Rome | | | | |
| Share Capital Euro 10,329 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| SAI ASSET MANAGEMENT SGR S.p.A | | | | |
| Milan | | | | |
| Share Capital Euro 5,000,000 | Asset Management | 100.00 | | 100.00 |
| SAI HOLDING ITALIA S.p.A. | | | | |
| Turin | | | | |
| Share Capital Euro 143,100,000 | Financial | 100.00 | | 100.00 |
| SAI INVESTIMENTI S.G.R. S.p.A. | | | | |
| Turin | | | | |
| Share Capital Euro 3,913,588 | Asset Management | 51.00 | MILANO ASSICURAZIONI S.p.A. 29.00 | 67.80 |
| SAI MERCATI MOBILIARI SIM S.p.A. | | | | |
| Milan | | | | |
| Share Capital Euro 20,000,000 | Real Estate Brokerage | 100.00 | | 100.00 |
| SAIAGRICOLA S.p.A. | | | | |
| SOCIETA' AGRICOLA | | | | |
| Turin | | | | |
| Share Capital Euro 50,000,000 | Agriculture | 92.00 | MILANO ASSICURAZIONI S.p.A. 6.80 PRONTO ASSISTANCE S.p.A. 1.19 | 97.14 |
| SAIFIN-SAIFINANZIARIA S.p.A. | | | | |
| Turin | | | | |
| Share Capital Euro 102,258,000 | Financial | 100.00 | | 100.00 |

| | Sector | Percentage of control | | Group Holding |
|---|--------------------|-----------------------|------------------------------------|---------------|
| | | Direct | Indirect | |
| SAILUX S.A. Luxembourg | | | SAIFIN-SAIFINANZIARIA S.p.A. 99.99 | |
| Share Capital Euro 30,000,000 | Financial | | FINSAI INTERNATIONAL S.A. 0.01 | 99.99 |
| SAINTERNATIONAL S.A. Luxembourg | | | | |
| Share Capital Euro 154,000,000 | Financial | 99.99 | | 99.99 |
| SALEVOX S.r.l. Turin | | | | |
| Share Capital Euro 50,000 | Services | | STARVOX S.p.A. 100.00 | 100.00 |
| SANTA MARIA DEL FICO S.r.l. Umbertide (PG) | | | | |
| Share Capital Euro 78,000 | Agriculture | | SAIAGRICOLA S.p.A. 100.00 | 97.14 |
| SASA ASSICURAZIONI RIASSICURAZIONI S.p.A. Trieste | | | | |
| Share Capital Euro 52,000,000 | Non-Life Insurance | 99.99 | | 99.99 |
| SASA VITA S.p.A. Trieste | | | | |
| Share Capital Euro 16,500,000 | Life Insurance | 50.00 | SASA ASS.NI RIASS.NI S.p.A. 50.00 | 100.00 |
| SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence | | | | |
| Share capital Euro 104,000 | Services | 70.00 | MILANO ASSICURAZIONI S.p.A. 30.00 | 87.38 |
| SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa | | | | |
| Share capital Euro 38,000,000 | Non-Life Insurance | | SAI HOLDING ITALIA S.p.A. 94.20 | 94.20 |
| SIM ETOILE S.A. Paris | | | | |
| Share Capital Euro 3,049,011.34 | Real Estate | 99.99 | | 99.99 |
| SINTESI SECONDA S.r.l. Milan | | | | |
| Share Capital Euro 10,400 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A. Cagliari | | | | |
| Share Capital Euro 3,877,500 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 51.67 | 29.17 |
| SOGEINT S.r.l. Milan | | | | |
| Share Capital Euro 100,000 | Other | | MILANO ASSICURAZIONI S.p.A. 100.00 | 57.94 |
| SRP Asset Management S.A. Lugano | | | | |
| Share Capital CHF 1,000,000 | Services | | SAINTERNATIONAL S.A. 100.00 | 99.99 |
| STARVOX S.p.A. Turin | | | | |
| Share Capital Euro 258,000 | Services | 100.00 | | 100.00 |
| STIMMA S.r.l. Florence | | | | |
| Share Capital Euro 10,000 | Real Estate | 100.00 | | 100.00 |

| Sector | Percentage of control | | Group Holding |
|--|-----------------------|---|---------------|
| | Direct | Indirect | |
| SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A. Milan Share Capital Euro 5,164,600 | | | |
| Non-Life Insurance | | MILANO ASSICURAZIONI S.p.A. 100.00 | 57.94 |
| THE LAWRENCE RE IRELAND LTD. Dublin (IRL) Share Capital Euro 635,000 | | | |
| Mixed Insurance | | FONDIARIA NEDERLAND B.V. 100.00 | 100.00 |
| THE LAWRENCE LIFE ASSURANCE CO. LTD. Dublin (IRL) Share Capital Euro 802,886 | | | |
| Life Insurance | | FONDIARIA NEDERLAND B.V. 100.00 | 100.00 |
| TIKAL. R.E. FUND Real Estate | 53.18 | MILANO ASSICURAZIONI S.p.A. 16.25 | 79.39 |
| | | MERIDIANO RISPARMIO S.p.A. 5.72 | |
| | | MERIDIANO EUR S.p.A. 19.11 | |
| TRENNO OVEST S.r.l. Turin Share Capital Euro 10,000 | | | |
| Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 100.00 | 56.45 |
| UNISERVIZI Gruppo Fondiaria S.c.r.l. Milan Share capital Euro 5,200,000 | 63.37 | MILANO ASSICURAZIONI S.p.A. 28.00 EFFE VITA S.p.A. 0.02 SYSTEMA COMPAGNIA S.p.A. 0.18 DIALOGO ASSICURAZIONI S.p.A 0.20 EUROPA TUTELAGIUDIZIARIA S.p.A 0.02 FINITALIA S.p.A. 0.02 THE LAWRENCE RE IRELAND LTD 0.02 CAPITALIA ASSICURAZIONI S.p.A. 0.02 BANCA SAI S.p.A. 0.02 FONDIPREV S.p.A. 0.02 IMMOBILIARE LOMBARDA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.90 SAI AGRICOLA S.p.A. 0.02 SAINVESTIMENTI S.p.A. 0.02 SAI ASSET MANAGEMENT SGR S.p.A. 0.02 SAI MERCATI MOBILIARI SIM S.p.A. 0.02 SASA S.p.A. 5.85 SASAVITA S.p.A. 0.34 SERVICE GRUPPO FONDIARIA-SAI S.p.A. 0.02 SIAT S.p.A. 0.84 SISTEMI SANITARI S.p.A. 0.02 STARVOX S.p.A. 0.02 | 87.95 |
| VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78,000 | | | |
| Real Estate | 100.00 | | 100.00 |

Companies consolidated by the proportional method:

| | | | |
|--|--|---------------------------------|-------|
| PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A. Parma Share Capital Euro 124,200,000 | | | |
| Life Insurance | | SAI HOLDING ITALIA S.p.A. 50.00 | 50.00 |

| Sector | Percentage of control | | Group Holding |
|--|-----------------------|---|---------------|
| | Direct | Indirect | |
| Companies valued at carrying value: | | | |
| AGRISAI S.r.l. Turin Share Capital Euro 61,000 | Services | SAIAGRICOLA S.p.A. 99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00 | 97.17 |
| AUTO PRESTO & BENE S.r.l. (former Sai Sistemi Assicurativi) Turin Share Capital Euro 51,000 | Services | 99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00 | 100.00 |
| DELTAPRIME S.r.l. (in liq.) Turin Share Capital Euro 24,500 | Services | SCAI S.p.A. 51.02 | 15.34 |
| DIANOS S.p.A. Collegno (To) Share Capital Euro 443,000 | Services | SCAI S.p.A. 100.00 | 30.07 |
| GLOBAL CARD SERVICE S.r.l. Segrate (Mi) Share Capital Euro 98,800 | Services | LIGURIA VITA S.p.A. 51.00 LIGURIA ASSICURAZIONI S.p.A. 44.00 | 94.97 |
| IT EURO CONSULTING S.r.l. Padova Share Capital Euro 750,000 | Services | SCAI S.p.A. 50.53 | 15.19 |
| LIGURIA DIREZIONE S.r.l. (in liquidation) Treviso Share Capital Euro 36,400 | Services | LIGURIA ASSICURAZIONI S.p.A. 100.00 | 99.97 |
| NEXT SOLUTION S.r.l. Bologna Share capital Euro 60,000 | Services | SCAI S.p.A. 63.00 | 18.94 |
| TELVOX S.r.l. Turin Share Capital Euro 90,000 | Services | SCAI S.p.A. 100.00 | 30.07 |
| WAVE TECHNOLOGIES* Bedizzole (BS) Share Capital Euro 99,500 | Services | 15.00 | 15.00 |

*Company controlled by UNISERVIZI GRUPPO FONDIARIA pursuant to article 2359, paragraph 1 and. 3, of the civil code, although not having any holding in the company

| Sector | Percentage of control | | Group Holding |
|--|-----------------------|---|---------------|
| | Direct | Indirect | |
| ASSOCIATED COMPANIES | | | |
| Companies valued under the equity method: | | | |
| A 7 S.r.l. Milan | | | |
| Share Capital Euro 200,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 20.00 | 11.29 |
| BORSETTO S.r.l. Turin | | | |
| Share Capital Euro 1,255,322.11 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 44.93 | 25.36 |
| CITY LIFE S.r.l. Milan | | | |
| Share Capital Euro 150,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 26.67 | 15.06 |
| CHRYSLIS S.p.A. Milan | | | |
| Share capital Euro 200,000 | Financial | IMMOBILIARE LOMBARDA S.p.A. 20.00 | 11.29 |
| EX VAR S.C.S. Luxembourg | | | |
| Share capital Euro 307,692 | Financial | 18.00 IMMOBILIARE LOMBARDA S.p.A. 10.00 | 23.65 |
| FIN. PRIV S.r.l. Milan | | | |
| Share Capital Euro 20,000 | Financial | 28.57 | 28.57 |
| FINADIN S.p.A. Milan | | | |
| Share Capital Euro 100,000,000 | Financial | SAIFIN-SAIFINANZIARIA S.p.A. 40.00 | 40.00 |
| FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. Florence | | | |
| Share Capital Euro 120,000 | Services | 51.00 | 51.00 |
| GARIBALDI S.C.S. Luxembourg | | | |
| Share Capital Euro 1,001 | Financial | MILANO ASSICURAZIONI S.p.A. 47.95 | 27.78 |
| IGLI S.p.A. Milan | | | |
| Share Capital Euro 24,120,000 | Financial | IMMOBILIARE LOMBARDA S.p.A. 33.33 | 18.82 |
| METROPOLIS S.p.A. Florence | | | |
| Share Capital Euro 120,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 29.73 | 16.78 |
| PENTA DOMUS S.p.A. Turin | | | |
| Share Capital Euro 120,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 20.00 | 11.29 |
| PROGETTO ALFIERE S.p.A. Rome | | | |
| Share Capital Euro 120,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 19.00 | 10.73 |
| SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (Mi) | | | |
| Share capital Euro 100,000 | Real Estate | IMMOBILIARE LOMBARDA S.p.A. 20.00 | 11.29 |

| Sector | Percentage of control | | Group Holding |
|---|-----------------------|----------|-----------------------------------|
| | Direct | Indirect | |
| SISTEMI SANITARI S.p.A. Milan | | | |
| Share Capital Euro 1,872,000 | Other | 22.54 | MILANO ASSICURAZIONI S.p.A. 25.71 |
| | | | 37.44 |
| SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) | | | |
| Share Capital Euro 9,213,417.5 | Other | | IMMOBILIARE LOMBARDA S.p.A. 27.38 |
| | | | 15.46 |
| SVILUPPO CENTRO EST S.r.l. Rome | | | |
| Share Capital Euro 10,000 | Real Estate | | IMMOBILIARE LOMBARDA S.p.A. 40.00 |
| | | | 22.58 |

Companied valued at carrying value:

| | | | | |
|--|-----------|-------|---|-------|
| INFOMEDIA ITALIA IMI S.r.l. Turin | | | | |
| Share Capital Euro 52,000 | Services | | SCAI S.p.A. 20.00 | 6.01 |
| MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY D N.V. Amsterdam | | | | |
| Share Capital Euro 50,000 | Other | 30.00 | | 30.00 |
| QUINTOGEST S.p.A. (former QUINTO ITALIA S.p.A.) Milan | | | | |
| Share Capital Euro 3,000,000 | Financial | 49.00 | | 49.00 |
| SOCIETA' FINANZ PER LE GEST.ASSICURATIVE S.r.l. (in liquidation) Rome | | | | |
| Share Capital Euro 47,664,600 | Financial | 14.91 | MILANO ASSICURAZIONI S.p.A. 7.50 | 19.25 |
| SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.p.A. (in liquidation) Milan | | | | |
| Share Capital Euro 588,892 | Other | 21.64 | | 21.64 |
| UFFICIO CENTRALE ITALIANO S.c.a.r.l. Milan | | | SIAT S.p.A. 0.10 MILANO ASSICURAZIONI S.p.A. 10.98 | |
| Share Capital Euro 510,000 | Other | 14.14 | LIGURIA S.p.A. 0.31 | 20.89 |

**PART B – Information on the
Consolidation Balance Sheet**

The details and further notes to the consolidated financial statement accounts are presented below. Further information is provided pursuant to Regulation No. 7/07 of the Supervision Authority and are attached at the end of the present information.

Balance Sheet - Assets

1. INTANGIBLE ASSETS

The account consists of:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|-------------------------|------------------|------------------|----------------|
| Goodwill | 1,474,258 | 1,013,370 | 460,888 |
| Other intangible assets | 279,996 | 160,117 | 119,879 |
| TOTAL | 1,754,254 | 1,173,487 | 580,767 |

Goodwill

In accordance with IFRS 3.75, the reconciliation of the book value of the goodwill at the beginning of the year and at the end of the year is reported below.

| (in Euro thousands) | 2007 | 2006 |
|--|------------------|------------------|
| Value at beginning of year | 1,014,759 | 873,097 |
| Permanent losses in value recorded in previous years (-) | (1,389) | (704) |
| Increases in the year | 461,566 | 141,662 |
| Reductions for disposals and reclassifications | - | - |
| Losses in value recorded in the year | (678) | (685) |
| Exchange movements | - | - |
| Other changes | - | - |
| Value at year end | 1,474,258 | 1,013,370 |

The increases in the year refer exclusively to the purchase and aggregation operations made during 2007. Among these we report:

- Euro 461.3 million relates to the purchase of Popolare Vita S.p.A. (former BPV VITA S.p.A.);
- Euro 0.3 million refers to the purchase of 1% of Bipiemme Vita by Milano Assicurazioni. The increase in the investment permitted Milano to acquire exclusive control of Bipiemme Vita.

The impairment in value in the year refers to the residual goodwill relating to the Profilo Life portfolio.

The origins of the single amounts within goodwill are reported below:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|------------------|------------------|----------------|
| Goodwill deriving from the incorporation of La Fondiaria | 504,763 | 504,763 | - |
| Goodwill relating to the subsidiary Milano Assicurazioni | 167,379 | 167,379 | - |
| Other goodwill | 2,031 | 2,709 | (678) |
| Consolidation differences | 800,085 | 338,519 | 461,566 |
| TOTAL | 1,474,258 | 1,013,370 | 460,888 |

Further information on the origin of the goodwill is as follows:

| (in Euro thousands) | 2007 | 2006 |
|--|----------------|----------------|
| Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 2002 | 276,592 | 276,592 |
| Fondiaria-SAI: conferment of the company Fondiaria Assicurazioni in 1990 | 162,684 | 162,684 |
| Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 1995 | 65,488 | 65,488 |
| Milano Ass.ni: purchase Card premium portfolio in 1991 | 33,053 | 33,053 |
| Milano Ass.ni: incorporation of Lloyd Internazionale in 1991 | 17,002 | 17,002 |
| Milano Ass.ni: acquisition business unit Latina Assicurazioni in 1992 | 34,522 | 34,522 |
| Milano Ass.ni: conferment of the Life portfolio of La Previdente Assicurazioni in 1992 | 16,463 | 16,463 |
| <u>Consolidation differences:</u> | | |
| On consolidation of Milano Assicurazioni | 179,201 | 179,201 |
| On Milano Assicurazioni for former Previdente Vita | 3,275 | 3,275 |
| On Milano Assicurazioni for Dialogo Assicurazioni | 49 | 49 |
| Total goodwill of the Fondiaria-SAI Group from the aggregation of the Fondiaria Group | 788,329 | 788,329 |
| Goodwill of the Milano Group prior to the aggregation of the Fondiaria Group | | |
| Milano Ass.ni: acquisition of the MAA Ass.ni portfolio by Nuova MAA | 65,134 | 65,134 |
| Milano Ass.ni: acquisition by SIS of the Ticino portfolio in 1995 | 152 | 152 |
| Total | 853,615 | 853,615 |

(in Euro thousands)

| Other goodwill | 2007 | 2006 |
|---|------------------|------------------|
| Goodwill relating to the transfer in 2001 of the portfolio of the subsidiary Profilo Life | 2,031 | 3,761 |
| Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano | 1,052 | 1,052 |
| <i>Consolidation differences:</i> | | |
| On Liguria Assicurazioni Group | 68,793 | 68,793 |
| On Capitalia Assicurazioni S.p.A. | 51,003 | 51,003 |
| On SASA Danni S.p.A. | 8,424 | 8,424 |
| On Immobiliare Lombarda for Marina di Loano S.p.A. | 5,908 | 5,908 |
| On Milano Assicurazioni for Bipiemme Vita S.p.A. | 20,845 | 20,587 |
| On Florence Centro di Chirurgia Ambulatoriale S.r.l. | 1,279 | 1,279 |
| On Popolare Vita S.p.A. | 461,308 | - |
| Total other goodwill | 620,643 | 159,755 |
| Total Group goodwill | 1,474,258 | 1,013,370 |

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU's) at least on an annual basis or more frequently when there is an indication of a loss in value.

In fact, in accordance with IAS 36 "Impairment in asset value", IAS 38 "Intangible assets" and IFRS 3 "Business combinations", the goodwill has an indefinite useful life and is no longer systematically amortised, but subject to an impairment test in order to identify the existence of any loss in value.

The goodwill subject to allocation in the first-time adoption at the transition date to IFRS - IAS (January 1, 2004) was equal to the total amount of the goodwill "inherited" at December 31, 2003, as no recalculation of the business combinations were made before that date, as permitted by IFRS 1.

The goodwill, independently of its origin, was allocated to the CGU which is expected to benefit synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

Book value of the CGU's of goodwill existing at 1/1/2004

The goodwill existing at the transition date to the IAS/IFRS almost entirely related to the business combination between the Sai Group and the Fondiaria Group. The goodwill, pre-existing at the merger, deriving from the acquisition by Nuova Maa (subsequently incorporated into Milano) of the business Maa Assicurazioni is added to this.

In relation to this six Cash Generating Units (CGU's) were identified as significant beneficiaries, represented by the Life and Non-Life Divisions operating with the brands Sai, Fondiaria and Milano Assicurazioni.

In particular, the CGU's which were considered to have benefited from the synergies of the aggregation were identified. The goodwill allocated to the remaining CGU's was not significant - either considered singularly or cumulatively.

This identification is also in line with the Group management reporting system, in which the CGU's represent the minimum level to which the goodwill is monitored for internal management control purposes. These CGU's are therefore not higher than the sector definition based on the primary representation, in accordance with IAS 14.

The Group operates with different sales network, each characterised by a distinct brand: the existence therefore of an active market for the products of the brands resulted in the reasonable possibility of separating these CGU's based not only on the classes exercised, but also based on the brands therein.

The determination of the book value of the CGU's is made in line with the determination of the appropriate cash flow streams to identify the recoverable value: therefore if the future cash flow streams of the CGU's comprise the inflows and outflows related to determined assets and liabilities, these are included in the book value.

Therefore, at December 31, 2007, the goodwill allocated to the CGU's are those allocated on the first-time adoption and are composed as follows:

| (in thousands) | Euro | | Fondiaria-SAI | | Milano | | TOTAL | |
|--------------------|---------|----------|---------------|--------|-----------|----------|---------|--------|
| | CGU | SAI | Fondiaria | SAI | Fondiaria | Milano | | Milano |
| | | Non-Life | Non-Life | Life | Life | Non-Life | | Life |
| | | 1 | 2 | 3 | 4 | 5 | | 6 |
| $\Sigma (1-6)$ | | | | | | | | |
| Goodwill allocated | 273,898 | 138,872 | 50,971 | 41,023 | 296,060 | 52,791 | 853,615 | |

The goodwill allocated results in the determination of the book value of the respective CGU's which, for impairment test purposes, was compared with the relative fair value.

Recoverable value of the CGU's

The recoverable value of the CGU's is the higher between the fair value less costs to sell and its value in use. The fair value of the CGU's represents the amount obtainable on its sale between knowledgeable and willing parties at arm's length, less selling costs. Considering that the CGU's identified belong to listed companies (Fondiaria-SAI and Milano Assicurazioni), where an active market exists, it was considered appropriate, in this phase, to preliminarily identify this value.

In particular a comparison was made of the book value of the CGU's whose goodwill was allocated with the market value, determined utilising as a reference parameter the stock exchange capitalisation of the Parent Company and of the quoted subsidiaries Milano Assicurazioni and Immobiliare Lombarda, and making the appropriate technical corrections in order to render them uniform with the respective book values.

The total fair values thus determined were then allocated to the CGU's based on the respective book net equity.

As the fair value was above the relative book value for each CGU there were no need for a reduction in value of the goodwill allocated and the value in use of the CGU's was therefore not determined.

Other goodwill

With reference to the goodwill recorded following the acquisition, in previous years and in 2005, of some minority shares in the subsidiary SASA Assicurazioni, the Group identified as a CGU the company acquired and determined the recoverable value of the goodwill through an estimate of its value in use, utilising Discounted Cash Flow methods. Also in this case the tests made confirmed the amounts recorded in the accounts.

With reference to the goodwill allocated to the subsidiary Marina di Loano S.p.A. this value was justified by the margins expected on the realisation of the development project of the port of Loano (SV).

In particular, the impairment test was made discounting the cash flows, assuming 100% sale of the berths and spaces relating to the commercial activities realised by 2009. The discount rate utilised was 8.8%; from this discounted value, the costs relating to the construction still to be undertaken and the management of the project were subtracted, thus determining the current value of the works realised up to December 31, 2007. The value was determined above the book value of the project, therefore justifying the goodwill recorded.

With reference to the other business combinations undertaken in the last two years and therefore:

- Liguria Assicurazioni Group (100%);
- Capitalia Assicurazioni S.p.A. (51%);
- BPM Vita S.p.A. (51%);
- Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%),

The Group considered it appropriate to identify, as CGU's, the companies themselves. The recoverable of the CGU's is representative of its value in use. Also in this case, the methods utilised are attributable to the application of the D.C.F. financial methods, applied on the expected cash flows of the industrial plans of the companies taking into account their terminal value. The discount rate applied is the weighed average cost calculated of capital (WACC) equal to 6.50%.

Finally with reference to the acquisition of Popolare Vita S.p.A., in September 2007, it was not considered necessary to calculate the recoverable value in that this is substantially justified based on the underlying valuation processes of the contractual agreements with the sellers, supported by independent experts' evaluations. The methods utilised are those of the best professional practices.

Other Intangible Assets

The other intangible assets amount to Euro 279,996 thousand (Euro 160,117 thousand at December 31, 2006) and are composed of:

| (in Euro thousands) | Gross carrying value | Amortisation and impairment | Net value | 2006 Net value |
|-------------------------------|----------------------|-----------------------------|----------------|----------------|
| Studies and research expenses | 197,936 | (163,354) | 34,582 | 33,987 |
| Utilisation rights | 10,886 | (8,450) | 2,436 | 3,374 |
| Other intangible assets | 310,092 | (67,114) | 242,978 | 122,756 |
| TOTAL | 518,914 | (238,918) | 279,996 | 160,117 |

None of the above intangible assets were generated internally.

The intangible assets recorded in the accounts have a definite useful life and are therefore amortised over their duration. The expenses for research studies relate to the capitalisation in 2007, and in previous years, of the costs incurred for the preparation of IT technology and applications of a long-term nature.

In particular, they include the charges for the preparation and functioning of the Group claims system, for the functional and IT integration of the various legal entities involved in the corporate aggregation processes, as well as costs incurred in 2007 for the development of the online platform.

They are amortised over a period of three or five years based on the characteristics and useful life of the assets. These charges are prevalently incurred by the subsidiary Uniservizi S.c.a.r.l., in which all the management of resources, assets and services activities already existing and for new acquisitions relating to the areas of I.T., Services, Group Purchases and Logistical and Organisational Services.

The utilisation rights refer prevalently to the acquisition of the use of software licenses by the Group. The amortisation period is three years. The decrease compared to the year 2006 refers to basic software which was transferred by the associated company Fondiaria-SAI Servizi Tecnologici following the conferment of the business units on February 1, 2007 and which was described in detail in the directors' report.

The intangible assets principally relate to the values relating to the client portfolios acquired of the following companies:

| (in Euro thousands) | 2007 | 2006 | Change |
|------------------------------|----------------|----------------|----------------|
| Bipiemme Vita S.p.A. | 120,101 | 45,194 | 74,907 |
| Liguria Assicurazioni S.p.A. | 38,438 | 45,534 | (7,096) |
| Banca Gesfid S.A. | 17,770 | 19,744 | (1,974) |
| Popolare Vita S.p.A. | 55,100 | - | 55,100 |
| TOTAL | 231,409 | 110,472 | 120,937 |

These amounts relate to the recording of the VOBA (Value On Business Acquired) or, in the case of life companies, of the VIF (Value In Force), on the business combinations.

In particular, for Liguria Assicurazioni the VOBA represents the cash flows which will be generated, within a defined period of time, by the insurance portfolio acquired. For Banca Gesfid, the VOBA is determined through the valuation of customer lists, which take into account the historical brokerage margin value and the estimates made on the value of the assets managed and administered. These amounts were in turn referred to the customer loyalty, determined on the basis of approximate "survival rates".

Finally for Bipiemme Vita and Popolare Vita S.p.A. (former BPV Vita), the value of the VIF was determined on the basis of actuarial methods applied to the portfolio on acquisition.

With reference to the amount of these assets, they were determined based on the expected time period of the returns: in particular, for Liguria and Banca Gesfid the average amount is respectively 7 and 10 years.

For Bipiemme Vita the average life of the contract portfolio was initially determined as ten years and then reduced, from the present year, to seven years due to the effect of the greater impact of redemptions recorded during the year compared to originally recorded. For Popolare Vita (former BPV Vita), the amortisation period was prudently established as five years considering that the portfolio acquired is in a run-off situation and that the profitability expectations of the company are founded almost exclusively on the volume of new business.

The amounts recorded in the income statement of the above-mentioned assets during 2007 was Euro 37,081 thousand (Euro 4,447 thousand in 2006).

The reconciliation of the opening and closing book values of the other intangible assets is shown below:

| (in Euro thousands) | Studies and research expenses | | Utilisation rights | | Other intangible assets | | Total | |
|--|----------------------------------|---------------|--------------------|--------------|----------------------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Value at beginning of year | 33,987 | 40,882 | 3,374 | 8,792 | 122,756 | 4,458 | 160,117 | 54,132 |
| Increases: | | | | | | | | |
| • <i>purchased and generated internally</i> | 18,037 | 16,132 | 2,909 | 2,907 | - | 9,495 | 20,946 | 28,534 |
| • <i>from business combinations</i> | - | - | - | - | 58,993 | 116,957 | 58,993 | 116,957 |
| • <i>for changes in consolidation method</i> | - | - | - | - | 100,056 | - | 100,056 | - |
| Decreases for sales or reclassifications | - | - | (1,590) | (5,076) | - | - | (1,590) | (5,076) |
| Impairment recorded in the year | - | - | - | - | - | - | - | - |
| Restated values recorded in the year | - | - | - | - | - | - | - | - |
| Amortisation | (17,442) | (23,027) | (2,257) | (3,249) | (38,236) | (8,154) | (57,935) | (34,430) |
| Exchange differences | - | - | - | - | (591) | - | (591) | - |
| Other changes | - | - | - | - | - | - | - | - |
| Value at end of year | 34,582 | 33,987 | 2,436 | 3,374 | 242,978 | 122,756 | 279,996 | 160,117 |

Following verifications made, there was no impairment in the values recorded.

In the present year, the account decreases include the effect deriving from the conferment to the associated company Fondiaria-SAI Servizi Tecnologici of the software owned by the Group.

The increases of the other intangible assets from business combinations include the values already mentioned relating to Popolare Vita, while the increases for changes in the consolidation scope relate to the 100% recording of the VIF of Bipiemme Vita.

2. PROPERTY, PLANT & EQUIPMENT

The total amount of the account is Euro 1,201,862 thousand (Euro 1,164,620 thousand at December 31, 2006), an increase of Euro 37,242 thousand.

The breakdown of the tangible fixed assets is as follows:

(in Euro thousands)

| | Buildings | | Land | | Other tangible assets | | Total | |
|-----------------------------|------------------|----------------|---------------|---------------|------------------------------|----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Gross carrying value | 1,000,530 | 981,581 | 79,159 | 78,150 | 350,799 | 441,638 | 1,430,488 | 1,501,369 |
| Depreciation and impairment | (79,639) | (73,481) | | | (148,987) | (263,268) | (228,626) | (336,749) |
| Net value | 920,891 | 908,100 | 79,159 | 78,150 | 201,812 | 178,370 | 1,201,862 | 1,164,620 |

The movements in the year are shown below:

(in Euro thousands)

| | Buildings | | Land | | Other tangible assets | | Total | |
|--------------------------------------|------------------|----------------|---------------|---------------|------------------------------|----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Value at beginning of year | 908,100 | 887,299 | 78,150 | 72,115 | 178,370 | 126,721 | 1,164,620 | 1,086,135 |
| Increases | 138,711 | 69,946 | 1,009 | 3,575 | 37,103 | 59,809 | 176,823 | 133,330 |
| Sales or reclassifications | (119,968) | (57,007) | | | - | (6,695) | (1,422) | (126,663) |
| Buildings from business combinations | - | 14,189 | | 2,460 | | 1,518 | - | 18,167 |
| Impairment recorded in the year | | - | | - | | - | | - |
| Restated values recorded in the year | | - | | - | | - | | - |
| Depreciation | (5,743) | (6,327) | | - | (6,966) | (8,256) | (12,709) | (14,583) |
| Exchange differences | (209) | - | | - | | - | (209) | - |
| Other changes | | - | | - | | - | - | - |
| Value at end of year | 920,891 | 908,100 | 79,159 | 78,150 | 201,812 | 178,370 | 1,201,862 | 1,164,620 |

The account relating to land represents the indefinite useful life component separated from the buildings. The separation of the land is made based on specific independent expert's valuations at the transition date (January 1, 2004).

The buildings included under property, plant and equipment include all of those for the exercise of the business, recorded at cost and systematically depreciated based on their useful life only for the components subject to a definite useful life. There are no restrictions on the ownership of the buildings of the Group, nor have significant amounts been recorded in the income statement for reductions in value.

The account also include the buildings held by the Group in Immobiliare Lombarda which were considered inventories and therefore valued in accordance with IAS 2. Their contribution to the consolidation amounts to Euro 746,154 thousand (Euro 740,893 thousand in 2006).

Through the subsidiary Marina di Loano S.p.A. (formerly Portobello) the Group owns a leisure real estate project relating to the construction of the new port at Loano (SV), owning concession rights up to 2073. During the year Marina di Loano S.p.A. continued the expansion work on the port.

The “Other tangible assets” refer for Euro 148,086 thousand to down-payments in relation to real estate operations regarding the areas in Milan - via Lancetti and via Confalonieri-via de Castilia (Lunetta dell’Isola) and in Rome - via Fiorentini. These operations, undertaken in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned land and the purchase of the related buildings from the buyers themselves. The increase in the value compared to December 31, 2006 also refers to the down-payments made in the year on the above-mentioned real estate operations. At the year-end, there were future contractual commitments of Euro 84,629 thousand for constructions in Milan and Rome.

The reduction in the account “Other tangible assets” refers to the conferment to the associated company Fondiaria-SAI Servizi Tecnologici of the hardware owned by the Group.

The Group annually undertakes independent expert valuations to determine the fair value of its land and buildings. In particular, this process responds, for the insurance companies of the Group, to the provisions of the Supervision Authority and to the requirements of IAS 40.

With reference to the buildings for use by the company, the book value, at the year-end, is lower by Euro 361 million to the expert valuations based on market values (Euro 386 million at December 31, 2006).

The residual other tangible fixed assets prevalently relate to assets of the Group for the exercise of its activities, such as furnishings, plant and office equipment, as well as the final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The total amount of the account is Euro 905,307 thousand (Euro 895,703 thousand at December 31, 2006) with an increase of Euro 9,604 thousand. The breakdown of the account is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|----------------|----------------|--------------|
| Non-Life premium reserve - reinsurers | 123,473 | 129,669 | (6,196) |
| Non-Life claims reserve – reinsurers | 576,234 | 554,840 | 21,394 |
| Other Non-Life reserves – reinsurers | - | - | - |
| Actuarial reserve – reinsurers | 203,347 | 208,485 | (5,138) |
| Reserve for claims to be paid – reinsurers | 2,252 | 2,707 | (455) |
| Other reserves – reinsurers | 1 | 2 | (1) |
| TOTAL | 905,307 | 895,703 | 9,604 |

Of this amount Euro 657.7 million refers to reinsurance while Euro 247.6 million refers to reserve cessions.

4. INVESTMENTS

The breakdown is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|-------------------|-------------------|------------------|
| Investment property | 2,142,923 | 2,125,628 | 17,295 |
| Investments in subsidiaries, associates and joint ventures | 270,025 | 155,921 | 114,104 |
| Investments held-to-maturity | - | - | - |
| Loans and receivables | 1,333,262 | 1,305,863 | 27,399 |
| Available-for-sale financial assets | 23,335,001 | 23,067,611 | 267,390 |
| Financial assets at fair value recorded through profit or loss | 10,939,541 | 7,157,453 | 3,782,088 |
| TOTAL | 38,020,752 | 33,812,476 | 4,208,276 |

Investment property

The account includes all the buildings held by the Group for rental or for capital appreciation.

The investment properties are recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model). Consequently, for accounting purposes the Group has separated the value of the land from the value of the buildings held, considering that this component, having an indefinite useful life, must not be depreciated.

The separation of the land component from the buildings is made based on expert valuations at the date of transition to the international accounting standards and, for the acquisitions subsequent to January 1, 2004, on the basis of expert independent valuations prepared at the moment of purchase.

The part of the property referring to buildings is depreciated systematically with regard to the residual useful life of the components therein. Of the significant components, those relating to the plant of the building are depreciated separately. The depreciation rate utilised for the “building” component was between 1.41% and 10%, while the depreciation rate relating to the “plant” component was between 5.88% and 20%.

Annually, the Group determines the fair value of the property investments, determined on the basis of independent expert valuations, which offer specialist valuation services. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the buildings, in accordance with the provisions of the Supervision Authority.

Overall, the book value of the property investments at December 31, 2007 was Euro 903 million lower than the independent expert valuations prepared for this purpose (Euro 874 million at December 31, 2006).

The composition of the investment property and the movement in the year is shown below.

| (in Euro thousands) | 31/12/2007 | 31/12/2006 |
|-----------------------------|------------------|------------------|
| Gross carrying value | 2,405,893 | 2,350,462 |
| Depreciation and impairment | (262,970) | (224,834) |
| Net value | 2,142,923 | 2,125,628 |

The movements in the investment property in the year is shown below:

| (in Euro thousands) | 2007 | 2006 |
|---|------------------|------------------|
| Value at beginning of year | 2,125,628 | 2,041,720 |
| <u>Increases:</u> | | |
| for purchases and incremental expenses | 94,095 | 175,900 |
| Buildings from business combinations | - | 9,699 |
| Decreases for sales or reclassifications | (99,735) | (57,962) |
| Depreciation | (40,031) | (37,429) |
| Impairment/restatement recorded in the year | - | - |
| Exchange differences | - | - |
| Transfer from/to other categories (IAS 2 or IAS 16) | 62,966 | (6,300) |
| Other changes | - | - |
| Value at end of year | 2,142,923 | 2,125,628 |

The increases refer almost exclusively to incremental expenses.

The account transfers to other categories refers to the reclassification from the account “Tangible fixed assets” of the buildings located in Milan – Via Larga, 26 and Via Torino, 66-68 sold by the subsidiary Immobiliare Lombarda to the subsidiary Meridiano Quinto and of the building located in Milan – Via Rosales, 4 sold by the subsidiary Immobiliare Lombarda to the real estate fund Tikal R.E..

The buildings relating to the closed real estate fund Tikal R.E. contribute to the final balance for Euro 529 million (Euro 594 million at December 31, 2006).

During the year, the rental income from investment property amounted to over Euro 98 million (Euro 94 million in 2006).

There are no significant limits on the realisation of the investment property due to legal or contractual restrictions or restrictions of any other nature, with exception to 5 buildings of the Tikal Fund which are mortgaged for the loans received on these buildings.

With reference to any contractual obligation for the purchase or development of investment property, reference should be made to the comments on the real estate sector.

Investments in subsidiaries, associates and joint ventures

In accordance with Ias 27.20 Fondiaria-SAI fully consolidates all the Companies of the Group, including those which undertake dissimilar activities. The account therefore includes the book value of some subsidiary investments which, given the insignificance in relation to the size and nature of the activities undertaken, are not significant in order to ensure the reliability of the present accounts.

Reference should be made to the attachment in relation to the details of the investments in non-consolidated subsidiaries.

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|----------------------|----------------|----------------|----------------|
| Subsidiary companies | 3,598 | 5,648 | (2,050) |
| Associated companies | 266,427 | 150,273 | 116,154 |
| TOTAL | 270,025 | 155,921 | 114,104 |

The investments included in this account amount to Euro 270,025 thousand (Euro 155,921 thousand in 2006). The significant increase is largely due to the purchase of 33% of the investment in IGLI by the subsidiary Immobiliare Lombarda, as well as the payment of Euro 13 million in future share capital increases in the investment in Citylife S.r.l.

The most significant investments are those held by the subsidiary Immobiliare Lombarda in IGLI for Euro 89.8 million, in City Life for Euro 43.3 million, in Progetto Alfiere for Euro 5.3 million, by the Parent Company in the associated company Fin. Priv. S.r.l. for Euro 55.0 million and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 41.7 million.

The only joint venture investment held by the Group is the 50% share held in Po Vita Assicurazioni spa, through the subsidiary Saiholding S.p.A.

The percentage holding has equivalent voting rights.

The holding in Po Vita amounts to 50% of the share capital: the joint venture is recorded in the accounts utilising the proportional line-by-line consolidation method.

The adjustments to values recorded in the income statement due to the valuation of the investments in associated companies was a loss of Euro 3 million.

The total values relating to Po Vita S.p.A. considered at 50% are reported below:

| (in Euro millions) | 31/12/2007 | 31/12/2006 |
|-------------------------|------------|------------|
| PO VITA S.p.A. | | |
| Investments | 2,026.7 | 1,769.3 |
| Other assets | 116.3 | 124.3 |
| Technical reserves | 1,327.1 | 930.5 |
| Other liabilities | 743.2 | 889.1 |
| Revenues | 608.9 | 298.1 |
| Costs | (597.8) | (284.2) |
| Net profit for the year | 11.1 | 13.9 |

Finally, with reference to the provisions of IAS 31.55 and 31.56, it is reported that the Group has not incurred potential liabilities, nor assumed financial obligations in relation to its investments in the above-mentioned joint ventures.

Loans and receivables

The account amounts to Euro 1,333,262 thousand (Euro 1,305,863 thousand at December 31, 2006) and is composed as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|------------------|------------------|---------------|
| Bank and interbank receivables | 472,178 | 426,333 | 45,845 |
| Debt securities | 102,327 | 107,047 | (4,720) |
| Time deposits and repurchases | 29,820 | 65,771 | (35,951) |
| Loans on life policies | 66,858 | 70,738 | (3,880) |
| Deposits held by reinsurers | 32,272 | 35,002 | (2,730) |
| Receivables from sub-agents for indemnities paid to agents terminated | 208,846 | 213,671 | (4,825) |
| Other loans and receivables | 420,961 | 387,301 | 33,660 |
| TOTAL | 1,333,262 | 1,305,863 | 27,399 |

The receivables from banks include the receivables of the consolidated BANCASAI and Banca Gesfid from other credit institutions for deposits, as well as loans to client banks.

The debt securities includes the book values of some issues (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets for which it is considered that the relative fair value cannot be calculated in a precise manner.

The time deposit operations refer to open operations at the year-end.

The receivables from sub-agents for the recovery of indemnities paid to agents are recorded in this account in accordance with the requirements of Isvap Regulation No. 7/07 and in consideration of their interest bearing nature, in favour of the Group.

The other loans and receivables also include receivables of approx. Euro 165 million against the forward sale of Intesa SanPaolo shares owned by the Parent Company through the mandatory convertible exclusively in Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable was discounted, considering the time period of the maturity of the underlying forward sale of the mandatory issue.

The positive effect on the income statement for the year was approx. Euro 5.7 million.

The other loans and receivables comprise Euro 28,881 thousand (Euro 23,027 thousand at December 31, 2006) relating to loans granted by Immobiliare Lombarda to its associated companies.

In particular Euro 13,650 thousand represents interest bearing loans, while the residual amount represents non-interest bearing loans and interest. These latter, initially recorded at their nominal value for a total amount of Euro 17,421 thousand (Euro 16,586 thousand at December 31, 2006) were discounted to take into account the implicit financial component which matures over the time between the provision of the credit and the effective receipt, calculated at an interest rate representative of the current market value of money.

The criteria utilised, to determine the current value of the receivables in the accounts and the corresponding financial component, recorded in the income statement, are more than reasonable and adequate at the date of the presentation of the financial statements. In particular:

- The market rate was utilised prevalently for similar instruments and, where necessary, adjusted to take into account the intrinsic characteristics of each financial instrument;
- The time period taken into consideration is that which, based on the business plans developed by management, currently represents the most reliable estimate of the contractual duration of the financial instrument.

The account other loans and receivables also include Euro 27 million of loans provided to the associated Company Garibaldi s.c.s. related to the real estate project at Milan called “Garibaldi Repubblica” and located close to the historical centre.

Finally the account includes Euro 169.4 million (Euro 152.7 million at December 31, 2006) relating to the consumer receivables of the subsidiary Finitalia from its customers.

Available-for-sale financial assets

The available-for-sale financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

The financial assets considered are divided as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|-----------------------------|-------------------|-------------------|----------------|
| Equity securities | 3,096,783 | 3,640,308 | (543,525) |
| Fund units | 842,179 | 564,603 | 277,576 |
| Debt securities | 19,393,264 | 18,859,785 | 533,479 |
| Other financial investments | 2,775 | 2,915 | (140) |
| TOTAL | 23,335,001 | 23,067,611 | 267,390 |

The change in the consolidation method of Bipiemme Vita, from proportional to full consolidation and the consolidation of Popolare Vita resulted in an increase in the account of Euro 1,253 million at December 31, 2007.

The equity securities include listed securities of Euro 3,025 million, while the debt securities listed amount to Euro 19,285 million.

We report that, prevalently, the debt and equity securities included in this category are valued at fair value; among the equity securities we report the 2% holding of the Group in the Bank of Italy. This investment is measured at cost in the absence of an active market and given the wide variability of the possible estimates of value of this investment.

In particular, the listed equity securities at fair value included in the “Available-for-sale financial assets” include the following investments:

| (in Euro thousands) | % holding (1) | Book value 2007 | Book value 2006 |
|-------------------------------|---------------|------------------|------------------|
| Assicurazioni Generali S.p.A. | 2.05 | 890,771 | 1,032,193 |
| Unicredito S.p.A. | 0.54 | 410,764 | 651,605 |
| Gemina S.p.A. | 4.18 | 72,852 | 49,135 |
| Mediobanca S.p.A. | 3.84 | 442,246 | 559,640 |
| Monte dei Paschi S.p.A. | 1.01 | 111,935 | 190,327 |
| RCS S.p.A. | 5.50 | 120,030 | 144,149 |
| Pirelli & C. S.A. p.a. | 4.48 | 175,372 | 171,707 |
| Total | | 2,223,970 | 2,798,638 |
| Other investments | | 801,019 | 755,020 |
| Total general | | 3,024,989 | 3,553,658 |

(1) Percentage calculated on the total Voting Share Capital.

The book value is adjusted to the stock exchange price on the last day of the year for the Group. Overall the measurement at fair value had a positive impact for the share of the Group and before tax amounted to Euro 485.4 million (Euro 829.5 million in 2006) on the equity securities and investment funds and a negative effect of Euro 239.1 million (compared to a negative effect of Euro 18.8 million in 2006) on the debt securities.

Financial assets at Fair Value recorded through profit or loss

The breakdown is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|-----------------------------|-------------------|------------------|------------------|
| Equity securities | 286,123 | 297,130 | (11,007) |
| Fund units | 1,793,540 | 1,153,183 | 640,357 |
| Debt securities | 8,323,615 | 5,416,753 | 2,906,862 |
| Other financial investments | 536,263 | 290,387 | 245,876 |
| TOTAL | 10,939,541 | 7,157,453 | 3,782,088 |

The change in the consolidation scope related to the entry of Popolare Vita S.p.A. and the full consolidation of Bipiemme Vita resulted in an increase in the accounts of Euro 2,991 million at December 31, 2007.

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 9,661,370 thousand (Euro 5,842,665 thousand at December 31, 2006) and these include the investments where the risk is borne by the policyholders and deriving from the management of pension funds for Euro 9,510 million (Euro 5,751 million at December 31, 2006).

The investment activities, whose values recorded in the accounts are shown above, are represented by investments in equity and bond securities of listed companies and non-listed companies, as well as in investment mutual funds, held with the objective of obtaining a profit or through the dividends and the coupon or through trading activity. Their fair value was determined using the stock exchange prices as a benchmark reference.

It is recalled that the fair value of financial instruments traded on regulated markets is determined with the reference to the stock exchange prices recorded at the end of the final trading day of the year; it is also recalled that, in the case where the market price is not available, the reference price is the price available from the brokers.

For all the financial instruments for which no active market exists, the fair value is determined through valuation techniques based on:

- Most recent transaction prices between independent parties;
- The current market value of a similar instrument;
- The analysis of the discounted cash flows, in which the estimated future cash flows are based on the best estimates of management and the discount rate utilised is correlated to the market rate utilised for similar instruments;
- Valuation models of the options.

Where the fair value cannot be measured reliably, the financial instruments are measured at cost, considered as the fair value of the amount paid for the purchase of the investment. In this situation, all the transaction

costs strictly attributable to the purchase are included in investment costs.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|------------------|------------------|-----------------|
| Receivables from direct insurance operations | 1,812,015 | 1,941,642 | (129,627) |
| Receivables from reinsurance operations | 183,476 | 192,575 | (9,099) |
| Other receivables | 578,683 | 512,511 | 66,172 |
| TOTAL | 2,574,174 | 2,646,728 | (72,554) |

The Group considers that the carrying value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.

The net balance of the taxes on sales is generally non-interest bearing and regulated with the relevant Tax Authorities on a monthly basis.

The composition of the receivables deriving from direct insurance operations is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|------------------|------------------|------------------|
| Receivables from policyholders for premiums in year | 874,833 | 850,435 | 24,398 |
| Receivables from policyholders for premiums in previous years | 25,876 | 79,028 | (53,152) |
| Receivables from insurance brokers | 645,455 | 762,535 | (117,080) |
| Receivables from insurance companies | 181,073 | 155,286 | 25,787 |
| Amounts to be recovered from policyholders and third parties | 84,778 | 94,358 | (9,580) |
| TOTAL | 1,812,015 | 1,941,642 | (129,627) |

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

The receivables from reinsurance operations include Euro 97,048 thousand (Euro 109,166 thousand in 2006) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 86,428 thousand (Euro 83,409 thousand in 2006) from reinsurance brokers. During the year no significant write downs were made on reinsurance assets.

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

The other receivables include trade receivables of Euro 201,770 thousand, principally comprising receivables from clients, as well as receivables from Tax Authorities for Euro 261,142 thousand and amounts requested for repayment, VAT receivables and payments on account for tax insurances (Legislative Decree 282/04). The account also includes Euro 26,419 thousand against substitute tax on account pursuant to Legislative Decree No. 209 of September 24, 2002.

It is reported that at the beginning of 2007 a settlement was agreed with the Tuscany Regional Tax Office in order to accelerate the receipts on some of the tax credit reimbursements requested, relating to positions already closed.

The amount recognised amounts to Euro 55,464 thousand and will be received on half yearly instalments of equal amounts by December 31, 2009 without any interest. As a consequence of the agreement, the Company discounted the expected cash flows, adjusting the initial amount of the receivable to Euro 51,759 thousand. At December 31, 2007, the residual receivable amounted to a nominal amount of Euro 36,976 and a discounted amount of Euro 33,820 thousand.

There are also Euro 28,032 thousand of down-payments of the subsidiary Immobiliare Lombarda in relation to real estate projects and to urbanisation works, Euro 8,147 thousand of receivables from deposits at the settlement organisations, Euro 4,604 thousand of receivables from social security agencies and Euro 2,153 thousand of customer receivables of the subsidiary Finitalia.

6. OTHER ASSETS

The total amount of the account is Euro 822,368 thousand (Euro 807,325 thousand in 2006) and the account increased by Euro 15,043 thousand compared to the previous year.

The breakdown of the account is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|----------------|----------------|---------------|
| Non-current assets or of a discontinued group held for sale | 1,366 | 15,390 | (14,024) |
| Deferred acquisition costs | 290,517 | 320,972 | (30,455) |
| Current tax assets | 149,051 | 89,775 | 59,276 |
| Deferred tax assets | 103,867 | 96,978 | 6,889 |
| Other assets | 277,569 | 284,210 | (6,641) |
| TOTAL | 822,370 | 807,325 | 15,045 |

Non-current assets or of a discontinued group held for sale

At December 31, 2007 the discontinued assets amounted to Euro 1,366 thousand (Euro 15,390 thousand at December 31, 2006).

The change is due to the sale in February of the building located at Torino, Via Lagrange owned by the Tikal R.E. Fund for a carrying value of Euro 9,067 thousand. In addition, a reclassification was made to Investment Property of the building located at Pieve Emanuele, Via delle Rose, 6, as the sale, although formalised in 2005, was not completed at December 31, 2007.

The residual, amounting to Euro 1,366 thousand, refers to the building located in Pescara, Via Salaria Vecchia 119 and 162 held by Liguria Assicurazioni, for which a preliminary sales contract was signed with the buyers.

It is estimated that the payment of the sale is higher than the book value of the asset and, consequently, no write-down was made on the classification of this asset as held for sale.

Deferred acquisition costs

The deferred acquisition costs, amounting to Euro 290,517 thousand (Euro 320,972 thousand at December 31, 2006), principally refer to the acquisition commissions to be amortised on the long-term contracts in the Life and Non-Life sectors. These amounts are deferred and amortised over seven years for the Non-Life classes and six years for the Life classes, in accordance with recent analysis on the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

The change compared to 2006 is negative and amounts to Euro 30,455 thousand, due to the lower amount capitalised both for the Parent Company and Milano Assicurazioni. The movements during the year were as follows:

| (in Euro thousands) | 31/12/2007 | | Total | 31/12/2006 |
|--|-------------------|---------------|----------------|----------------|
| | Non-Life Division | Life Division | | |
| Balance at beginning of year | 301,350 | 19,622 | 320,972 | 306,954 |
| Increases in the year | 70,028 | 3,241 | 73,269 | 117,081 |
| Amortisation in year (-) | (84,899) | (5,682) | (90,581) | (90,793) |
| Impairment in value recorded in year (-) | (13,143) | | (13,143) | (12,270) |
| Other changes | | | | 0 |
| Balance at end of year | 273,336 | 17,181 | 290,517 | 320,972 |

The loss in value recorded during the year refers to the lower future utilisation of the amounts capitalised against the insurance contracts reversed and/or reformed. There are no deferred acquisition costs recorded against reinsurance contracts.

Current tax assets

The current tax assets, amounting to Euro 149,051 thousand (Euro 89,775 thousand at December 31, 2006), refer to the financial receivables for payments on account, withholding taxes and income tax credits.

The account also includes the amounts paid on account pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented. This is in accordance with Isvap Regulation No. 7/07, even though not applicable in accordance with IAS 12 as it is not related to taxes on income.

The balance at the end of the year takes into account the compensations made with the current fiscal liabilities due to a direct legal right to set these amounts off by the individual companies of the Group and by the Parent Company on behalf of the companies which participate in a fiscal consolidation, paying and settling the IRES income taxes jointly.

The account does not include the amount reclassified to the account "Other receivables" for the tax credits of various natures requested as a tax reimbursement.

Deferred tax assets

The account amounts to Euro 103,867 thousand (Euro 96,978 thousand in 2006) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the “balance sheet liability method” as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.

The amount at the end of the year takes into account the compensation made, by each of the Group companies, with the corresponding deferred tax liabilities, in accordance with IAS 12.

Other assets

The other assets amount to Euro 277,567 thousand (Euro 284,210 thousand at December 31, 2006) and comprise:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|----------------|----------------|----------------|
| Transitory reinsurance accounts | 1,595 | 3,463 | (1,868) |
| Deferred commission expenses for life investment management services | 89,071 | 104,737 | (15,666) |
| Actuarial reserve tax on account as per Leg. Decree No. 209/03 | 43,592 | 43,105 | 487 |
| Indemnities paid not applied | 8,292 | 6,847 | 1,445 |
| Other assets | 135,019 | 126,058 | 8,961 |
| TOTAL | 277,569 | 284,210 | (6,641) |

7. CASH AND CASH EQUIVALENTS

The account amounts to Euro 701,195 thousand (Euro 723,032 thousand at December 31, 2006).

The account includes the liquidity held by the Group and deposits and bank current account with maturity less than 15 days. They include highly liquid assets (cash and deposits on demand) and cash equivalents or rather short term financial investments, readily convertible into known cash amounts and which are not subject to variations in value.

The book value of these assets closely approximates their fair value. The deposits and bank current accounts are remunerated at fixed or variable interest rates which mature and/or are credited on a quarterly basis or in relation to the lower duration of the restrictions on the deposits.

Balance Sheet – Shareholders' Equity & Liabilities

1. SHAREHOLDERS' EQUITY

The consolidated net equity, amounting to Euro 5,170,935 thousand, includes the result for the year and minority share, and increased by Euro 116,393 thousand compared to 2006.

The movements in the year are shown below:

| (in Euro thousands) | 2007 | 2006 | Change |
|---|------------------|------------------|-----------------|
| Group Shareholders' Equity | 3,857,752 | 3,896,991 | (39,239) |
| Share capital | 168,534 | 177,681 | (9,147) |
| Other equity instruments | - | - | - |
| Capital reserves | 207,785 | 207,410 | 375 |
| Retained earnings and other reserves | 2,807,956 | 2,643,229 | 164,727 |
| <i>Treasury shares</i> | (310,961) | (359,987) | 49,026 |
| Reserve for net exchange differences | (1,623) | (126) | (1,497) |
| Profit or loss on available-for-sale financial assets | 415,143 | 694,538 | (279,395) |
| Other gains and losses recorded directly in equity | 63,952 | 53,042 | 10,910 |
| Group profit | 506,966 | 481,204 | 25,762 |
| Minority Interest share of Net Equity | 1,313,183 | 1,157,551 | 155,632 |
| Minority capital and reserves | 1,157,681 | 972,179 | 185,502 |
| Gains and losses recorded directly in equity | 42,417 | 65,808 | (23,391) |
| Minority interest profit | 113,085 | 119,564 | (6,479) |
| TOTAL | 5,170,935 | 5,054,542 | 116,393 |

The disclosures required by IAS 1.7a is provided below:

| | Ordinary 31/12/2007 | Saving 31/12/2007 | Ordinary 31/12/2006 | Saving 31/12/2006 |
|--------------------------------|------------------------|----------------------|------------------------|----------------------|
| Number of shares issued | 125,265,390 | 43,361,222 | 134,563,790 | 43,310,622 |

The ordinary and savings shares issued both have a nominal value of Euro 1.

At December 31, 2007, there were a total of 42,094 ordinary shares and 50,600 savings shares which were recorded at the company's registration office on January 16, 2008; of these shares, for 20,568 ordinary shares the request for issue was made by December 31, 2007 through the exercise of 82,272 warrant 02/2008, but the actual delivery of the shares was completed in January and therefore were not included in the table below showing the shares outstanding.

| Changes in shares outstanding | Ordinary | Saving | Total |
|---|-----------------|---------------|--------------|
| Shares existing at 1/1/2007 | 134,539,500 | 43,310,622 | 177,850,122 |
| Treasury shares (-) | 17,492,769 | - | 17,492,769 |
| Shares outstanding: balance at 1/1/2007 | 117,046,731 | 43,310,622 | 160,357,353 |
| <u>Increases:</u> | | | |
| Sale of treasury shares | - | - | - |
| Exercise of warrants | 195,534 | 50,600 | 246,134 |
| <u>Decreases:</u> | | | |
| Acquisition of treasury shares | 3,360,000 | - | 3,360,000 |
| Shares outstanding: balance at 31/12/2007 | 113,882,265 | 43,361,222 | 157,243,487 |

We recall that, in March 2007, execution was made of the extraordinary shareholders' meeting resolution of December 12, 2006 which approved the reduction of the share capital through cancelling 9,490,212 ordinary shares.

The capital reserves, amounting to Euro 207,785 thousand, increased by Euro 375 thousand and refers to the share premium reserve recorded in the financial statements of the Parent Company.

Nature and purpose of the other reserves

The retained earnings and the other capital reserves include the other net equity reserves in the separate financial statements of the Parent Company, increased by the allocation of the results for 2006 (reference should be made to the notes to the separate financial statements of the Parent Company relating to the changes therein) in addition to the consolidation reserve.

Treasury shares

The account amounts to Euro 311 million (Euro 360 million at December 31, 2006). This account includes the book value of the instruments representative of the capital of the Parent Company Fondiaria-SAI for Euro 72.8 million while the residual amount refers to the positions held by the subsidiaries Milano Assicurazioni S.p.A. (Euro 209.9 million) and Sai Holding S.p.A. (Euro 28.3 million).

The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases operations undertaken during the year, no profits or losses were recorded in the income statement.

Reserve for net exchange differences

The balance is a negative amount of Euro 1,623 thousand (Euro 126 thousand at December 31, 2006) and includes the translation differences deriving from the conversion of the foreign subsidiaries financial statements into Euro.

Profit or loss on available-for-sale financial assets

The account, amounting to Euro 415.1 million, includes the gains and losses deriving from the valuation of the available-for-sale financial assets. This is shown net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities.

Other gains and losses in the year recorded directly in equity

The account, amounting to Euro 64 million, includes the valuation under the net equity method of some associated companies for Euro 28.3 million.

The account includes Euro 3.9 million relating to profits or losses on cash flow hedging instruments, in addition to Euro 36.2 million of reserves which includes the reversal of gains realised on subsidiary holdings.

In fact, as illustrated in the accounting principles, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the earnings of the consolidated financial statements as they are considered as mere modifications in the ownership structure of the Group. An exception are the results in the separated management of the Life Division.

The original amount refers principally to profits and losses of an actuarial nature consequent of the application of IAS 19.

Shareholders' equity – minority interest

The minority interest net equity, including the result for the year, increased by Euro 155.6 million, attributable to the minority interest share of the Milano Group, as well as the subsidiary Popolare Vita S.p.A.

The change in the consolidated net equity is shown in the specific schedule.

Statement of reconciliation between the financial statements of the Parent Company and the Consolidated Financial Statements

The reconciliation is shown below of the shareholders' equity and net profit of the Parent Company and of the Group as per Consob Communication No. 6064293 of July 28, 2006.

(in Euro thousands)

| | Profit for the year | |
|--|---------------------|------------------|
| | 31/12/07 | 31/12/06 |
| Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP | 323,071 | 272,072 |
| <i>IAS 38 "Intangible assets"</i> | | |
| Goodwill | 47,962 | 47,962 |
| Other intangible assets | 9,478 | 16,049 |
| <i>IAS 16-40 "Buildings and investment property"</i> | | |
| Buildings | (12,208) | (13,187) |
| <i>IAS 19 "Employee Benefits"</i> | | |
| Leaving indemnity and other employment benefit | 19,830 | 1,312 |
| <i>IAS 37 "Provisions, contingent liabilities and assets"</i> | | |
| Risk provisions | 9,741 | 676 |
| <i>IAS 39 "Financial Instruments"</i> | | |
| Financial assets | (12,379) | 42,954 |
| Financial liabilities | 3,505 | (8,619) |
| <i>IFRS 4 "Insurance contracts"</i> | | |
| Equalisation and unearned premium reserve | 5,250 | 4,836 |
| Actuarial reserves | 38,269 | 16,510 |
| Service component linked policies (IAS 18) | - | 175 |
| <i>IFRS 2 "Share-based payment"</i> | | |
| Stock options | (14,581) | (4,496) |
| Tax effect on the reconciliation accounts | (24,902) | (36,761) |
| Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS | 393,036 | 339,483 |
| Consolidation adjustments: | | |
| <u>Results of consolidated companies:</u> | | |
| Line-by-line | 437,464 | 380,125 |
| Under the equity method | 2,400 | 3,348 |
| Application of group accounting principles, translation adjustment and other | (52,923) | 20,742 |
| Amortisation VOBA | (11,970) | (4,139) |
| <u>Elimination effects of inter-group operations:</u> | | |
| Inter-group dividends | (151,784) | (131,536) |
| Other inter-group operations | (26,904) | (14,877) |
| Tax effects of the consolidation adjustments | 30,732 | 7,624 |
| Consolidated Result as per IAS/IFRS | 620,051 | 600,768 |
| MINORITY SHARE | (113,085) | (119,564) |
| Group Result as per IAS/IFRS | 506,966 | 481,204 |

(in Euro thousands)

| | Net Equity and Net Result | |
|---|---------------------------|--------------------|
| | 31/12/07 | 31/12/06 |
| Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP | 2,468,001 | 2,547,373 |
| <i>IAS 38 "Intangible assets"</i> | | |
| Goodwill | 143,886 | 95,924 |
| Other intangible assets | 4,612 | (11,437) |
| <i>IAS 16-40 "Buildings and investment property"</i> | | |
| Buildings | (84,096) | (70,910) |
| <i>IAS 19 "Employee Benefits"</i> | | |
| Leaving indemnity and other employment benefit | (37,931) | (38,667) |
| <i>IAS 37 "Provisions, contingent liabilities and assets"</i> | | |
| Risk provisions | 4,805 | 4,129 |
| <i>IAS 39 "Financial Instruments"</i> | | |
| Financial assets | | |
| Available-for-sale | 229,799 | 641,229 |
| Fair value through income statement and other financial assets | 58,585 | (10,987) |
| Financial liabilities | (13,062) | (4,389) |
| <i>IFRS 4 "Insurance contracts"</i> | | |
| Equalisation and unearned premium reserve | 55,615 | 50,778 |
| Actuarial reserves | 145,410 | (37,458) |
| Service component linked policies (IAS 18) | (206) | (381) |
| <i>IFRS 2 "Share-based payment"</i> | | |
| Stock options | 14,581 | 4,496 |
| Tax effect on IAS/IFRS adjustments | (59,729) | (27,023) |
| Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS | 2,930,270 | 3,142,677 |
| Consolidation adjustments: | | |
| <u>Difference between carrying value and share of equity of the companies consolidated:</u> | | |
| Line-by-line | 1,712,439 | 1,500,432 |
| Under the equity method | 25,110 | 37,788 |
| <u>Elimination effects of inter-group operations:</u> | | |
| Inter-group dividends | 87,192 | 61,480 |
| Other intra-group operations | (96,607) | (87,244) |
| Application of group accounting principles | 274,022 | 233,119 |
| Effect currency translation of financial statements | (1,497) | (126) |
| Tax effects of the consolidation adjustments | (69,085) | (74,365) |
| Elimination of treasury shares | (310,961) | (359,987) |
| Consolidated Shareholders' Equity as per IAS/IFRS accounting standards | 4,550,883 | 4,453,774 |
| MINORITY SHARE | (1,200,098) | (1,037,987) |
| Group Shareholders' Equity as per IAS/IFRS accounting standards | 3,350,785 | 3,415,787 |

2. PROVISIONS

The account amounts to Euro 236,155 thousand (Euro 236,677 thousand at December 31, 2006) and comprises:

| (in Euro thousands) | 2007 | 2006 | Change |
|-------------------------------|----------------|----------------|--------------|
| Provisions of a fiscal nature | 43 | 121 | (78) |
| Other provisions | 236,112 | 236,556 | (444) |
| TOTAL | 236,155 | 236,677 | (522) |

The Group does not have significant tax disputes which would give rise to obligations related to past events. The other provisions include amounts for which uncertainty exists as to the payment date or the amount of future expenses required to comply with the obligation. The movements in the year are shown below:

| (in Euro thousands) | Urbanisation charges | Non-fiscal disputes | Personnel charges | Non-recoverable amounts from brokers | Other charges | Total |
|---|----------------------|---------------------|-------------------|--------------------------------------|---------------|----------------|
| Value at beginning of year | 7,153 | 138,349 | 31,243 | 17,499 | 42,312 | 236,556 |
| Increases: | | | | | | |
| • for provisions | | 6,620 | 2,699 | 7,213 | 20,161 | 36,693 |
| • for other | | (630) | | | 1,349 | 719 |
| Utilisation in year for costs incurred | (692) | (12,542) | (8,673) | | (3,542) | (25,449) |
| Utilisation reversed through income statement | | | (527) | | (2,473) | (3,000) |
| Changes for financial charges matured or for changes in rates | | (9,364) | | | | (9,364) |
| Value at end of year | 6,461 | 122,433 | 24,742 | 24,712 | 57,807 | 236,155 |

With reference to the other provisions, further information is provided below.

Non-fiscal disputes

The provision includes the best possible estimates made by the Group to meet disputes with brokers, policyholders, personnel and third parties.

The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Group is party. The estimate of the provisions was made with reference to past internal experience and technical evaluations made by the legal advisors of the Group.

With reference to the disputes in course it is considered that the time period for the payments are not such as to discount the amounts. The net effect in the income statement of the period of the discounting made was a positive amount of Euro 9,364 million and consequent of the recalculation of the estimated timing for any payments.

The provision also includes the amounts made against the so-called “Opa Offer” litigation which was described in the Directors’ Report in the litigation section. Considering the importance of the litigation, although this case currently appears favourable to the Group in light of the recent sentence of the Milan Appeals Court, it is considered appropriate, pursuant to IAS 37.92, not to provide details on the amount accrued.

Personnel charges

The provision also includes probable liabilities which will arise from past employment services. In particular, the provision includes charges for vacation days not taken and leaving incentive charges already formally underwritten by the employee and by management.

In this case, considering the limited time period for the financial payments it was not considered necessary to apply any discounting. The decrease in the period is due to the costs sustained and provisions made in the previous years against the renewal of the collective labour contract in the insurance sector.

Non-recoverable amounts from brokers

The provision includes the best estimate made for valuing the current charge deriving from possible liabilities consequent of the recharge, as per the agents' national contract, to the new brokers in the agency mandates which have expired.

The estimate of the charge was made following the discounting process of the indemnities matured by the agents of the Group at the reporting date. On this amount, the historical experience of the Group determined the possible loss which was in turn discounted utilising, as financial assumptions, a risk free interest rate curve.

Urbanisation charges

This account represents a certain but estimated liability for the urbanisation work to be completed, as well as the charges to be paid. The account refers to the subsidiary Immobiliare Lombarda S.p.A., operating in the real estate sector. The decrease compared to December 31, 2006 refers to the work carried out in the year.

Other charges

The account refers to provisions relating to various insignificant unitary amounts including the maintenance provisions provided contractually by the companies operating in the real estate sector or those already programmed by the companies of the Group owner of buildings against the estimated cost for restoration and modifications to be made to the properties.

Also included are the leaving indemnities to be paid to different categories of employees.

With reference to the provisions of IAS 37, it is reported that the Group is not aware of any potential assets or liabilities of a significant size for which it is necessary to provide specific information.

3. TECHNICAL RESERVES

The account amounts to Euro 31,343,064 thousand and increased by Euro 4,416,470 thousand on 2006.

The breakdown of the technical reserves is as follows:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|-------------------|-------------------|------------------|
| NON-LIFE SECTOR | | | |
| Unearned premium reserve | 2,621,821 | 2,567,470 | 54,351 |
| Claims reserve | 8,969,398 | 9,083,916 | (114,518) |
| Others | 14,463 | 10,501 | 3,962 |
| Total Non-Life Division | 11,605,682 | 11,661,887 | (56,205) |
| LIFE SECTOR | | | |
| Actuarial reserves | 15,007,663 | 13,746,586 | 1,261,077 |
| Provision for claims to be paid | 279,362 | 206,255 | 73,107 |
| Technical reserves where investment risk borne by policyholders and from pension fund management | 4,559,320 | 1,126,403 | 3,432,917 |
| Others | (108,963) | 185,462 | (294,425) |
| Total Life Division | 19,737,382 | 15,264,706 | 4,472,676 |
| TOTAL TECHNICAL RESERVES | 31,343,064 | 26,926,593 | 4,416,471 |

With reference to the Non-Life sector, the premium reserve includes the reserve for the fraction of premium of Euro 2,621,577 thousand and the reserve for risks in course of Euro 244 thousand.

The other technical reserves of the Non-Life division refer entirely to the ageing reserve pursuant to article 37 of Legislative Decree 209/05.

The claims reserve includes the reserve on the IBNR claims not yet reported (IFRS 4 IG22C) equal to Euro 898,942 thousand.

With reference to the Life sector, the actuarial reserve includes the additional reserve on the financial risk equal to Euro 91,940 thousand (Euro 111,522 thousand at December 31, 2006), as indicated in Isvap Regulation No. 1801-G of February 21, 2001, and already implemented by article 25, paragraph 12 of Legislative Decree 174/95.

The “other technical reserves” in the Life division include the deferred liabilities to policyholders against the contracts with a discretionary participation of the profits (IFRS 4.1G22f) for Euro -262,767 thousand (Euro 74,522 thousand at December 31, 2006). The residual amount principally relates to reserves for future expenses.

The change in the consolidation scope due to the consolidation of Popolare Vita and the acquisition of Bipiemme Vita contributes an additional change of Euro 3,044,490 thousand.

In particular, the Group considered the re-valuable contracts in the Life sector as contracts containing a discretionary participation element and related to the return of the separated management. In this case, the policyholder can in fact discretionally intervene and determine the rate of payment and the return. The shadow accounting treatment was applied to these contracts.

With reference to the financial liabilities relating to contracts with discretionary participation components, as defined by IFRS 4.2b), these liabilities are classified within the technical reserves and their carrying value amounted to Euro 9,715,605 thousand (Euro 6,217,920 thousand at December 31, 2006).

Relating to these types of contracts, in the absence of regulations and best practice on the calculation of the fair value of the insurance reserves, it is obviously difficult to provide precise indications, as there is a need for, at regulatory level, specific decisions on this matter (such as indications on the release of the latent gains). In any case, a first evaluation within the study project of Phase II of the insurance contracts permits an estimate of the amount of technical reserves of the Life contracts related to the separate management equal to approx. 96% compared to the amount calculated under the current methods.

The estimate of the financial revaluation of premiums and services for future years is based on a stochastic model, that calculates the reserve values and the minimum guarantees with a consistent market approach. The fair value estimate of the reserves was made considering assumptions of mortality and redemption updated based on the company's experience.

The movements in the reserves in the year are shown below:

(in Euro thousands)

31/12/2007

| | Non-Life Division | Life Division | Total |
|--|-------------------|-------------------|-------------------|
| Balance at beginning of year | 11,661,887 | 15,264,706 | 26,926,593 |
| Increases in the year | 3,286,526 | 6,400,032 | 9,686,558 |
| Payments (-) | (3,325,643) | (1,959,559) | (5,285,202) |
| Gains or losses recorded through profit or loss | 200 | 32,203 | 32,403 |
| Reserves acquired or transferred to other insurers | - | - | - |
| Exchange differences/Other changes | (17,288) | - | (17,288) |
| Reserve at end of year | 11,605,682 | 19,737,382 | 31,343,064 |

4. FINANCIAL LIABILITIES

(in Euro thousands)

2007

2006

Change

| | | | |
|---|------------------|------------------|----------------|
| Financial liabilities at fair value recorded through profit or loss | 5,031,453 | 4,842,032 | 189,421 |
| Other financial liabilities | 2,154,234 | 2,237,863 | (83,629) |
| Total | 7,185,687 | 7,079,895 | 105,792 |

The Financial liabilities at fair value recorded through the profit or loss are:

Financial liabilities held for trading

The account amounts to Euro 79,731 thousand (Euro 217,677 thousand at December 31, 2006).

The account refers for Euro 29,657 thousand to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari. The account also includes Euro 33,295 thousand (Euro 152,991 thousand at December 31, 2006) relating to hedging operations undertaken by the Parent Company and by the subsidiary Milano Assicurazioni against which the financial instruments owned by the Group registered similar positive variations with effect on the income statement.

Financial liabilities designated at Fair Value recorded through profit or loss

The account amounts to Euro 4,951,722 thousand (Euro 4,624,354 thousand at December 31, 2006).

In accordance with IAS 39, the account includes the investment contracts not in application of IFRS 4 as they do not have a significant insurance risk and, therefore, accounted in accordance with the Deposit Accounting method.

The account amounts to Euro 4,949,833 thousand (Euro 4,624,354 thousand at December 31, 2006). Of this amount, Euro 1,196 million refers to Popolare Vita and to the change in the consolidation scope of Bipiemme Vita.

There are no financial liabilities in the “Fair value through profit or loss” for which the component of fair value change is not to be attributed significantly to changes in the market prices.

Other financial liabilities

The account amounts to Euro 2,154,234 thousand (Euro 2,237,863 thousand at December 31, 2006).

The account includes the financial liabilities defined and governed by IAS 39 not included in the category “Financial liabilities at fair value through profit or loss”.

They include deposits as guarantee in relation to risks ceded in reinsurance of Euro 305,238 thousand (Euro 324,499 thousand at December 31, 2006) and sub-ordinate payables of Euro 820,007 thousand (Euro 807,386 thousand at December 31, 2006). This latter refers, for Euro 172,323 thousand, to the Milano Assicurazioni Group.

With reference to the other bank payables and other lenders, amounting to Euro 1,028,989 thousand (Euro 1,105,978 thousand in 2006), we report the most significant amounts:

- Euro 238.7 million (Euro 203.7 million at December 31, 2006) entirely refers to the consolidated debt of the subsidiary Immobiliare Lombarda. This amount increased by Euro 83.3 million due to the loans received for the purchase of the investments in Igli S.p.A., Sintesi Seconda S.R.L. and S.E.I.S. S.P.A., as well as Euro 12.0 million for the purchase of the building area located at Via Cambi in Lampugnano. At the same time, the bank loans were repaid totalling Euro 52.4 million.
- Euro 94.7 million (Euro 173.4 million at December 31, 2006) refers to the loan granted to the Tikal R.E. Closed Real Estate Fund with Intesa San Paolo. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants. The amount provided was a total credit line of Euro 233 million, utilised for investments in new projects and to undertake improvements in view of future sales and capital appreciation. The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p.
- Euro 181.0 million mandatory agreed by the subsidiary Sainternational S.A., with maturity in 2010.

The account also includes customer deposits at the subsidiaries BANCASAI and Banca Gesfid of Euro 354,377 thousand, Euro 15,961 thousand relating to investment contracts agreed with life insurers valued in accordance with the amortised cost method and finally Euro 50,524 thousand relating to time deposits on loans agreed with the subsidiary SAI Mercati Mobiliari.

5. PAYABLES

The account amounts to Euro 1,141,625 thousand and is comprised of:

| (in Euro thousands) | 2007 | 2006 | Change |
|---|------------------|------------------|---------------|
| Payables from direct insurance operations | 185,576 | 177,205 | 8,371 |
| Payables from reinsurance operations | 106,259 | 113,102 | (6,843) |
| Other payables | 849,790 | 779,112 | 70,678 |
| Total | 1,141,625 | 1,069,419 | 72,206 |

With reference to the payables deriving from the direct insurance operations, they consist of:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|----------------|----------------|--------------|
| Payables to insurance brokers | 132,509 | 152,301 | (19,792) |
| Payables to insurance companies | 50,241 | 22,303 | 27,938 |
| Payables for policyholder deposits | 512 | 460 | 52 |
| Payables for guarantee provisions for policyholders | 2,314 | 2,141 | 173 |
| Total | 185,576 | 177,205 | 8,371 |

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 75,823 thousand (Euro 57,308 thousand in 2006) and Euro 30,436 thousand to reinsurance brokers (Euro 55,794 thousand in 2006).

The breakdown of the other payables are shown below:

| (in Euro thousands) | 2007 | 2006 | Change |
|---|----------------|----------------|---------------|
| Trade payables | 288,791 | 212,945 | 75,846 |
| Leaving indemnity | 85,316 | 127,092 | (41,776) |
| Policyholders' tax due | 102,270 | 106,598 | (4,328) |
| Other taxes due | 90,502 | 95,111 | (4,609) |
| Due to social security and welfare institutions | 23,292 | 16,188 | 7,104 |
| Other payables | 259,619 | 221,178 | 38,441 |
| Total | 849,790 | 779,112 | 70,678 |

The trade payables include payables on account and down-payments received on preliminary agreements relating to residential units built and marketed by the company Progetto Bicocca La Piazza S.r.l. (subsidiary of Immobiliare Lombarda) of approx. Euro 7,425 thousand (Euro 19,633 thousand at December 31, 2006).

The other tax payables include Euro 43,593 thousand relating to the payment on account of the life actuarial reserve pursuant to article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (passed into by Law 262/2002).

The other payables include the positions to customers for deposits to be settled for investments of Euro 30 million, insurance payables of Euro 24 million, employee payables of Euro 12 million, caution deposits of Euro 5 million, commissions payable on security management of Euro 2 million and urbanisation charges of Euro 1 million.

Leaving indemnity

In accordance with the 2007 Finance Act (Law No. 296/2002), from January 1, 2007 Legislative Decree No. 252/2005 was enacted, which implements the Complementary Pension Reforms from January 1, 2007. This latter provides that all private sector employees must choose by June 30, 2007 (or within 6 months from the employment date) to allocate the portion of Employee Leaving Indemnity matured from January 1, 2007 to a complementary pension scheme or maintain this in the company, which will in turn transfer the amount to the fund managed by the INPS Treasury Fund.

For private sector employees for companies with more than 50 employees, the choice is obligatory; where no choice is made by June 30, 2007 (or within six months of the employment date) the portion of the Employee Leaving Indemnity matured in 2007 will be in any case transferred to the INPS Treasury Fund (application of the silent/abstention rule). For the employees of companies with less than 50 employees this choice is optional: therefore in the case where no choice was expressed by the employees, the portion of the Employee Leaving Indemnity matured effectively remains in the company.

For the purposes of the actuarial validation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, As-sirevi, Actuarial Body and OIC), the different cases were divided as follows:

- Group Companies with less than 50 employees:
 - The valuation of the liability was made in accordance with the traditional actuarial criteria, already utilised in the past;
- Group Companies with 50 or more employees;
 - The quota of the Employee Leaving Indemnity matured at January 1, 2007 as a defined contribution plan, both in the case of the option for the complementary pension and in the case of the allocation to the INPS Treasury Fund were not calculated in accordance with actuarial criteria.

The Employee Leaving Indemnity Fund matured at December 31, 2006 continues to be considered a defined benefit plan, however compared to the calculation made in the past (and recorded in the 2006 accounts) it was recalculated, also in accordance with actuarial criteria, excluding the component relating to future salary increases. The different result of the new calculation was treated as “curtailment” (paragraph 109 of IAS 19) and consequently recognised in the Income Statement.

The movements in the year are shown below:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|--|----------------|----------------|-----------------|
| Balance at beginning of year | 127,092 | 138,256 | (11,164) |
| Curtailment | (34,871) | - | (34,871) |
| Balance at end of year Post Reform | 91,479 | - | 91,479 |
| Provisions to income statement for Interest Cost | 3,585 | 5,712 | (2,127) |
| Provisions to income statement for Service Cost | 229 | 7,938 | (7,709) |
| Actuarial Gains/Losses | 2,170 | (12,645) | 14,815 |
| Utilisations | (14,593) | (15,286) | 693 |
| Changes in the consolidation scope | 1,705 | 3,118 | (1,413) |
| Balance at end of year | 85,316 | 127,092 | (41,776) |

The increase in the market rates seen in 2007 produced a greater discount in the prospective cash flows and thus a reduction in the Actuarial Gains/Losses components and therefore of the IAS liability. In fact, it is recalled that the actuarial gains and losses derive from changes in the assumptions including financial assumptions in the previous calculation model compared to those which occurred during the valuation period.

The principal statistical-actuarial and financial assumptions utilised for the determination of the Employee Leaving Indemnity in accordance with IAS 19 are shown below.

| (values in %) | Employee leaving indemnity provision | | | |
|------------------------------|--------------------------------------|------|------|------|
| | 1 | 2 | 3 | 4 |
| BANCASAI | 4.78 | n/a | 1.50 | 9.72 |
| BPM VITA | 4.50 | 2.50 | 2.00 | 3.50 |
| CAPITALIA ASS.NI | 4.78 | 3.62 | 1.50 | 9.72 |
| CASA DI CURA VILLA DONATELLO | 4.78 | n/a | 1.50 | 9.72 |
| CASA DI CURA VILLANOVA | 4.75 | n/a | 1.50 | 9.72 |
| DIALOGO | 4.95 | 2.97 | 1.50 | 3.84 |
| EUROPA | 4.66 | 2.97 | 1.50 | 3.84 |
| FINITALIA | 4.89 | n/a | 1.50 | 3.84 |
| FONDIARIA-SAI | 4.66 | n/a | 1.50 | 9.72 |
| IMMOBILIARE LOMBARDA | 4.75 | n/a | 1.50 | 9.72 |
| LIGURIA DYEARS | 4.59 | n/a | 1.50 | 9.72 |
| LIGURIA VITA | 4.54 | 3.62 | 1.50 | 9.72 |
| MILANO ASSICURAZIONI | 4.66 | n/a | 1.50 | 3.84 |
| MARINA DI LOANO | 4.66 | 3.62 | 1.50 | 9.72 |
| NOVARA VITA | 4.78 | 3.62 | 1.50 | 9.72 |
| PO VITA | 4.55 | 3.62 | 1.50 | 9.72 |
| PRONTO ASSISTANCE | 4.92 | 3.62 | 1.50 | 9.72 |
| SAI A.M. SGR | 4.85 | 2.97 | 1.50 | 3.84 |
| SAI MERCATI MOBILIARI | 4.62 | 3.62 | 1.50 | 9.72 |
| SASA | 4.66 | n/a | 1.50 | 9.72 |
| SASA VITA | 4.75 | 3.62 | 1.50 | 9.72 |
| SIAT | 4.59 | n/a | 1.50 | 9.72 |
| STARVOX | 4.89 | n/a | 1.50 | 9.72 |
| SYSTEMA | 4.94 | 2.97 | 1.50 | 3.84 |

1 = Discount rate

2 = Expected rate of salary increments

3 = Expected inflation rate

4 = Turn Over

It is reported that the average data in the period represents indicative parameters, in that they are calculated with levels of reasonable aggregation and approximation. For this reason, the methodological choices made for the analytical definition of the principal actuarial assumptions are shown below:

- Discount rate: utilisation of an interest rate curve at the valuation date, instead of a constant curve, representative of the issue of primary corporate bonds (Bloomberg).
- Expected rate of salary increments: update of the historical series for the last three years (period 2005-2007) of the corporate remuneration and their calibration on the basis of the Collective Contract category and the expected inflation. The salary increase assumptions were differentiated by contract and employee service period.
- Turn Over: update of the historical series with the last three years (period 2005-2007) relating to the exit of personnel and their normalisation on the basis of “extraordinary” factors verified in the period. The turnover assumptions were differentiated for contract, age and gender.
- Inflation rate: the inflation scenario was utilised as per the current Economic and Financial Programme Document at the valuation date.

Health assistance post service

The Group implemented some health assistant programmes for some directors in pension and their families. This benefit is payable to surviving spouses and supporting children. The accounting method and the actuarial assumptions are similar to those utilised for a defined pension plan.

The tables below show the analytical information relating to the movements of the liabilities related to the Executive Pension Health Coverage, as well as the principal demographic and financial assumptions adopted for the calculation of the Fund in accordance with the “Projected Unit Credit Method”.

| Company | Provision at 31/12/2007 | Service Cost 2007 | Provision at 31/12/2006 | Service Cost 2006 |
|---------------------|----------------------------|----------------------|----------------------------|----------------------|
| (in Euro thousands) | | | | |
| Fonditaria-SAI | 20,334 | 158 | 17,916 | 191 |
| Milano | 9,390 | 72 | 8,294 | 79 |
| Siat | 225 | 10 | 203 | 11 |
| Sai A.M. Sgr | 29 | 4 | 47 | 8 |
| Sasa | 36 | 7 | 44 | 10 |
| Total Group | 30,014 | 251 | 26,504 | 299 |

(values shown in %)

| | Executive Assistance | | | |
|----------------------|-----------------------------|----------|----------|----------|
| | 1 | 2 | 3 | 4 |
| FONDIARIA-SAI | 4.74 | 5.30 | 1.50 | 9.72 |
| MILANO ASSICURAZIONI | 4.74 | 5.30 | 1.50 | 3.84 |

1 = Discount rate

2 = Expected rate of salary increments

3 = Expected inflation rate

4 = Turn Over

In relation to the assumptions of increases in health costs, an analysis was made of the historical repayment data (period 2001-2007). The increase of the reimbursements may be due to two factors - the adjustment for inflation and the “natural” increase due to ageing.

6. OTHER LIABILITIES

The breakdown is as follows:

| (in Euro thousands) | 2007 | 2006 | Change |
|---|----------------|----------------|---------------|
| Current tax liabilities | 110,729 | 31,474 | 79,255 |
| Deferred tax liabilities | 276,854 | 256,777 | 20,077 |
| Liabilities in a discontinued group held for sale | - | - | - |
| Other liabilities | 514,864 | 567,996 | (53,132) |
| Total | 902,447 | 856,247 | 46,200 |

Current tax liabilities

The account amounts to Euro 110,729 thousand (Euro 31,474 thousand at December 31, 2006) and refer to the total income tax accrued by the Group at the year-end and calculated applying the respective assessable income tax basis - this latter determined through prudent estimates of the nominal tax rates in force at the year-end.

In relation to that already reported on current and deferred income taxes, the amount recorded at the end of the year takes into account the compensations made with the corresponding current tax assets, by the individual companies and within the Group which participates in the taxation consolidation of the Parent Company.

Deferred tax liabilities

The deferred tax liabilities, amounting to Euro 276,854 thousand, include all the temporary tax differences, relating to balance sheet and income statement accounts, which will reverse in future years.

The balance takes into account the compensation, where permitted, with the corresponding deferred tax asset in accordance with IAS 12.

The net negative impact of the deferred tax liabilities reversed in the income statement in the year, with exclusion of the income taxes reversed due to changes in tax rates, was Euro 13,503 thousand.

Other liabilities

The Other liabilities amount to Euro 514,864 thousand (Euro 567,996 thousand at December 31, 2006) and are comprised of:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 | Change |
|---|----------------|----------------|-----------------|
| Commissions on premium collection | 132,637 | 139,342 | (6,705) |
| Deferred commission expenses for life investment management services | 146,161 | 153,795 | (7,634) |
| Cheques issued against claims and life sums collected by the beneficiaries after year-end | 23,616 | 38,881 | (15,265) |
| Transitory reinsurance accounts | 502 | 887 | (385) |
| Other liabilities | 211,948 | 235,091 | (23,143) |
| TOTAL | 514,864 | 567,996 | (53,132) |

The sub-account “Other liabilities” includes bills in course of the subsidiary Banca SAI for Euro 22 million, accrued expenses of Euro 15 million, reinsurers of Euro 17 million, brokers Euro 16 million and accounts with peripheral networks of Euro 5 million.

There is also a residual amount of Euro 19 million of cheques issued against claim payments and life sums to be received by beneficiaries after December 31, 2007 and Euro 3 million for the payable which the subsidiary Immobiliare Lombarda estimated against charges due for the presentation of the request pursuant to law 724/94 which permits the change of use of some properties.

Risks and commitments not recorded in the Balance Sheet

In accordance with the international accounting standards IAS/IFRS the Financial Statements must not solely contain accounting data, but also information on risks and uncertainties of the company, in addition to resources and obligations not present in the Balance Sheet.

The classification proposed by these accounting standards requires that the memorandum accounts are shown “under the line” of the Balance Sheet relating to risks and commitments assumed by the company and assets of third parties held.

Secured guarantees by the Group in favour of third parties

These amount to Euro 676,233 compared to Euro 458,085 in the previous year and are comprised of: Euro 597,948 thousand comprising first degree mortgages recorded on property owned (separately on each building and for a value double the relative debt allocated), following the renegotiation of the bank exposure of Immobiliare Lombarda S.p.A.; Euro 21,012 thousand comprising security guarantees, principally restricted in favour of the Municipality of Milan to guarantee commitments assumed with this latter, against urbanisation charges and for the granting of building concessions; Euro 32,450 thousand for secured guarantees relating to bank deposits on which there is a pledge, in relation to disputes on claims; Euro 7,348 thousand refers to the assets to guarantee reinsurance operations.

Other guarantees by the Group in favour of third parties

The other guarantees amount to Euro 28,180 thousand, a decrease compared to 2006 (-19.93%) and principally represent the guarantees given to credit institutions against responsibility, as well as guarantees on behalf of other companies, principally comprising of obligations in favour of the Tax Office for the advanced reimbursement of the VAT receivables.

Guarantees provided by third parties on behalf of the Group

At the year-end they amount to Euro 160,947 thousand, a strong increase on 2006 (Euro 79,917 thousand); prevalently including the guarantees given in favour of the Direct Indemnity Consortium and in favour of Consap to guarantee the commitments deriving from the CARD convention. In addition, there are guarantees of Euro 31,680 thousand prevalently given by banks and insurance companies, against obligations assumed with third parties. Firstly, against contractual obligations for the sale of real estate agreed in previous years; secondly for guarantees to the Municipality of Milan for obligations relating to construction by Fondiaria-SAI (and its subsidiaries) and for urbanisation works.

Guarantees received

These amount at year-end to Euro 352,867 thousand (in 2006 Euro 289,748 thousand) and principally comprise of guarantees given by agents in compliance with their relative mandates for Euro 213,737 thousand.

Also included are securitisation policies provided as pledges amounting to Euro 50 million covering any damage relating to previous management, which Fondiaria-SAI may sustain due to the effect of the purchase of Liguria Assicurazioni. There are also guarantees from the previous shareholder of Liguria Assicurazioni, on the outcome of the revision process of the price of the Company acquired.

Commitments

This principally refers for Euro 84,629 thousand to the amount still to be paid for the completion of the real estate operations relating to the areas at Milan - Via Lancetti and Via Gonfalonieri-Via de Castillia (Lunetta dell'Isola) and Rome, Via Fiorentini. These operations, undertaken in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned land and the purchase of the buildings.

The securities to be delivered amount to Euro 11,097 thousand, those to be received amount to Euro 14,013 thousand: they are recorded against purchase and sales operations made in 2007, but regulated at the beginning of 2008. There are also commitments for Euro 62,890 thousand relating to options on equity securities. In addition, there are commitments of Euro 103,160 thousand deriving from the collateral received (margin based on the underlying market value) to guarantee a loan operation on securities of 26,942,508 Monte dei Paschi shares, of which 19,542,508 shares were loaned to Banca IMI and 7,400,000 shares were loaned of JP Morgan. On the expiry of the loans on securities, the counterparties will return the shares and Fondiaria-SAI will return the collateral received, which in the meantime will have incurred further adjustments following market changes of the shares in Monte dei Paschi.

Finally there are commitments for guarantees in favour of third parties of Euro 26,682 thousand issued against a portfolio in foreign currency guaranteed by its clients.

With reference to the convertible bond loan (Mandatory), there are commitments totalling Euro 180,400 thousand for the delivery to noteholders, at the maturity of the loan, of the Intesa SanPaolo shares, subject to conversion.

**PART C – Information on
the Income Statement**

NET PREMIUMS

The net premiums consolidated amount to Euro 11,501,073 thousand (Euro 9,649,837 thousand in 2006).

Total Group gross premiums written amounted to Euro 11,882,268 thousand (up 18.44% on the previous year), as follows:

| (in Euro thousands) | 2007 | 2006 | Change |
|---------------------------------|-------------------|------------------|------------------|
| Gross Life premiums written | 4,564,123 | 2,670,472 | 1,893,650 |
| Gross Non-Life premiums written | 7,318,145 | 7,304,794 | 13,351 |
| Change gross premium reserve | 54,177 | (11,439) | 65,616 |
| Total Non-Life Division | 7,263,968 | 7,316,233 | (52,265) |
| Gross premiums written | 11,828,091 | 9,986,705 | 1,841,385 |

The account “gross premiums written” does not include the cancellation of securities issued in previous years, which were recorded in the account “Other costs”. The above amounts are net of inter-group reinsurance. In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business and the comments on the increases in the gross premiums, reference should be made to the Directors’ Report.

The premiums ceded, amounting to Euro 311,499 thousand, accounted for 2.4% of the total premiums written (3.3% in 2006).

| (in Euro thousands) | 2007 | 2006 | Change |
|--------------------------------------|----------------|----------------|-----------------|
| Life Division | 21,22 | 24,288 | (3,059) |
| Non-Life Division | 290,270 | 307,654 | (17,384) |
| Change in reinsurers reserves | 15,519 | 4,926 | 10,593 |
| Total Non-Life Division | 305,789 | 312,580 | (6,791) |
| Premiums ceded to re-insurers | 305,789 | 336,868 | (31,079) |

The Group reinsurance policy positively impacted on the consolidated accounts for Euro 15,860 thousand (Euro 11,583 thousand in the Non-Life Division).

In accordance with IFRS 4.36b, it is communicated that the Group does not defer and amortise the gains and losses deriving from reinsurance.

In relation to further illustration on the Non-Life and Life Divisions of the account 1.1 of the Income Statement, reference should be made to the Attachment at the end of the accounts.

COMMISSION INCOME

The commission income in 2007 amounted to Euro 119,597 thousand, a change compared to the previous year of Euro 43,098 thousand.

| (in Euro thousands) | 2007 | 2006 | Change |
|---------------------|---------|--------|--------|
| Commission income | 119,597 | 76,499 | 43,098 |

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group insurance companies and, as such, are not recorded in accordance with IFRS 4, as well as the commissions for the management of internal funds. In particular, approx. Euro 63 million refers to the subsidiaries Novara Vita, Po Vita and Bipiemme Vita. They also include approx. Euro 55 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT OR LOSS

Net charge in 2007 of Euro 255,725 thousand compared to 2006 of Euro 335,990 thousand.

| (in Euro thousands) | Interest | Other net income | Gains realised | Losses realised | Valuation gains and recovery in values | Valuation losses and adjust. in values | Total 2007 | Total 2006 | Change |
|---|----------------|------------------------|-------------------|--------------------|---|---|------------------|---------------|------------------|
| <i>Result of investments from:</i> | | | | | | | | | |
| Financial assets held for trading | 43,151 | 88,925 | 24,561 | (90,970) | 12,361 | (166,629) | (88,601) | 39,463 | (128,064) |
| Financial assets designated at fair value recorded through profit or loss | 106,405 | (45,613) | 28,571 | (73,638) | 32,427 | (297,205) | (249,053) | 40,802 | (289,855) |
| Financial liabilities held for trading | | | | | 81,929 | | 81,929 | | 81,929 |
| Total | 149,556 | 43,312 | 53,132 | (164,608) | 126,717 | (463,834) | (255,725) | 80,265 | (335,990) |

The result of the investments deriving from financial assets designated at fair value through profit or loss, include Euro -200,666 thousand (Euro 30,868 thousand in 2006), relating to investments in class D, offset by similar positive changes in the commitments to policyholders.

The gains from valuations of the financial liabilities held for trading are related to hedging operations against securities which recorded losses.

FINANCIAL INCOME AND CHARGES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

| (in Euro thousands) | Net Interest | Other net income | Gains realised | Losses realised | Valuation gains and recovery in values | Valuation losses and adjust. in values | Total 2007 | Total 2006 | Change |
|--|----------------|------------------|----------------|------------------|--|--|------------------|----------------|----------------|
| <i>Result from:</i> | | | | | | | | | |
| Investment property | 0 | 39,667 | 61,100 | (5,864) | | (40,031) | 54,872 | 25,983 | 28,889 |
| Investments in subsidiaries, associates and joint ventures | 0 | (626) | 22,433 | (3) | 1,726 | (11) | 23,519 | 19,446 | 4,073 |
| Investments held-to-maturity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 49,009 | 13,798 | 0 | (3,503) | 210 | 0 | 59,514 | 42,489 | 17,025 |
| Available-for-sale financial assets | 767,983 | 130,787 | 291,745 | (119,477) | 0 | 0 | 1,071,038 | 877,311 | 193,727 |
| Other receivables | 15,680 | (44) | 0 | 0 | 0 | (450) | 15,186 | 13,166 | 2,020 |
| Cash and cash equivalents | 32,732 | (449) | 7 | (489) | 0 | 0 | 31,801 | 26,893 | 4,908 |
| Other financial liabilities | (118,036) | 0 | 0 | 0 | 0 | 0 | (118,036) | (107,234) | (10,802) |
| Total | 747,368 | 183,133 | 375,285 | (129,336) | 1,936 | (40,492) | 1,137,894 | 898,054 | 239,840 |

The column gains and losses realised report the economic effects deriving from the sale of the different financial instruments; the gains realised on investments in subsidiaries, associated companies and joint ventures refer, principally, to the gains realised for the sale of minority shares of the subsidiary Milano Assicurazioni already assigned in the Separated Management.

The valuation losses on the investment property include the depreciation recorded in the year.

The interest expense on the other financial liabilities includes the Group debt charges.

During the year interest income did not mature on financial assets written down for impairment in previous years (IAS 32.94h).

In relation to attachment 11, reference should be made to the end of the notes.

OTHER REVENUES

The other revenues amount to Euro 481,690 thousand (Euro 400,946 thousand in 2006) and are summarised in the table below:

| (in Euro thousands) | 2007 | 2006 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Gains related to non-current assets | 22 | 144 | (122) |
| Other technical income | 121,874 | 75,699 | 46,175 |
| Utilisation of provisions | 40,441 | 46,664 | (6,223) |
| Exchange differences | 9,812 | 17,256 | (7,444) |
| Prior year income | 21,618 | 44,419 | (22,801) |
| Gains realised on fixed assets | 58 | 282 | (224) |
| Other revenues | 287,865 | 216,482 | 71,383 |
| Total | 481,690 | 400,946 | 80,744 |

The accounts “other revenues” includes the following amounts:

- Euro 89 million revenues from the subsidiary Immobiliare Lombarda, relating to the Real Estate Sector, whose buildings, as treated as inventories, are classified under tangible fixed assets;
- Euro 34 million revenues for the sale of hardware and IT services externally, relating to subsidiary companies operating in this sector;
- Euro 24 million revenues of the subsidiary Pronto Assistance Servizi;
- Euro 31 million revenues from retirement home subsidiaries of the Group;
- Euro 11 million revenues in the agricultural sector.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 8,166,015 thousand, an increase of 15.60% on the previous year.

Claims costs, amounts paid and changes in technical reserves

| (in Euro thousands) | 2007 | 2006 | Change |
|---|------------------|------------------|------------------|
| Non-Life Division | | | |
| Amount paid | 5,325,562 | 5,192,691 | 132,871 |
| Change in recoveries | (92,271) | (104,434) | 12,163 |
| Change in other technical reserves | 3,988 | 424 | 3,564 |
| Change in claims reserve | (85,667) | 7,592 | (93,259) |
| Total Non-Life | 5,151,612 | 5,096,273 | 55,339 |
| Life Division | | | |
| Amount paid | 2,840,453 | 1,871,209 | 969,244 |
| Change in actuarial reserve and other technical reserves | 170,814 | 715,188 | (544,374) |
| Change technical reserves where investment risk borne by policyholders and from pension fund management | 1,439,929 | 234,742 | 1,205,187 |
| Change reserve for sums to be paid | 36,291 | 100,762 | (64,471) |
| Total Life | 4,487,487 | 2,921,901 | 1,565,586 |
| Total Non-Life + Life | 9,639,099 | 8,018,174 | 1,620,925 |
| Amount paid | 8,073,744 | 6,959,466 | 1,114,278 |
| Change reserve | 1,565,355 | 1,058,708 | 506,647 |

Claims costs, reinsurers portion

| (in Euro thousands) | 2007 | 2006 | Change |
|--|----------------|-----------------|---------------|
| <i>Non-Life Division</i> | | | |
| Amount paid | 217,035 | 187,544 | 29,491 |
| Change in other technical reserves | (2,097) | (938) | (1,159) |
| Change in recoveries | 0 | 0 | 0 |
| Change in claims reserve | 41,086 | (26,521) | 67,607 |
| Total Non-Life | 256,024 | 160,085 | 95,939 |
| <i>Life Division</i> | | | |
| Amount paid | 30,194 | 26,926 | 3,268 |
| Change in actuarial reserve and other technical reserves | (6,440) | (3,266) | (3,174) |
| Change reserve for sums to be paid | (414) | 601 | (1,015) |
| Total Life | 23,340 | 24,261 | (921) |
| <i>Total Non-Life + Life</i> | 279,364 | 184,346 | 95,018 |
| Amount paid | 245,132 | 213,532 | 31,600 |
| Change reserve | 34,232 | (29,186) | 63,418 |

The change in the net technical reserves of the non-life classes amount to Euro -122,765 thousand, a decrease of Euro 157,302 thousand compared to 2006.

The change of the Life sums paid is related to the contribution in the present year of the subsidiary Popolare Vita for Euro 206.9 million and the increase of the amounts paid by the Parent Company and by Milano Assicurazioni relating to the increase in interest rates on the financial markets, with a consequent rise in divestment.

The net technical reserves of the Life Division, including the reserves for amounts to be paid, changed by Euro 1,653,888 thousand (Euro 1,053,357 thousand in 2006).

In relation to further details on the Non-Life and Life sectors of the account 2.1 of the Income Statement, reference should be made to Attachment 10 at the end of the notes.

COMMISSION EXPENSE

Commission expenses in 2007 amounted to Euro 70,777 thousand, with a change compared to 2006 of Euro 31,023 thousand.

| (in Euro thousands) | 2007 | 2006 | Change |
|---------------------|--------|--------|--------|
| Commission expense | 70,777 | 39,754 | 31,023 |

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4.

MANAGEMENT EXPENSES

| (in Euro thousands) | 2007 | 2006 | Change |
|---|------------------|------------------|----------------|
| <i>Non-Life Division</i> | | | |
| Acquisition commissions and changes in deferred acquisition costs | 1,076,671 | 1,044,057 | 32,614 |
| Other acquisition expenses | 167,119 | 159,047 | 8,072 |
| Collection commissions | 66,348 | 52,623 | 13,725 |
| Reinsurers commissions and profit participation | (61,348) | (63,340) | 1,992 |
| Total Non-Life | 1,248,790 | 1,192,387 | 56,403 |
| <i>Life Division</i> | | | |
| Acquisition commissions and changes in deferred acquisition costs | 177,688 | 53,469 | 124,219 |
| Other acquisition expenses | 38,024 | 30,501 | 7,523 |
| Collection commissions | 13,510 | 15,717 | (2,207) |
| Reinsurers commissions and profit participation | (2,166) | (2,486) | 320 |
| Total Life | 277,056 | 97,201 | 129,855 |
| Investment management charges | 13,753 | 10,462 | 3,291 |
| Other administration expenses | 378,520 | 344,228 | 34,292 |
| Total | 1,868,119 | 1,644,278 | 223,841 |

The strong increase in acquisition commissions in the Life Division is related exclusively to the increase in business, in terms of premiums written, of the subsidiaries Po Vita and Novara Vita.

The acquisition costs matured in the year amounted to Euro 1,459,502 thousand as reported in the table below:

| (in Euro thousands) | 2007 | 2006 |
|---|------------------|------------------|
| Part sustained and expensed in year | 1,379,483 | 1,214,406 |
| Part from amortisation of capitalised costs in previous years | 80,019 | 72,668 |
| Total acquisition costs | 1,459,502 | 1,287,074 |

OTHER COSTS

The other costs relate to Euro 793,691 thousand (Euro 678,863 thousand in 2006) and are summarised below:

| (in Euro thousands) | 2007 | 2006 | Change |
|---------------------------------------|----------------|----------------|----------------|
| Other technical charges | 339,490 | 317,069 | 22,421 |
| Provisions | 52,356 | 67,002 | (14,646) |
| Losses on receivables | 28,813 | 10,830 | 17,983 |
| Prior year charges | 35,627 | 40,842 | (5,215) |
| Depreciation of tangible fixed assets | 12,709 | 14,583 | (1,874) |
| Amortisation of intangible assets | 58,613 | 35,115 | 23,498 |
| Exchange differences | 17,737 | 19,612 | (1,875) |
| Other costs | 248,346 | 173,810 | 74,536 |
| Total | 793,691 | 678,863 | 114,828 |

In particular, the sub-account “other costs” relates to the following charges:

- Euro 98 million relating to charges of the subsidiary Immobiliare Lombarda;
- Euro 34 million relating to the production costs and work of the subsidiaries Scai, Salevox and Starvox;
- Costs incurred by the subsidiary Pronto Assistenza Servizi to guarantee policyholders and clients of the Group the call centre and assistance services in the case of claims for Euro 20 million;
- Euro 23 million relating to costs incurred by the Retirement Homes of the Group;
- Management costs in the subsidiary Saiagricola for Euro 9 million.

INCOME TAXES

| (in Euro thousands) | 2007 | 2006 | Change |
|---|----------------|----------------|-----------------|
| Costs (revenues) for current taxes | 285,960 | 249,016 | 36,944 |
| Adjustments recorded in the year for current taxes of prior periods | 0 | (5,034) | 5,034 |
| Deferred tax liabilities arising in the year | 103,310 | 136,823 | (33,513) |
| Deferred tax liabilities utilised in the year | (82,572) | (78,466) | (-4,106) |
| Deferred tax asset arising in the year | (117,486) | (110,690) | (6,796) |
| Deferred tax asset utilised in the year | 112,631 | 119,811 | (7,180) |
| Deferred tax costs/(revenues) from changes in tax rates or the imposition of new taxes | (18,233) | 0 | (18,233) |
| Income for deferred tax assets arising in previous years and not previously recorded to reduce current taxes | 0 | 0 | 0 |
| Income for deferred tax assets arising in previous years and not previously recorded to reduce deferred taxes | (3,150) | (8,020) | (4,870) |
| Cost (revenues) relating to write-downs (recovery in values) of deferred tax liabilities recorded in previous years | 0 | 4,676 | (4,676) |
| Changes following change in estimates as per IAS 8 | (7,235) | 0 | (7,235) |
| Total | 273,235 | 308,116 | (34,881) |

Income taxes for the year amounted to Euro 273,235 thousand (Euro 308,116 thousand in 2006) of which current taxes of Euro 285,960 thousand and deferred tax income of Euro 12,725 thousand.

The current income taxes (Ires income tax and Irap regional tax) are determined applying the respective rates in force at the balance sheet date of 33% for Ires and 4.25% for Irap. In the calculation of the Irap regional tax for the year, account was also taken, through prudent valuations, of any increases or reductions in rates made by some regions with reference to particular categories.

In relation to the deferred taxes, this resulted in a reduction in the tax charge of Euro 12,725 thousand.

Of this, Euro 3,150 thousand refers to deferred tax assets of the subsidiary Immobiliare Lombarda relating to previous years.

Contributing to the reduction in the tax charge, for Euro 18,233 thousand, are the adjustments made to deferred taxes for the reduction in the income and regional taxes by the 2008 Finance Act. This amount takes into account both adjustments to deferred tax provisions at the beginning of the year, net of the reversals in the year, and the difference, between current and deferred rates, resulting from temporary differences arising in 2007.

The movements in the deferred tax liability report a negative net balance of Euro 20,738 thousand. This liability is generally correlated to all the temporary differences arising or reversed in the year.

In relation to the movements in the deferred tax liabilities, it is noted that the provision is principally correlated to the adjustments in the value of goodwill and other intangible assets, made in accordance with IAS 38 for Euro 22,258 thousand, Euro 17,459 thousand to consolidation adjustments on capitalised commission in 2007, Euro 16,951 thousand to taxes related to changes in the shadow accounting reserve on HFT securities and Euro 14,888 thousand to the adjustments made, in accordance with IAS 39, on the net income from investments in securities.

On the other hand, the reversal of the previous deferred tax liabilities is principally due for Euro 34,366 thousand to the reversal of taxation on gains recorded in previous years and for Euro 26,500 thousand to the recording in the consolidation of the amortisation on the long term commissions.

The deferred tax assets arising in the year, net of those reversed, resulted in a lower tax charge of Euro 4,855 thousand. These were recorded up to the amount of the probable reversal of the correlated temporary differences in the future years.

Of these, Euro 10,921 thousand represents the net impact of the deferred tax asset related to the deduction of the write-downs on receivables from policyholders due to deferred tax assets arising of Euro 33,223 thousand compared to the prepaid reversal of Euro 22,302 thousand.

Among the taxes arising, Euro 19,775 thousand is reported in relation to the alignment of shares and quotas in investments fiscally irrelevant, Euro 18,613 thousand in relation to deduction of non-life long term commissions and Euro 10,293 thousand due to IAS adjustments made on net income from investments in securities as per IAS 39.

On the other hand, among the reversals of prepaid taxes, Euro 31,879 thousand related to the alignment on investments pursuant to article 1 of Legislative Decree No. 209/2002 and Euro 30,865 thousand relating to the reversal of deductions on long term commissions payable in the non-life sector in previous years.

The deferred tax assets not recorded against losses brought forward in the year was not significant – also due to the effect of the immediate absorption of the losses by the subsidiaries which participated in the Group national taxation pursuant to article 124 and thereafter of the Pres. Decree No. 917/1986 (so-called National tax consolidation) of the Fondiaria-SAI Group.

At the reporting date, the aggregate amount of the temporary differences amounting to non-distributable profits of the subsidiaries did not give rise to the recording of deferred tax liabilities. This is due to the fact that the Group is capable of controlling the cancellation of these temporary differences. The temporary differences deriving from associated companies and joint ventures are negligible.

As additional information to that required by IAS 12 - Income taxes, it is also reported that the deferred tax assets and liabilities at the end of the year amount, respectively to Euro 103,867 thousand and Euro 276,854 thousand. These amounts take into account the compensations made by each company based on the existence of a legal compensation right of the relative current assets and liabilities and the right or obligation to settle these taxes on a net basis.

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate for the year of 33% is as follows:

| (in Euro thousands) | 2007 | 2006 | Change |
|--|----------------|----------------|-----------------|
| Profit before taxes | 893,285 | 908,884 | (15,599) |
| Taxes on theoretical income (excluding regional tax) | 294,784 | 299,932 | (5,148) |
| Tax effect from changes in permanent differences | (42,063) | (40,365) | (1,698) |
| Tax effect from utilisation of previous years tax losses | (4,648) | (513) | (4,135) |
| Tax effect from share of results of associated companies | 362 | (331) | 693 |
| Tax effect from foreign tax rates | (9,808) | (3,964) | (5,844) |
| Tax effect from changes in the nominal rate | (13,878) | 0 | (13,878) |
| Other differences | (7,662) | (10,784) | 3,122 |
| Taxes on income (excluding regional tax) | 218,523 | 243,975 | (25,452) |
| Irap regional tax | 56,148 | 64,141 | (7,993) |
| Total income taxes for the year | 273,235 | 308,116 | (34,881) |

In order for a better understanding of the reconciliation between the effective charge in the accounts and the theoretical fiscal charge - this latter determined on the basis of nominal income tax rate of 33% - account was not taken of the Irap regional tax effect as the assessable basis for these taxes are not uniform, and therefore not comparable with the pre-tax effect.

The positive effect related to the permanent fiscal differences is principally related to the income components which in accordance with the Ires income tax reform, pursuant to Legislative Decree No. 344/2003, are not subject to taxation, such as, among others, the dividends recorded in the year not subject to consolidation adjustment. The decreases also include, for Euro 14,872 thousand, the non taxed income of the subsidiary Tikal RE Fund which, net of the consolidation adjustments, is exempt from income taxes.

The theoretical fiscal charge is also reduced, although to a minor extent, due to the recovery of fiscal losses by some companies of the Group, in particular the subsidiaries Immobiliare Lombarda, for Euro 3,368 thousand, SAILUX for Euro 725 thousand and some direct subsidiaries, against which it was not considered appropriate to accrue, in the respective financial statements, the correlated prepaid taxes.

Similarly, the neutralisation of the impact of the theoretical fiscal charge due to the fiscal difference in the foreign subsidiaries resulted in a tax saving of Euro 9,808 thousand. This change is principally due to a lower corporate tax on income of the Irish Company Lawrence RE and by Sainternational. For the other non resident subsidiaries, amongst which Fondiaria Nederland, the difference between theoretical national income taxes of 33% and the nominal foreign income tax rate was more contained, as the results reported were impacted by some irrelevant tax income components or adjustments due to consolidation entries.

The other differences refer, amongst others, for Euro 3,150 thousand to higher deferred tax asset provisions made by the subsidiary Immobiliare Lombarda and related to the previously mentioned recovery, in the future years, of the fiscal losses realised in previous years, and for Euro 7,235 thousand to deferred tax liabilities utilisation made by the Parent Company against the recalculation of the fiscal gains recorded, allocated following the incorporation of Fondiaria.

Finally, the residual includes the lower tax related to income of the companies in accordance with the transparency regime pursuant to article 115 of Pres. Decree No. 917/1986, for the part attributed to companies external to the Group, net of the higher income tax recorded, by the participating companies, from the IAS adjustments made in accordance with the same transparent regime.

PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

The amount recorded, amounting to Euro 1,080 thousand, refers to the gains realised by the subsidiary Milano Assicurazioni following the sale to third parties of 100% of the investment in Novara Assicura S.p.A. in October 2007.

FURTHER INFORMATION

With reference to the nature of the costs for the year (IAS 1.93), in addition to that already listed in the accounts under “Other costs”, it is reported that the total cost of Group personnel amounts to Euro 427 million (Euro 385 million in 2006).

In particular, the increase is due to the acquisition operations, which increase the consolidation scope, and the stock option plans approved in 2006.

In addition, the positive effect was not considered of approx. Euro 35 million relating to the Employee Leaving Indemnity curtailment recalculated in accordance with the pension reform.

Earnings per share

The earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year. It is reported that the weighted average shares outstanding is reduced by the weighted average treasury shares held by the Fondiaria-SAI Group.

The diluted earnings per share is calculated dividing the net profit for the year, attributed to the ordinary shareholders of the Parent Company by the weighted average number of shares outstanding during the year, adjusted for the dilution effects of the options on the Fondiaria-SAI warrants outstanding and therefore all the potential shares; in the calculation of the diluted earnings, account was not taken of the potential saving shares for the stock option plan in the absence of any dilution effect.

Information is shown below for the calculation of the basic and diluted earnings per share:

| | 2007 | 2006 |
|---|-------------|-------------|
| Net profit attributed to the ordinary shareholders of the Parent Company (Euro thousands) | 424,436 | 409,590 |
| Weighted average number of ordinary shares to calculate the basis earnings per share | 116,116,100 | 117,629,014 |
| Basic earnings per share | 3,66 | 3,48 |
| <u>Effect of the dilution:</u> | | |
| Weighted average number of ordinary shares to calculate the diluted earnings per share | 117,220,852 | 119,877,665 |
| Diluted earnings per share | 3.62 | 3.42 |

The net profit attributable to the ordinary shareholders of the Parent Company is the consolidated net profit attributable to the group less the share of the profits of the Parent Company of the saving shareholders in the assumption, therefore, of full distribution of the result. Up to 2006 based on a different interpretation of the accounting principle, this data was calculated offsetting the consolidated profit attributable to the group of the dividends effectively distributed to the saving shareholders of the Parent Company, as described in detail in the notes; under this assumption the earnings per share would have been Euro 3.94 (Euro 3.70 in 2006) and the diluted earnings per share would have been Euro 3.90 (Euro 3.63 in 2006). The calculation method currently adopted responds to the best practice interpretation.

It is also reported that the net profit attributable to the ordinary shareholders of the Parent Company was adjusted, for the pro-rata quota of the profits of the discontinued operations and that the Warrants had a dilution effect as the average market price of the ordinary shares exceeded their exercise price.

Dividends paid and proposed

Information is provided below in accordance with IAS 1.125a and 1.125b:

| (in Euro thousands) | 2007 | 2006 |
|--|---------|---------|
| <i><u>Declared and paid in the year</u></i> | | |
| Dividends on ordinary shares | 125,172 | 119,359 |
| Dividends on savings shares | 45,563 | 42,678 |
| <i><u>Proposal for approval by the Shareholders' Meeting</u></i> | | |
| Dividends on ordinary shares | 135,907 | 125,172 |
| Dividends on savings shares | 49,031 | 45,563 |

In particular we report, as permitted by article 22 of the company by-laws, to propose to attribute to the directors a profit participation equal to 3% of the net profit for the year (Euro 9.7 million), which includes a “one off” remuneration to some directors, even where not holding specific offices.

It is reported that the dividends amounting to Euro 1.1 per ordinary share and Euro 1.152 per savings shares proposed for approval to the Shareholders' Meeting were not recorded as liabilities at December 31, 2007.

Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares.

Accounting principle IFRS 2 “Share-based payments” requires the recording in the income statement of the implicit cost related to the stock option plans for employees. In the case of the stock options, regulations require that they are recorded in the financial statements for the service received as remuneration of services to the beneficiaries of the stock options - this latter valued at fair value of the options paid.

Consequently, the stock option plans increase personnel costs recorded in the consolidated financial statements; therefore, it was necessary to identify appropriate valuation models to determine the fair value of the options and therefore of the personnel costs in the accounts.

The accounting principles define the valuation criteria of the stock option plans, while the Directors' Report illustrates the principal features of the plans. In accordance with the three differing vesting periods, three different fair value options were calculated. The fair value of the options were calculated with reference to the Black-Scholes model, which in addition to considering information such as exercise price and duration of the option, considers the current price of the shares and the expected volatility, the expected dividends and the risk free interest rate and the specific features of the plan.

The Board of Directors meeting of June 20, 2007 brought forward the vesting period established in the stock option plan regulations. In particular, each option tranche can be exercised one year in advance.

The principal information on which the fair value valuation was made is provided below:

- The nominal value of each option was Euro 1;
- The unit issue price was Euro 21.546 equal to the average arithmetic reference price of the savings share of Fondiaria-SAI recorded on the market in the preceding thirty days to the assignment date of the rights;
- The share price at the assignment date was Euro 22.060;
- The vesting period varies according to the following procedures:
 - 40% of the options are exercisable from July 14, 2007 (12 months from the assignment date);
 - 30% of the options may not be exercised within 24 months of the assignment date;
 - 30% of the options may not be exercised within 36 months of the assignment date;
- The historical volatility of the share price in the most recent period which is normally measured at the expected end of the option. In fact, a regular practice which is often adopted is that to correspond the time period in which the volatility is measured with the time period in which it is applied. In order for uniform values, this calculation was made from January 1, 2003, thus only considering the post-merger period. As there are three vesting periods, there were three historically different volatilities, commencing from the closing price of the saving shares of Fondiaria-SAI:

| | 2 years | 3 years | 4 years |
|------------------------|---------|---------|---------|
| Estimated volatility % | 21.913 | 21.571 | 22.201 |

-
- The dividend yield was equal to the ratio between the value of the dividends and the share price at the launch date. IFRS 2 (Appendix B, paragraph 35) underlines that in this case the historical trend of dividend increases should be considered. As the stock option plan depends on the achievement of some objectives of the 2006/2008 Industrial Plan and among these an expected increase in dividends, this was increased by 25%, in accordance with the increase in the pay-out of the Plan. Therefore the dividend yield was equal to:

| | 2 years | 3 years | 4 years |
|------------------|---------|---------|---------|
| Dividend Yield % | 5.678 | 5.678 | 5.678 |

- The risk free interest rate corresponds to the implicit return currently available on government bonds without coupon (zero-coupon) of countries in which the exercise price is expressed in their currency, with a residual terminal value equal to the expected terminal value of the option (IFRS 2 - Appendix B, paragraph 37). Consequently, three different Annual Euro Swaps were considered depending on the vesting period:

| | 2 years | 3 years | 4 years |
|------------------|---------|---------|---------|
| Risk free rate % | 3.735 | 3.829 | 3.901 |

With reference to the effects on the share-based payment operations on the income statement and balance sheet of the Group, the table below shows the total costs of the Group:

| | No. options granted | Residual life | Option value | Total cost | Cost 2007 |
|--|---------------------|---------------|--------------|-------------------|-------------------|
| Tranche A | 5,178,560 | 0 | 2,792 | 14,460,460 | 10,982,964 |
| Tranche B | 3,883,920 | 1 | 2,708 | 10,516,563 | 5,209,473 |
| Tranche C | 3,883,920 | 2 | 2,809 | 10,908,669 | 3,604,115 |
| Total | 12,946,400 | | | 35,885,692 | 19,796,552 |
| Options granted to the holding company | 2,053,600 | | | | |
| TOTAL | 15,000,000 | | | | |

The costs relating to 2007, amounting to Euro 19.8 million, recorded a strong increase compared to 2006, which amounted to Euro 6.3 million.

This increase is exclusively due to the vesting period brought forward by the Board of Directors on June 20, 2007 (for further details, reference should be made to the Directors' Report).

The costs relating to the options granted to the Directors and to the Management of the Parent Company were recorded in this company.

From an equity viewpoint, as the plan is not a cash-settled plan, the cost recorded in the accounts increases the net equity reserve. The following table shows the option plan at December 31, 2007:

| outstanding at the beginning of the year | granted in the year | cancelled in the year | exercised in the year | expired in the year | outstanding at the end of the year | exercisable at year end |
|--|---------------------|-----------------------|-----------------------|---------------------|------------------------------------|-------------------------|
| 12,946,400 | 0 | 0 | 50,600 | 0 | 12,895,800 | 0 |

Pursuant to article 78 of CONSOB regulation No. 11971 of May 14, 1999 as supplemented, the information required on stock option plans is provided:

Stock options assigned to Executive Directors and Management

| | | OPTIONS HELD AT BEGINNING OF 2007 | | | OPTIONS ASSIGNED DURING 2007 | | | OPTIONS EXERCISED DURING 2007 | | | OPTIONS EXPIRED DURING 2007 | OPTIONS HELD AT THE END OF 2007 | | |
|--|---------------------------------|--------------------------------------|------------------------------|-------------------|---------------------------------|------------------------------|-------------------|----------------------------------|------------------------------|---------------------------------------|--------------------------------|------------------------------------|------------------------------|-------------------|
| Name | Office held | Number of options | Average exercise price | Average expiry | Number of options | Average exercise price | Average expiry | Number of options | Average exercise price | Average market price in year | Number of options | Number of options | Average exercise price | Average expiry |
| Jonella Ligresti | Chairman/Director/EC | 1,900,00 | 21.546 | 2011 | - | - | - | - | - | - | - | 1,900,00 | 21.546 | 2011 |
| Giulia Maria Ligresti | Vice Chairman | | | | | | | | | | | | | |
| | Director/EC | 1,900,00 | 21.546 | 2011 | - | - | - | - | - | - | - | 1,900,00 | 21.546 | 2011 |
| Antonio Talarico | Vice Chairman | | | | | | | | | | | | | |
| | Director/EC | 1,100,00 | 21.546 | 2011 | - | - | - | - | - | - | - | 1,100,00 | 21.546 | 2011 |
| Fausto Marchionni | CEO/Director/General Manager | 1,900,00 | 21.546 | 2011 | - | - | - | - | - | - | - | 1,900,00 | 21.546 | 2011 |
| Gioacchino Paolo Ligresti | Director/EC | 1,900,00 | 21.546 | 2011 | - | - | - | - | - | - | - | 1,900,00 | 21.546 | 2011 |
| Executives with strategic responsibility (a) | | 4.619.000 | 21,546 | 2011 | - | - | - | 1,000 | 21.546 | 26.614 | - | 4.618.000 | 21,546 | 2011 |

(a) the data relating to the “executives with strategic responsibility are shown at aggregated level”

PART D – Segment Information

In accordance with IAS 14, segment information provides the readers of the accounts with an additional tool for a better understanding of the financial results of the Group.

The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.

In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure. The Non-Life sector provides insurance cover as indicated in article 2, paragraph 3 of Legislative Decree. 209/2005. The Life sector on the other hand offers insurance cover with the payment of capital or an annuity against an event relating to human life.

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties.

The Other Activities Sector, by its nature residual, offers products and services in asset management and the agricultural sector. The identification of the residual sector is based on a discretionary valuation in order to illustrate the primary sources of risks and benefits for the Group.

The inter-sector operations are generally concluded on the same conditions with third parties.

Isvap Regulation No. 7/07, considered it appropriate to highlight the Non-Life and Life sectors as a minimum disclosure required for segment reporting.

It is also reported that the geographical breakdown of Group activities in 2007 was prevalently undertaken in the European Union and therefore there are no other geographical sectors which satisfy the requirements of IAS 14 paragraph 69.

The following pages report the balance sheet and income statement by segment:

Balance sheet by sector

(Euro thousand)

| | Non-Life Insurance Sector | | Life Insurance Sector | | Real Estate Sector | | Other Sectors | | Inter-sector Eliminations | | Total | |
|--|---------------------------|------------|-----------------------|------------|--------------------|-----------|---------------|-----------|---------------------------|------------|------------|------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| 1 INTANGIBLE ASSETS | 801.169 | 816.298 | 887.359 | 297.028 | 7.993 | 7.334 | 57.733 | 52.827 | | | 1.754.254 | 1.173.487 |
| 2 PROPERTY, PLANT & EQUIPMENT | 339.523 | 314.622 | 10.683 | 14.583 | 761.015 | 745.237 | 90.667 | 90.204 | -26 | -26 | 1.201.862 | 1.164.620 |
| 3 TECHNICAL RESERVES - REINSURANCE AMOUNT | 699.707 | 684.509 | 205.600 | 211.194 | | | | | | | 905.307 | 895.703 |
| 4 INVESTMENTS | 10.117.000 | 10.899.244 | 25.395.246 | 20.500.486 | 1.230.300 | 1.201.865 | 1.736.615 | 1.577.319 | -458.409 | -366.438 | 38.020.752 | 33.812.476 |
| 4.1 Investment property | 1.106.919 | 1.088.553 | 37.856 | 33.990 | 973.317 | 978.477 | 24.831 | 24.608 | 0 | 0 | 2.142.923 | 2.125.628 |
| 4.2 Investments in subsidiaries, associates and joint ventures | 24.034 | 1.706 | -1.656 | -1.656 | 149.843 | 49.312 | 97.804 | 106.559 | 0 | 0 | 270.025 | 155.921 |
| 4.3 Investments held-to-maturity | | | | | | | | | | | 0 | 0 |
| 4.4 Loans and receivables | 406.123 | 406.888 | 226.399 | 229.056 | 28.881 | 23.029 | 1.130.268 | 1.002.244 | -458.409 | -355.354 | 1.333.262 | 1.305.863 |
| 4.5 Available-for-sale financial assets | 8.228.377 | 9.036.148 | 14.632.156 | 13.556.309 | 73.197 | 147.576 | 401.271 | 327.578 | 0 | 0 | 23.335.001 | 23.067.611 |
| 4.6 Financial assets at fair value through profit or loss | 351.547 | 365.949 | 10.500.491 | 6.682.787 | 5.062 | 3.471 | 82.441 | 116.330 | 0 | -11.084 | 10.939.541 | 7.157.453 |
| 5 OTHER RECEIVABLES | 2.167.857 | 2.308.617 | 249.976 | 249.040 | 122.629 | 112.959 | 134.559 | 130.295 | -100.847 | -154.183 | 2.574.174 | 2.646.728 |
| 6 OTHER ASSETS | 526.738 | 632.823 | 531.334 | 677.000 | 16.568 | 20.894 | 22.315 | 32.937 | -274.585 | -556.328 | 822.370 | 807.326 |
| 6.1 Deferred acquisition costs | 273.336 | 301.350 | 17.181 | 19.622 | | | | | | | 290.517 | 320.972 |
| 6.2 Other assets | 253.402 | 331.473 | 514.153 | 657.378 | 16.568 | 20.894 | 22.315 | 32.936 | -274.585 | -556.328 | 531.853 | 486.353 |
| 7 CASH AND CASH EQUIVALENTS | 350.167 | 253.680 | 326.258 | 312.498 | 89.827 | 75.897 | 126.330 | 218.348 | -191.387 | -137.391 | 701.195 | 723.032 |
| TOTAL ASSETS | 15.002.161 | 15.909.793 | 27.606.456 | 22.261.829 | 2.228.332 | 2.164.186 | 2.168.219 | 2.101.930 | -1.025.254 | -1.214.366 | 45.979.914 | 41.223.372 |
| 1 SHAREHOLDERS' EQUITY | | | | | | | | | | | 5.170.935 | 5.054.542 |
| 2 PROVISIONS | 198.284 | 207.054 | 14.971 | 13.599 | 17.743 | 11.193 | 5.157 | 4.830 | | | 236.155 | 236.676 |
| 3 TECHNICAL RESERVES | 11.605.681 | 11.661.887 | 19.737.383 | 15.275.790 | | | | | | -11.084 | 31.343.064 | 26.926.593 |
| 4 FINANCIAL LIABILITIES | 976.604 | 1.072.113 | 5.543.149 | 5.204.752 | 396.215 | 380.731 | 915.230 | 906.824 | -645.511 | -484.525 | 7.185.687 | 7.079.895 |
| 4.1 Financial liabilities at fair value through profit or loss | 33.365 | 153.503 | 4.951.726 | 4.624.354 | | | 46.362 | 64.175 | | | 5.031.453 | 4.842.032 |
| 4.2 Other financial liabilities | 943.239 | 918.610 | 591.423 | 580.398 | 396.215 | 380.731 | 868.868 | 842.649 | -645.511 | -484.525 | 2.154.234 | 2.237.863 |
| 5 PAYABLES | 753.163 | 731.629 | 245.790 | 189.902 | 77.949 | 83.748 | 168.308 | 227.871 | -103.585 | -163.731 | 1.141.625 | 1.069.419 |
| 6 OTHER LIABILITIES | 657.445 | 918.396 | 419.038 | 419.209 | 46.128 | 36.582 | 55.969 | 37.060 | -276.132 | -555.000 | 902.448 | 856.247 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | | | | | | | 45.979.914 | 41.223.372 |

GRUPPO FONDIARIA-SAI

FONDIARIA - SAI GROUP Segment P&L

(thousands of euro)

| | | Non Life Business | | Life Business | | Property Segment | | Other Activities Segment | | Intersegmental Elisions | | Total | |
|----------|---|-------------------|------------------|------------------|------------------|------------------|----------------|--------------------------|----------------|-------------------------|-----------------|-------------------|-------------------|
| | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| 1.1 | Net Retained Premium | 6.958.179 | 7.003.653 | 4.542.894 | 2.646.185 | 0 | 0 | 0 | 0 | 0 | 0 | 11.501.073 | 9.649.838 |
| 1.1.1 | Gross premiums written | 7.263.968 | 7.316.233 | 4.564.123 | 2.670.473 | | | | | | | 11.828.091 | 9.986.706 |
| 1.1.2 | Outwards reinsurance | -305.789 | -312.580 | -21.229 | -24.288 | | | | | | | -327.018 | -336.868 |
| 1.2 | Commissino income | | | 64.685 | 50.528 | | | 56.267 | 26.434 | -1.355 | -463 | 119.597 | 76.499 |
| 1.3 | Net income on financial instruments at fair value through profit and loss | -41.541 | 45.117 | -218.024 | 32.176 | -7 | 15 | 4.271 | 3.388 | -424 | -429 | -255.725 | 80.267 |
| 1.4 | Income from subsidiaries, associates and joint ventures | 100 | -310 | 22.507 | 12.826 | 2.561 | 2.541 | 3.888 | 4.443 | 0 | | 29.056 | 19.500 |
| 1.5 | Income from other financial instruments and investment property | 567.713 | 404.446 | 727.791 | 640.057 | 107.617 | 59.271 | 108.249 | 81.664 | -45.515 | -49.041 | 1.465.855 | 1.136.397 |
| 1.6 | Other revenues | 228.331 | 172.405 | 51.414 | 18.616 | 95.050 | 92.427 | 308.805 | 287.845 | -201.910 | -170.347 | 481.690 | 400.946 |
| 1 | TOTAL REVENUES | 7.712.782 | 7.625.311 | 5.191.267 | 3.400.388 | 205.221 | 154.254 | 481.480 | 403.774 | -249.204 | -220.280 | 13.341.546 | 11.363.447 |
| 2.1 | Net charges relating to claims | 4.895.589 | 4.936.188 | 4.464.570 | 2.898.068 | 0 | 0 | 0 | 0 | -424 | -429 | 9.359.735 | 7.833.827 |
| 2.1.1 | Amounts paid and change in technical reserves | 5.151.613 | 5.096.273 | 4.487.910 | 2.922.330 | | | | | -424 | -429 | 9.639.099 | 8.018.174 |
| 2.1.2 | Reinsurers' share | -256.024 | -160.085 | -23.340 | -24.262 | | | | | | | -279.364 | -184.347 |
| 2.2 | Commission expense | | | 49.811 | 28.782 | | | 20.966 | 10.978 | | -6 | 70.777 | 39.754 |
| 2.3 | Charges relating to subsidiaries, associates and joint ventures | 595 | | 3 | 49 | 4.948 | 5 | 11 | | -20 | | 5.537 | 54 |
| 2.4 | Chargers relating to other financial instruments and investment property | 153.107 | 129.608 | 133.769 | 82.206 | 60.295 | 50.168 | 45.742 | 40.831 | -41.433 | -45.026 | 351.480 | 257.787 |
| 2.5 | Management expense | 1.506.354 | 1.431.051 | 291.463 | 155.480 | 270 | 266 | 71.163 | 57.614 | -1.130 | -133 | 1.868.120 | 1.644.278 |
| 2.6 | Other costs | 494.917 | 443.208 | 93.940 | 44.897 | 103.432 | 84.507 | 307.619 | 280.937 | -206.217 | -174.686 | 793.691 | 678.863 |
| 2 | TOTAL COSTS AND CHARGES | 7.050.562 | 6.940.055 | 5.033.556 | 3.209.482 | 168.945 | 134.946 | 445.501 | 390.360 | -249.224 | -220.280 | 12.449.340 | 10.454.563 |
| | PROFIT (LOSS) FOR THE YEAR BEFORE TAX | 662.220 | 685.256 | 157.711 | 190.906 | 36.276 | 19.308 | 35.979 | 13.414 | 20 | 0 | 892.206 | 908.884 |

PART E – Financial risk management

Objectives and criteria

The financial instruments of the Group prevalently include debt and equity securities, represented by bonds, equities and mutual funds. In addition, there are bank current and deposit accounts and receivables from policyholders, agents and other brokers. There are also financial instruments which derive from the exercise of the operating activities of the insurance and reinsurance companies; the substantial inversion of the monetary cycle in the sector is noted.

In relation to the Group insurance companies, both in the Non-Life and Life sectors, similar financial instruments are utilised to guarantee compliance with the commitments matured and in the course of maturation with the policyholders. In particular, the financial instruments represented by equities are principally to cover the technical reserves in accordance with the criteria and procedures required by the Supervision Authority with specific regulations.

The principal risks generated from the financial instruments are: the interest rate risk, the liquidity risk, the exchange risk, the credit risk and the market price risk (fair value). The Board of Directors of the Parent Company periodically examines and establishes the risk management policies.

The limits of these risk categories are not always well defined, nor do they form an exhaustive list of all the possible risks that an institution in the financial environment encounters.

The Group has therefore developed over the years a mapping project and estimate of the financial risks. The project arises from the need to provide adequate support to the managerial and financial choices, in terms of asset allocation. From an operational viewpoint, this monitoring is assisted by the fact that the Finance Department and the Risk Management Department operate at a centralised level.

Market risk, interest risk and V.a.R.

The market risk represents a risk in the change of the value of the financial position due to changes in the value of the underlying components on which these depend, such as equities, bonds, exchange rates, commodities, etc.

The Group exposure to the market risk for the changes in interest rates principally relates to debt securities held and in particular those of long maturities. In order to limit this risk, the Group utilises a balanced mix between fixed income securities and variable rates.

The Group monitoring system provides for the valuation of the risk of change in interest rates and market risks in the portfolio and are measured by the “Value at Risk” (V.a.R.).

Through this measure, the loss in the value of the in-force portfolio is estimated, against sensitive fluctuations of risk factors in a predetermined time period and with a predetermined level of the probability of a damaging event occurring.

The VaR is probably the most used risk measure by financial institutions thanks to its generality and versatility, which permits:

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

The profile of the risk portfolio of the assets is also determined by the structure of the liability, which these securities hedge.

From an operational viewpoint, in the Life Division the sensitivity of the value of the reserves to changes in interest rate is determined, whose measurement provides the change in the value of the portfolio for a determined change of one of the underlying risk factors. Subsequently the hedged asset portfolio is structured in order to have sensitivity in line with the risk value.

In relation to the hedged assets of the Non-Life reserves, these are chosen based on the portfolio asset allocation, taking into account the expected evolution of the claims settlements to which the reserves refer.

With particular reference to the subsidiary Finitalia, a Group company dedicated to the provision of consumer credit, the constant monitoring of the interest rate, a specific attention to future trends, the monitoring of the composition of the credit portfolio (consisting for over 56% of short term credit, of which almost 50% within 12 months) and the synergies with the Parent Company in relation to funding, permit prompt action in relation to the market trend.

AFS Financial instruments – Sensitivity analysis of the bond component (bonds, bond funds) by maturity

| | Composition % | Duration | VaR interest % | VaR Exchange % | Sensitivity rate % | Sensitivity shift % |
|----------------------------|------------------|-------------|-------------------|-------------------|-----------------------|------------------------|
| Government Euro | 88.14 | 4.40 | 0.64 | 0.00 | (2.22) | (0.04) |
| Variable rate | 13.58 | 0.47 | 0.00 | 0.00 | (0.40) | 0.00 |
| Fixed rate | 74.56 | 5.12 | 0.76 | 0.00 | (2.55) | (0.05) |
| 0.0 <= 1.5 | 23.74 | 0.73 | 0.06 | 0.00 | (0.67) | (0.01) |
| 1.5 <= 3.0 | 11.76 | 2.03 | 0.45 | 0.00 | (1.72) | (0.02) |
| 3.0 <= 5.5 | 7.90 | 3.58 | 0.80 | 0.00 | (2.67) | (0.03) |
| 5.5 <= 7 | 3.83 | 5.55 | 1.11 | 0.00 | (3.52) | (0.05) |
| >7 | 27.33 | 10.63 | 1.43 | 0.00 | (4.36) | (0.10) |
| Corporate Euro | 10.69 | 3.72 | 0.70 | 0.00 | (2.27) | (0.04) |
| Variable rate | 2.17 | 0.20 | 0.00 | 0.00 | (0.19) | 0.00 |
| Fixed rate | 8.51 | 4.62 | 0.88 | 0.00 | (2.80) | (0.05) |
| 0.0 <= 1.5 | 1.54 | 0.97 | 0.15 | 0.00 | (0.89) | (0.01) |
| 1.5 <= 3.0 | 1.40 | 2.11 | 0.47 | 0.00 | (1.77) | (0.02) |
| 3.0 <= 5.5 | 2.37 | 4.09 | 0.92 | 0.00 | (2.92) | (0.04) |
| 5.5 <= 7 | 1.18 | 5.48 | 1.17 | 0.00 | (3.50) | (0.05) |
| >7 | 2.04 | 8.83 | 1.51 | 0.00 | (4.24) | (0.09) |
| Bond funds | 0.77 | 2.32 | 0.48 | 0.00 | (1.74) | (0.02) |
| Fixed rate | 0.77 | 2.32 | 0.48 | 0.00 | (1.74) | (0.02) |
| 0.0 <= 1.5 | 0.36 | 0.43 | 0.00 | 0.00 | (0.41) | 0.00 |
| 1.5 <= 3.0 | 0.03 | 1.90 | 0.42 | 0.00 | (1.64) | 0.00 |
| 3.0 <= 5.5 | 0.38 | 4.12 | 0.93 | 0.00 | (3.00) | (0.04) |
| Government Non Euro | 0.28 | 3.16 | 0.34 | 2.72 | (1.77) | (0.04) |
| Fixed rate | 0.28 | 3.16 | 0.34 | 2.72 | (1.77) | (0.04) |
| 0.0 <= 1.5 | 0.16 | 0.76 | 0.01 | 2.91 | (0.72) | 0.00 |
| 1.5 <= 3.0 | 0.03 | 2.33 | 0.40 | 2.24 | (1.74) | 0.00 |
| 3.0 <= 5.5 | 0.01 | 4.09 | 0.49 | 2.71 | (3.37) | 0.00 |
| 5.5 <= 7 | 0.00 | 5.55 | 0.71 | 3.04 | (4.39) | 0.00 |
| >7 | 0.08 | 8.20 | 0.93 | 2.57 | (3.60) | 0.00 |
| Corporate Non Euro | 0.13 | 1.43 | 0.08 | 2.16 | (1.26) | (0.07) |
| Variable rate | 0.02 | 0.11 | 0.00 | 2.52 | (0.11) | 0.00 |
| Fixed rate | 0.11 | 1.64 | 0.11 | 2.11 | (1.45) | 0.00 |
| 0.0 <= 1.5 | 0.06 | 0.79 | 0.00 | 1.93 | (0.75) | 0.00 |
| 1.5 <= 3.0 | 0.02 | 2.10 | 0.18 | 2.40 | (1.88) | 0.00 |
| 3.0 <= 5.5 | 0.02 | 3.46 | 0.83 | 2.32 | (2.87) | 0.00 |
| Total | 100.00 | 4.30 | 0.63 | 0.01 | (2.22) | (0.04) |

The table above illustrates the consolidated bond portfolio “Available-for-sale” (AFS) divided by maturity between government and corporate securities.

The securities in foreign currencies are aggregated in a “non Euro” segment.

The financial duration of the securities is also shown, as well as the Value at Risk (VaR).

The Value at Risk indicates the maximum loss to which the portfolio is subjected, with a time period of 10 days, and a probability level of 99.5%.

For the securities in foreign currencies, the component of risk relating to the exchange is shown in the column “VaR Exchange %”.

The duration index is the duration of Macaulay expressed in years.

The sensitivity measure of the rate indicates the change relating to the value against a change in the short-term interest rates equal to 100 base points.

The change over the entire structure of the interest rates is defined and estimated by a stochastic method and reduces on the increase in the maturity period.

The risk of changes in the interest rate is also represented by percentage changes of the price of the securities for a uniform change of one base point on the entire curve for interest rate maturities (as illustrated in the column "Sensitivity Shift").

The potential profitability of the portfolio is summarised by the immediate return calculated as a percentage between the coupon revenue streams and the price at the preparation date.

With reference to the above table, it is interesting to note the exposure of approx. 96% of the listed bond portfolio of the Group to the movement of market rates.

The analysis by category of investments, which shows that a decrease of 50 basis points in the interest rate would have a positive effect on the total fair value of the portfolio for a total amount of approx. Euro 394 million is illustrated below. This amount increases to approx. Euro 815 million for a decrease in the interest rate of 100 b.p.

On the other hand, an increase of 50 b.p. of the interest rate of the same size would result in a negative effect for a total amount of approx. Euro 370 million. The negative effect would increase to approx. Euro 718 million for an increase in interest rates of 100 b.p.

Interest rate risk

| (Euro millions) | Total Fair Value | Composition % | 31/12/2007 | | | |
|---------------------|------------------|---------------|---------------------|---------------------|----------------------|----------------------|
| | | | Decrease of 50 b.p. | Increase of 50 b.p. | Decrease of 100 b.p. | Increase of 100 b.p. |
| Government Euro | 16,387.22 | 88.14 | 354.21 | (331.72) | 733.27 | (643.06) |
| Corporate and Funds | | | | | | |
| Euro Bonds | 2,129.67 | 11.45 | 38.94 | (37.39) | 79.51 | (73.32) |
| Non Euro Area | 76.24 | 0.41 | 0.97 | (0.94) | 1.99 | (1.84) |
| Total | 18,593.13 | 100.00 | 394.12 | (370.05) | 814.77 | (718.22) |

For comparative purposes, the similar table relating to the sensitivity values as reported in the previous year (approx. 94% of the listed bond portfolios of the Group) is shown below.

| (€ million) | Total Fair Value | Composition % | 31/12/2006 | | | |
|---------------------|------------------|---------------|---------------------|---------------------|----------------------|----------------------|
| | | | Decrease of 50 b.p. | Increase of 50 b.p. | Decrease of 100 b.p. | Increase of 100 b.p. |
| Government Euro | 15,749.7 | 89.65 | 347.3 | (324.4) | 720.0 | (628.3) |
| Corporate and Funds | | | | | | |
| Euro Bonds | 1,730.0 | 9.85 | 36.6 | (34.9) | 75.1 | (68.2) |
| Non Euro Area | 88.5 | 0.50 | 1.3 | (1.3) | 2.7 | (2.5) |
| Total | 17,568.2 | 100.00 | 385.2 | (360.6) | 797.8 | (699.0) |

AFS Financial Instruments- Analysis of the values and of the Value at Risk

| Type | Currency | Composition % | VaR interest/price % | VaR Exchange % | VaR Total % |
|--------------------------------|----------------|---------------|-------------------------|-------------------|----------------|
| Shares | US Dollar | 0.02 | 9.52 | 3.04 | 12.57 |
| | Euro | 14.30 | 7.49 | 0.00 | 7.49 |
| | Swiss Franc | 0.13 | 7.24 | 1.92 | 9.16 |
| | UK Sterling | 0.19 | 8.89 | 2.67 | 11.56 |
| | Japanese Yen | 0.01 | 13.72 | 5.08 | 18.80 |
| | Swedish Corona | 0.01 | 15.37 | 2.41 | 17.77 |
| Total listed Shares | | 14.67 | 7.52 | 0.06 | 7.58 |
| Bond funds | Euro | 1.30 | 0.52 | 0.00 | 0.52 |
| Bonds | US Dollar | 0.16 | 0.14 | 3.09 | 3.23 |
| | Euro | 80.65 | 0.65 | 0.00 | 0.65 |
| | Swiss Franc | 0.13 | 0.14 | 1.94 | 2.09 |
| | Japanese Yen | 0.00 | 0.32 | 5.09 | 5.41 |
| | UK Sterling | 0.05 | 0.92 | 2.71 | 3.63 |
| Total Securities | | 82.28 | 0.64 | 0.01 | 0.65 |
| Shares | Euro | 2.18 | 2.93 | 0.00 | 2.93 |
| Total non-listed Shares | | 2.18 | 2.93 | 0.00 | 2.93 |
| Other assets | US Dollar | 0.00 | 1.70 | 3.05 | 4.75 |
| | Euro | 0.87 | 1.74 | 0.00 | 1.74 |
| Total | | 100.00 | 1.71 | 0.02 | 1.73 |

Note:

Identification of market data utilised : Market data at 31/12/2007.

The Value at Risk is calculated at a probability level of 99.5%, with an unwinding period di 10 working days.

The VaR t./p. expresses the VaR rate for the bond sector and the VaR price for the equity sector.

The above table shows the analysis of the AFS portfolio divided by type of investment, or rather equity, listed bonds, listed and non-listed investment funds.

In order to measure the total exposure to the bond and equity risk the VaR of the portfolio is calculated with the same parameters utilised in the table “Sensitivity analysis of the bond component”; in this report, the non-listed shares were prudently attributed the risk of listed Italian shares (Mibtel). It is recalled that the hedging operations on equities realised through derivatives are summarised in the report and reduce the total risk of the equity portfolio.

Risk Capital of the Life Sector

Within the risk management, the risk capital measures the capital absorbed by the business in terms of “maximum potential loss”, determining the loss of capital for the shareholder and impacting, therefore, the valuation of the value created, the profitability indices and the reputation of the listed company in terms of rating.

During 2007, an analysis was undertaken on the Life portfolio of the insurance companies of the Fondiaria-SAI Group, which examined both the financial risk capital and the technical risk capital. The interest rate risk and the equity risk were prevalently valued among the financial risk capital, while for the technical risks the mortality risk and the risk of redemption and reductions was examined.

It is interesting to note that, on the prevalence of the Life actuarial reserves of the Group analysed, the total capital absorbed in terms of financial and technical risk capital was approx. 1.96%. The effect of any change of this magnitude on the Life reserves would have an impact on the Group Net Equity of approx. 5.7%.

The valuation of the financial component of the Life policies was conducted utilising a process based on the stochastic market model that, through numeric techniques (such as the “Monte-Carlo” simulation) and analytical valuations, calculates the reserve values and “market consistent” minimum guarantees, within the “put composition” and the “call composition”.

The interest rate and equity capital risk are calculated within a logic of asset liability management, jointly considering the effects of the equity component and the sensitivity of the interest rate on the portfolio of the reserves and on the portfolio of the assets hedged. Finally we report that the risk capital is estimated with a VaR logic, on a one year time period with a confidence level of 99.5%. They are then compared to the solvency capital (SCR) required by the “Solvency II” regulations.

Currency risk

The Group does not have significant exposure to exchange risk. In fact, the major part of the investments in financial instruments is denominated and/or repaid in Euro, which is both the functional currency and the presentation currency. Relating to the financial instruments denominated in currencies other than the Euro, the Group invests prevalently in US Dollars, Swiss Francs and UK Sterling.

In relation to this, there is a substantial equilibrium between assets denominated in foreign currencies and related liabilities, in turn denominated in the same currency, in that a large part of these investments are covered by commitments to life policyholders (in particular related to separated management in foreign currencies).

At least monthly, the Group monitors the exposure of the currency in order to record in a timely manner the presence of critical areas and situations which would require corrective intervention - among which is the agreement of hedging contracts.

Credit risk

The credit risk represents the risk that, within the credit operations, the debtor absolves, only in part, the repayment of the capital and interest.

The credit risk, consequent of holding bond securities, is estimated based on the valuation models of the risk of loss in value of the portfolio following movements in the prices of the securities and possible defaults of the issuers on the securities.

As illustrated in the table “Sensitivity analysis of the bond component” the bond portfolio is composed by over 88% of government securities, prevalently issued by the Italian state and marginally by other countries in the OCSE.

In addition, the breakdown by rating class of the “corporate” bond portfolio illustrates the investment in the highest credit rating classes.

At Group level, it is reported that the receivables from policyholders for premiums, agents and other brokers, as well as receivables from insurance and reinsurance companies, do not present significant risk concentrations, as the credit exposure is divided among a large number of counterparties and clients. Moreover, the collection of receivables is constantly monitored during the year in order to minimise the exposure to losses.

In relation to reinsurers, the choice made refers to the quality and solvency of the counterparties, with reference, in the choice, to the rating assigned by Standard & Poor’s.

In relation to the Group companies operating in the banking sector, the credit risk is contained through constant monitoring of the quality of the counterparty banks.

On the other hand, the customer receivables are prevalently covered by secured guarantees in accordance with prudent margins. The internal control system reports in a timely matter the exposures not covered.

Finally, with reference to the real estate sector, following the credit valuations, requests are made for guarantees, sureties or deposits, from the operators or buyers in the real estate transactions.

Credit delinquency risk

With particular reference to the management of risk by the companies of the Group operating in the consumer credit sector, for a number of years Finitalia S.p.A. has utilised, with excellent results, a multi-screening method.

The credit management process relating to the assumption, monitoring and credit recovery is in fact outlined in the Group's "Risk Assumption and Management Regulation", constantly updated and presented to the Board of Directors.

In detail:

- The credit risk control function has the responsibility, in agreement with senior management, to undertake the necessary improvements in the valuation phase of the credit worthiness, monitoring the relative effectiveness, also through the utilisation of a Group databank and external data.
- The "assumption" function is undertaken by the loans office based on the directives issued in the specific internal regulation sections, which illustrate the guidelines for the analysis of loans.
- The positions are processed and analysed through semi-automated procedures and the relative decisions are made by the personnel in charge based on the levels of authority delegated.
- Late payments are monitored by the credit recovery office which, based on the delay periods, undertakes specific action in accordance with the internal regulations. The solicitation actions taken are by post and telephone for small delays and house visits and legal procedures for more risky positions.
- Periodically, the credit portfolio is segmented into uniform classes and analysed to verify the trend, the size and value of any adjustments to be applied. All of this is made in relation to historical data.

Composition of the Corporate portfolio

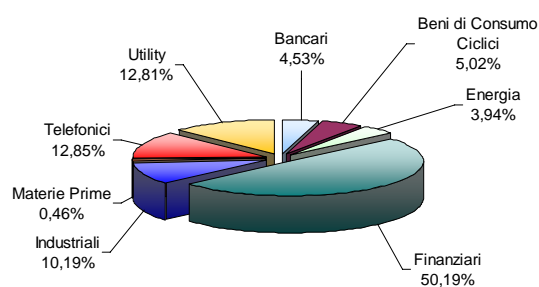
The graphs below show the composition of the corporate portfolio Available-For-Sale of the Group.

The analysis is divided by industrial sector of the issuer and by corporate rating of the issuer. The Government securities are excluded from the analysis and represent 89.05% of the portfolio for Fondiaria-SAI representing 89.65% of the portfolio; for Milano Assicurazioni they represent 88.74% of the portfolio.

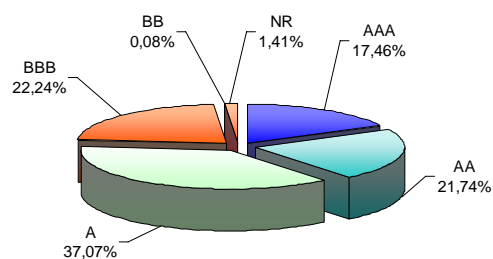
An overview of the portfolios analysed is made through graphs and histograms, whose fundamental risks (in terms of exposure) are identified by the principal issuers in the most important sectors. It is recalled exposure refers to the estimated loss in the case of insolvency of the issuer, taking into account the "recovery rate" estimated for each rating.

Composition of the Corporate portfolio of the Fondiaria-SAI Group (*)

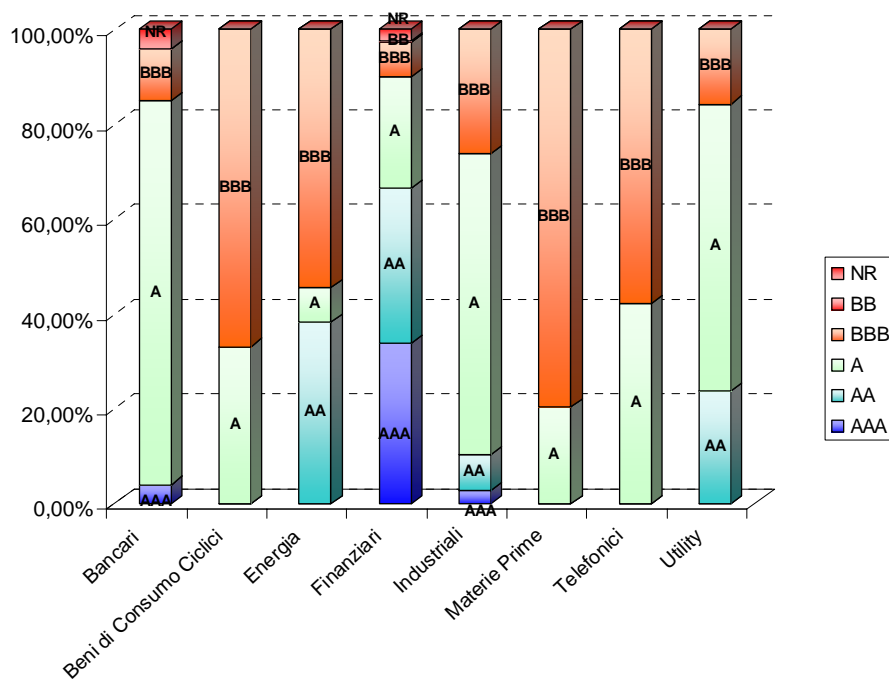
Composizione Titoli Corporate per Settore Economico



Composizione Titoli Corporate per Classe di Rating



Composizione Settori Corporate per Classe di Rating (%)



(*)excluding Government securities

Liquidity risk

The liquidity risk is the risk that the Group may have difficulty in sourcing funds for its financial commitments.

The objective of the Group is to have a balance between the maintaining of monetary credit lines capable of covering in a timely manner any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

The management of the liquidity risk is undertaken at a centralised level of the financial resources in accordance with the Treasury model of the Group and in the utilisation of cash pooling techniques and instruments.

Given the nature of the activities undertaken by the companies of the Group, and given the Treasury management procedures, the liquidity risk is controlled through the programmed management of the cash flows substantially on a ten year period, attempting to coincide the most significant cash outgoings with the returns from agencies and making available the excess funds compared to the treasury needs daily to the Finance Department.

The excess liquidity compared to the obligations of the Finance Department are used by the Treasury in restricted 24 hour deposit accounts (so-called “time deposits”) and are consequently available within a period of 48 hours. As a further safeguard, in the case of particular emergencies for funds and urgent necessity, the Treasury holds at the Group Bank funds available to meet these operations up to a maximum of Euro 45 million.

To maintain a high financial solidity in the short and long term, the Group constantly undertakes a careful analysis of its cash flows, in a particular manner for the financial liabilities, with exclusion of those where the investment risk is borne by the life policyholders (summarised elsewhere), shown below in a table divided into different maturity periods:

FINANCIAL LIABILITIES

(Euro millions)

| | 31/12/2007 |
|--------------------|--------------|
| up to 1 year | 881 |
| from 1 to 5 years | 495 |
| from 6 to 10 years | 23 |
| over 10 years | 821 |
| Total | 2,220 |

In relation to the insurance liabilities of the life sector, the Group considers the impact on the expected profitability of all the incoming and outgoing funds and in a particular manner those relating to redemptions. In fact, the assumptions utilised for the construction of the product tariffs and for the valuation of amounts and risks, are periodically updated with the effective observations on the expected outgoings.

The table below shows the amounts of the reserves of the direct business of the life segment divided by contractual maturities. For the contracts without maturity (annuities and entire life contracts), an expected date was considered for the outgoing in line with the assumptions utilised for the valuation of the embedded value.

INSURANCE LIABILITIES OF THE LIFE SECTOR AND DEPOSIT ACCOUNTING

(Euro millions)

| | 31/12/2007 |
|--------------------|---------------|
| up to 1 year | 2,420 |
| from 1 to 5 years | 12,879 |
| from 6 to 10 years | 5,236 |
| over 10 years | 4,256 |
| Total | 24,791 |

The total, which refers to the direct business, includes actuarial reserves where the investment risk is borne by the policyholders and from the management of pension funds for Euro 4,559 million (Euro 1,126 million at December 31, 2006), liabilities from financial contracts issued by insurance companies for which the investment risk is borne by the policyholders for Euro 4,773 million (Euro 4,472 million at December 31, 2006), and from the management of the pension funds for Euro 177 million (Euro 152 million at December 31, 2006) and deposit accounting for Euro 16 million (Euro 13 million at December 31, 2006).

Also included is the reserve for sums to pay equal to Euro 279 million at December 31, 2007 (Euro 206 million at December 31, 2006), which by its nature has a residual maturity substantially at one year.

In relation to the non-life sector, the table below shows the amounts of the claims reserves and the gross direct premium reserve by maturity. The total reserves are shown by duration in proportion to the expected cash flows for each interval shown.

INSURANCE LIABILITIES OF THE NON-LIFE SECTOR

(Euro millions)

| | 31/12/2007 |
|--------------------|---------------|
| up to 1 year | 6,075 |
| from 1 to 5 years | 3,951 |
| from 6 to 10 years | 1,034 |
| over 10 years | 434 |
| Total | 11,494 |

The total includes the premium reserve for Euro 2,618 million (Euro 2,563 million at December 31, 2006), the claims reserves for Euro 8,862 million (Euro 8,950 million at December 31, 2006) and the other technical reserves represented by the ageing reserve of the health class for Euro 14 million (Euro 11 million at December 31, 2006).

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity requires that the utilisation of derivative financial instruments are regulated in accordance with Supervision Authority Provision No. 297/1996.

In particular, the above-mentioned Provision provides that operations in derivative financial instruments with the purpose of managing so-called efficiency are contained at a tolerable level of the available solvency margin. In this context it is reported that the operations of the Group in derivative financial instruments are prevalently based on fair value hedges of some significant investments classified as available-for-sale, and to the containment of the interest rate risk on some liability operations.

Hedging contracts

Against the first type (fair value hedge of significant investments), the Group prepared the relative hedging reports, which illustrate the high effectiveness of the hedges.

The loading value at December 31, 2007 of the above-mentioned derivatives and the consequent adjustment to fair value of the Available-For-Sale shares by Company are listed below.

| (in Euro thousands) | Assets for hedging contracts | Liabilities for hedging contracts | AFS Shares Hedged |
|-----------------------------|------------------------------|-----------------------------------|-------------------|
| Fondiaria-SAI S.p.A. | 29,385 | 16,973 | (12,412) |
| Milano Assicurazioni S.p.A. | 7,621 | 16,322 | 8,701 |
| Total | 37,006 | 33,295 | (3,711) |

The carrying value of the hedged assets was adjusted to the fair value changes through profit or loss. The gains and losses deriving from fair value measurement of the hedge derivatives are also recognised in the income statement.

For the year 2007, relating to Fondiaria-SAI, against write-downs of Euro 85,476 thousand of the shares hedged, revaluations were made for a similar amount of the hedged derivatives. In addition, following the partial elimination of the hedge during 2007 there was a decrease in the derivative liabilities of Euro 47,855 thousand against sales of Unicredito shares, Euro 8,057 thousand against Monte dei Paschi shares and the realisation of the receivable for Euro 1,013 thousand against the closure of the hedged derivatives on RCS Mediagroup ordinary shares.

In relation to Milano Assicurazioni, against net revaluations for Euro 18,363 thousand of the shares hedged, write-downs were made of a similar amount on the derivatives hedged.

The impacts on the consolidated income statement was zero against the appreciation or depreciation of the hedged financial instruments recording respectively a gain or loss of a similar amount for the derivative hedged.

Against the second type of cover the Group signed Interest Rate Swap agreements to manage the risks deriving from changes in interest rates on the debt exposure with banks, converting a part of these loans from variable interest rate to fixed interest rate. These derivative financial instruments are recorded as assets when the fair value is positive, and as liabilities when negative. This fair value is periodically re-measured.

The fair value of the derivative financial instruments represents the present value of the cash flows that the company expects to receive from the contract. These changes in value are recorded against a net equity reserve and released subsequently to the income statement in order to neutralise the effects of the operation. The part of gains or losses associated to the derivative hedged instrument which equals the absolute value of the fair value changes of the expected cash flows, being considered an effective hedge (range 80%-125%), must be recorded directly in equity; the ineffective portion of the gain or loss on the hedge instrument must be recognised in the income statement if this relates to overhedging. If on the other hand the excess of value is from the instrument hedged (underhedging), the entire fair value change recorded for the derivative must be recorded in net equity.

Where it is considered that the future transaction will not take place, all the components of gains and losses allocated to net equity must be immediately recognised in the income statement.

At the present moment there are contracts for a notional value of approx. Euro 379 million (Euro 394 million at December 31, 2006).

At the reporting date, the fair value of the IRS was estimated at around Euro 6.1 million. These derivative instruments are designated as future cash flow hedge instruments.

In fact, the five derivative contracts and the underlying financial instruments have the same amount, maturity, currency and interest rate. Consequently the hedge was highly effective.

In detail, the IRS operations at December 31, 2007 are as follows:

(in Euro thousands)

| Company | Notional | Maturity | Fixed rate % | Variable rate | Fair value at 31/12/2007 |
|----------------------|----------|-----------|--------------|------------------------|--------------------------|
| Fondiaria-SAI | 200,000 | 23-lug-13 | 3.970 | Euribor 6 mths Act/360 | 2,656 |
| Tikal | 50,000 | 31-dic-09 | 3.160 | Euribor 6 mths Act/360 | 1,007 |
| Tikal | 58,000 | 31-dic-09 | 3.120 | Euribor 6 mths Act/360 | 1,225 |
| Immobiliare Lombarda | 35,714 | 31-dic-12 | 3.770 | Euribor 6 mths 30/360 | 560 |
| Immobiliare Lombarda | 35,714 | 31-dic-12 | 3.695 | Euribor 6 mths 30/360 | 628 |

Non-hedging contracts:

The Group does not undertake derivative contracts on currencies to hedge transactions and future cash flows, in that the currency risk exposure overall is immaterial and is covered through the mechanism of natural hedges between assets and liabilities in foreign currencies.

In relation to the non hedging derivative contracts, the Group during the year signed Range Accrual Swap contracts for a positive value on the Income Statement of Euro 30 million.

At December 31, 2007, the Group had the following Range Accrual Swaps:

(in Euro thousands)

| Company | Notional | Maturity | Counterparty | Fair value at 31/12/2007 |
|----------------------------|----------|-----------|--------------|--------------------------|
| Fondiaria-SAI | 10,000 | 04-set-08 | Banca Akros | -312 |
| Milano Assicurazioni S.p.a | 10,000 | 04-set-08 | Banca Akros | -312 |

With these contracts the counterparties received Euribor 3 months with a cap of 10% and pay Euribor 3 months increased by 285 basis points considering the contractual duration and only for the days in which the difference between the Euribor 12 months and Euribor 3 months is positive.

During the year the Group agreed Credit Default Swap contracts to protect the risks of insolvency of counterparty issuers of financial instruments acquired by the Group.

The cost of these hedges, relating to the current year, amounted to Euro 546 thousand for Fondiaria-SAI, Euro 271 thousand for Milano Assicurazioni and Euro 277 thousand for Po Vita (Euro 553 thousand at 50%), which were recorded in the Income Statement of the year. In any case it is reported, also considering the limited cost of the hedging, that the issuers of the financial instruments subscribed by the Group are primary financial operators of international standing.

At the year-end, the following credit swap defaults remain open:

(in Euro thousands)

| Company | Notional | Maturity | Counterparty | Issuer hedged | Cost |
|-----------------------------|----------|-----------|------------------------|-----------------|-----------------|
| Fondiaria-SAI S.p.A. | 31,500 | 20-set-09 | Morgan Stanley | Telecom Italia | 47 bps per year |
| Fondiaria-SAI S.p.A. | 15,000 | 20-set-09 | Jp Morgan | Telecom Italia | 47 bps per year |
| Fondiaria-SAI S.p.A. | 10,000 | 20-dic-12 | Royal Bank of Scotland | Banco Santander | 50 bps per year |
| Milano Assicurazioni S.p.A. | 32,500 | 20-set-09 | Morgan Stanley | Telecom Italia | 47 bps per year |
| Milano Assicurazioni S.p.A. | 15,000 | 20-set-09 | Jp Morgan | Telecom Italia | 47 bps per year |
| Milano Assicurazioni S.p.A. | 5,000 | 20-dic-12 | Royal Bank of Scotland | Banco Santander | 50 bps per year |
| Po Vita S.p.A. | 13,100 | 20-dic-09 | Morgan Stanley | Telecom Italia | 46 bps per year |

In addition at December 31, 2007, the Parent Company has the following contracts:

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 3,926.7 contracts from JP Morgan strike 18.90 maturity March 20, 2008 and simultaneous sale to Société Générale strike 19.10. The purchase of Forward Variance Swap contracts permits the assumption of upward positions on the underlying volatility. The position is a gain from valuations at December 31, 2007 amounting to Euro 30 thousand. The contracts closed during the year resulted in a net gain of Euro 885 thousand.

Call option sales on shares with maturity March 20, 2008. The premiums received total Euro 1,076 thousand. In detail, the shares subject to the call option sales are as follows: 8,500 Air Liquide, 25,000 Bayer, 540,000 Compass Group, 47,000 Postbank, 82,200 Deutsche Telekom, 350,000 Enel, 100,000 Eni, 62,500 Finmeccanica, 20,000 Muenchener Rueck, 32,000 Siemens, 40,000 Total Fina, 25,000 Veolia Environment, 7,500 Zurich Financial and 150,000 Philips Electronics. Overall at December 31, 2007, the valuation gains amounted to Euro 243 thousand and the losses amounted to Euro 59 thousand.

Milano Assicurazioni at December 31, 2007 also has the following contracts:

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 2,618 contracts from JP Morgan strike 18.90 maturity March 20, 2008 and simultaneous sale to Société Générale strike 19.10. The purchase of Forward Variance Swap contracts permits the assumption of upward positions on the underlying volatility. The position is a gain from valuations at December 31, 2007 amounting to Euro 20 thousand. The contracts closed during the year resulted in a net gain of Euro 556 thousand.

Call option sales on shares with maturity March 20, 2008. The premiums received total Euro 759 thousand. In detail, the shares subject to the call option sales are as follows: 6,500 Air Liquide, 25,000 Bayer, 410,000 Compass Group, 33,000 Postbank, 48,450 Deutsche Telekom, 150,000 Enel, 100,000 Eni, 37,500 Finmeccanica, 20,000 Muenchener Rueck, 18,000 Siemens, 60,000 Total Fina, 25,000 Veolia Environment and 7,500 Zurich Financial. Overall at December 31, 2007, the valuation gains amounted to Euro 135 thousand and the losses amounted to Euro 56 thousand.

SAI Mercati Mobiliari Sim S.p.A.

Relating to the operations in non-listed derivatives, the brokerage company purchases and sells exchange and interest rate options based on orders received from its corporate clients; it brokers these operations with primary international credit institutions with which it has signed appropriate ISDA contracts.

At December 31, 2007, the company held the exchange rate and interest rate options reported below:

- 17 purchase option contracts on foreign exchange with fair value of Euro 3,426 thousand;
- 17 sales option contracts on foreign exchange with fair value of Euro 3,590 thousand;
- 5 forward purchase contracts of Euro vs. USD. The fair value was Euro 202 thousand;
- 5 forward sales contracts of Euro vs. USD. The fair value was Euro 202 thousand;
- 21 purchase option contracts on interest rates (strangle step-down structure). The fair value was Euro 1,655 thousand;
- 21 sales option contracts on interest rates (strangle step-down structure). The fair value was Euro 2,574 thousand;

There are also positions on listed derivatives on Futures, Options on equity securities for trading purposes, as well as operations on interest rate Futures, which are within the arbitrage activity undertaken by the SIM and match the positions on the bond securities.

The fair value of the options acquired on the equity securities amounts to Euro 2,753 thousand while for those sold, the fair value was Euro 6,153 thousand. The negative changes to the income statement were Euro 496 thousand on the options acquired and Euro 860 thousand on the options sold.

**PART F - Amounts, timing and level of uncertainty
in the cash flows relating to insurance contracts**

With reference to paragraphs 38 and 39 of IFRS 4, the following information is disclosed separately for the Non-Life and Life segments.

NON-LIFE DIVISION

Introduction

The objective of the Group, in line with the strategic plan, is the development of the portfolio in all the Non-Life Classes in a balanced and technically profitable manner.

In particular, the risk elements in the management of the non-life sector relates to the subscription risk (insufficient premiums to cover claims and expenses) and the reserve risk (insufficient reserves to meet commitments assumed with policyholders).

The underwriting method of the risk differs from sector to sector, depending on the mass of risks, corporate risks and special risks. The mass of risks, such as for example those relating to Motor TPL, Land Vehicles, as well as those relating to individual personal risks (Accident and Health), households (Residential and Civil Responsibility) and small enterprises (trades and commerce) are covered with predefined standard conditions which are determined by the central technical offices on the basis of existing regulations, by insurance Market experience and by the specific experience of the Group.

In general, for the mass risks and in any case all the risks where regulatory and standard tariff conditions exist, the underwriting is made with the various agency networks having adequate IT procedures and equipment for this purpose. Within standard parameters, the commercial networks must utilise a flexible tariff system monitored centrally. In the case where the needs of a specific Customer requires a change in the standard conditions, the concession of the exception is valued and authorised by the Technical Structure of the Company.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standards conditions or regulations or tariffs, the assumption procedures are more structured: The agency networks have an independent underwriting limit for value and for type of risk; above these values or for different types the underwriting of the risk is assisted by a Technical network of the Company adequately trained which case by case values the risk and fixes the condition.

For the more complex larger cases for both size and guarantees requested, the underwriting of the risks is reserved to the centralised specialised technical structures of the Group.

In some classes, such as bonds, transport and aviation, the intervention of the specialised structure is continual and sometimes exclusive.

Motor TPL

In the Motor TPL class, in which the Group is leader, the important mass of the statistical data held permits a sophisticated “personalised” tariff elaboration which takes into account a large number of risk factors both subjective and objective. The base data available is in fact statistically significant and allows the utilisation of multilevel analysis which, through “General Linear Models” permits the evaluation of the relationship between risk factors, highlighting all those features not directly identifiable with analysis only by single factor.

Already in 2006 the new Motor TPL product called “Nuova Prima Global” introduced further factors in the selection of the risks and differentiation in the offer, such as number of kilometres, profession and the possibility to choose an exclusive driver; simultaneously the geographical factor was refined introducing the Postal Code, in order to identify more clearly the province in more risky zones. During 2007, we also added the “expert driver” tariffs which provides for the use of the vehicle by drivers over 26.

The Parent Company is also involved in the “Check-Box” project which will experiment, for three years within the specific Convention with ISVAP, new electronic localisation and monitoring devices to be installed in motor vehicles to evaluate any positive effects on claims and on the size of the damage; in relation to this, studies are ongoing relating to the utilisation of accumulated experience in the tariff development project.

In relation to the Company Milano, the gradual convergence of the Nuova MAA and Milano tariffs continued, and on March 1, 2008 the first unified tariff product was put on the market.

The tariffs of all the Group are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit corrective interventions in a timely manner against any modifications of the technical trends and which could result from the introduction of the new direct compensation system.

Similar attention is given for the most loyal Customers through incentive initiatives not only at existing contract levels, but also, with initiatives focussed on the acquisition of new policies.

Land vehicles

In the Land Vehicle segment, which traditionally represents a very interesting business for the Group, the product “Nuova Prima Global” permits the activation of all possible guarantees with tariff formulas which allow the customer to choose the level of cover based on the budgeted expenses.

The tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of vehicle insured, in addition to the guarantees provided. The TPL guarantee is on the other hand a tariff based on the Bonus Malus class together with the age of the owner and the age of the vehicle insured.

The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Non-Motor

Also for the Non-Motor Classes, in mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience of the portfolio of the Group which is sufficiently large and stable to permit the fixing of guarantees and prices suitable to the various risk types.

In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of a medical history questionnaire which permits tariffs based on the conditions of the policyholder.

In general, for the mass risks and in any case all the risks where regulatory conditions and standard tariffs exist, the underwriting is made with adequate agency networks IT procedures and equipment.

Within the standard parameters, the commercial networks may avail of a tariff flexibility which is monitored centrally.

In the case in which the needs of a specific Customer require a change in the standard conditions, any concession of an exception is valued and authorised by the Technical Structure of the Group.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

The agency networks have an independent underwriting limit by value and type of risk; above these values and types, the underwriting of risks are assisted by a Technical network of the Company adequately trained case-by-case in valuing the risks and fixing the conditions.

Bonds

With particular reference to the Bond Class, the analysis of the risks is made in advance and careful selection undertaken with a double examination:

- Under the objective profile, the examination of the nature and the specific characteristics of the original report, which determine the request for the bond, has the purpose in the first place of ascribing the operations under examination to categories of risks within the class on the basis of the regulations and provisions; in the second place, particular attention is given to the verification of the features of the bond contract which must always respect the principle of access with regard to the principle obligation;
- Under the subjective profile, the examination relates to the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterparty.

Both the aspects, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through specialised companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity has the purpose of quantifying a total “underwriting limit” with the party, within precise and contained limits to the individual Technical areas; above these limits, the cases are presented to the internal boards of the classes, represented by the “Credit Committee”.

The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to reaching the limits of the underwriting agreed.

All the bond policies issued by the class have adequate protection with placement through reinsurance of a Proportional quota up to 50%, with capacity up to Euro 30 million. In addition, a further coverage exists through an “excess claims” agreement to protect the net retained amount, on the individual risk or event, with retention equal to Euro 2.5 million up to Euro 25 million.

Otherwise, in order to guarantee an adequate fractioning of the risk, containing the exposure points, the Group utilises the Coinsurance instrument, on a reciprocal regime with the insurance Companies that adopt similar underwriting policies based on the principles of caution and careful risk selection.

Catastrophic hedging

Within the Risk Management activities, the processes adopted by the Group to optimise the control of the exposures to catastrophic risks are reported.

Particular attention is given to the risk concentrations on some classes, utilising, in accordance with the specific characteristics, appropriate calculation methods.

The Fire Class is that which, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this purpose concentration valuations are made on a geographic, seismic and also a hydrogeological basis.

The exposure concentrations by seismic area are updated during the year and subsequently modelled utilising the two universal products adopted by the international markets. RMS RiskLink DLM and EQECAT WorldCAT.

The results are subsequently analysed with the assistance of international operators, in order to achieve adequate protection based on the two models utilised.

Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

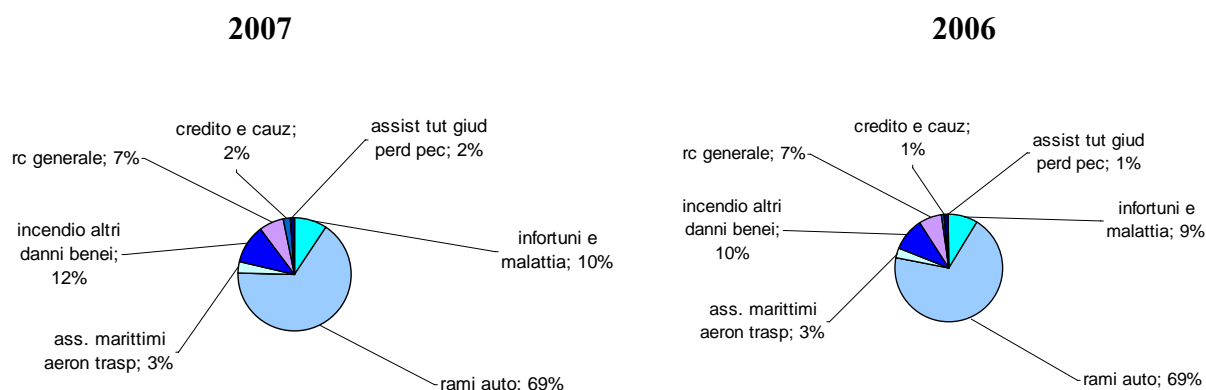
The flood risk is considered with a greater reference to the portfolio in-force, in that at the current moment adequate models capable of providing adequate information do not exist; as noted, the insurance and reinsurance sectors are being equipped with a specific tool, called Sigra, which will be available from 2007.

The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance cover per event.

The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.

The potential risk concentration following the bankruptcy of a single policyholder in the Bonds class is protected thanks to a claims excess programme, which guarantees all the acceptances made during the past years of subscription.

The percentage composition of the Non-Life premiums in the Group for the last two years is:



It is evident that the Motor Classes in the Group do not provide future financial cash flows. This relates to a stable portfolio not subject to significant fluctuations such as to impact on future projections.

The motor products were recently reviewed in order to unify at a Group level and represent more closely the Market offer.

The Motor TPL sector for its characteristics does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, also geographically distributed in a uniform measure throughout the country, are such to be able to absorb such events without significant repercussions on the results.

In any event, for the events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed especially in the case of atmospheric events of extreme intensity or natural catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the Fire Class.

In the Non-Motor Non-Life Sector, the Group operates in all sectors with the sole exception of the credit class which is underwritten irregularly.

For some classes such as Legal Assistance and Protection, the underwriting at Group level is centred in specialised single class insurance Companies such as Pronto Assistance and Europa Tutela giudiziaria; for the other classes such as Transport and Merchandise, SIAT, equipped with specific and recognised expertise, undertakes a central role for the Group.

The risks of the other non-auto non-life classes are underwritten by all the insurance Companies of the Group principally through exclusive agency networks, but also through brokers and in some cases through multi mandate agency networks and bancassurance agreements.

Co-insurance

As for the rest of the market, the Group utilises co-insurance - that is the division of the risks with other insurance companies, both for commercial reasons at local level and to limit exposure in the case of large risks.

In recent years, the level of the co-insurance risks, especially with other insurance companies, has progressively decreased whereby in 2007 the level was more in line with Group policies. In relation to this, the Group strategies have preferred a direct management of the risks, utilising any recourse to reinsurance, also in consideration of the increased underwriting capacity of the Group.

In relation to other delegations, in 2007 the premiums received in the Non-Motor Non-Life Division were 8.3% (8.5% in 2006), equal to the total cost of the generation claims (10.1% in 2006).

Evolution of claims – Reserve risk

With reference to the second component of the insured risk of the Non-Life Sector, or rather the reserve risk, this relates to the uncertainty relating to the utilisation of the claims reserve. This refers to the risk that the claims reserves may not be sufficient to meet the commitments with policyholders or damages.

The reserve risk, as related to the estimate of the reserves, can be monitored from the basic information traceable from the triangular of the claims.

With reference to the requirements of paragraph 39 of IFRS 4, information is provided below relating to claims of the Civil Responsibility classes.

The tables below are compiled from official data from forms provided to the Supervision Authority by the Fondiaria-SAI Group (ref. form 29 and attachment 1/29).

Each data present on the “triangle” represents the photocopy of the cost of generation at December 31 of the year of occurrence, represented by the sum of the following components:

- Cumulative payment in the year of occurrence at 31/12 of the year of observation
- Reserve on open claims, referred to December 31 of the year of observation
- Estimate of the late claims of the year of occurrence at 31/12 of the year of observation

The “Estimated final cost”, the “Payments made” and the “Reserve amount” refer to the most recent year of observation - that is the largest diagonal of the triangle.

It is considered appropriate to represent the evolution of the claims for only the civil responsibility classes (motor and general civil responsibility) in that they are the most representative classes of the Group: over 75% of the claims paid was in these two classes.

The General TPL Class in particular is characterised by a slow reversal and a high number of late claims, in particular due to the objective difficulty in the determination of the generation cost, especially in the first years of observation. This situation, common to all classes, is particularly marked for the General TPL Class.

CLASSES 10 + 12 (Motor TPL)

| (Euro millions) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006* | 2007 | Total |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|--------|
| Estimated costs | | | | | | | | |
| At the end of the year | 2,686.0 | 2,906.7 | 3,154.5 | 3,177.5 | 3,274.0 | 3,300.0 | 3,138.2 | |
| Within one year | 2,697.2 | 2,857.9 | 3,021.6 | 3,107.4 | 3,109.8 | 3,299.7 | | |
| Within two years | 2,744.9 | 2,922.0 | 3,047.3 | 3,056.6 | 3,092.9 | | | |
| Within three years | 2,755.3 | 2,942.7 | 3,077.3 | 2,989.2 | | | | |
| Within four years | 2,774.9 | 2,996.3 | 3,117.1 | | | | | |
| Within five years | 2,813.4 | 2,996.1 | | | | | | |
| Within six years | 2,844.5 | | | | | | | |
| Estimated final costs | 2,844.5 | 2,996.1 | 3,117.1 | 2,989.2 | 3,092.9 | 3,299.7 | 3,138.2 | 21,478 |
| Payments | 2,630.7 | 2,721.7 | 2,758.6 | 2,590.4 | 2,480.9 | 2,214.0 | 1,076.3 | 16,473 |
| Accrued to reserve | 213.8 | 274.4 | 358.5 | 398.8 | 612.1 | 1,085.7 | 2,062.0 | 5,005 |

CLASS 13 (General TPL)

| (Euro millions) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006* | 2007 | Total |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Estimated costs | | | | | | | | |
| At the end of the year | 265.4 | 297.9 | 309.7 | 321.9 | 341.0 | 382.0 | 373.0 | |
| Within one year | 274.3 | 278.7 | 338.2 | 321.8 | 347.7 | 337.9 | | |
| Within two years | 278.4 | 284.1 | 309.7 | 335.2 | 342.2 | | | |
| Within three years | 281.5 | 290.8 | 318.5 | 341.1 | | | | |
| Within four years | 292.7 | 297.4 | 322.4 | | | | | |
| Within five years | 297.0 | 304.6 | | | | | | |
| Within six years | 302.5 | | | | | | | |
| Estimated final costs | 302.5 | 304.6 | 322.4 | 341.1 | 342.2 | 337.9 | 373.0 | 2,324 |
| Payments | 192.5 | 179.7 | 183.0 | 183.1 | 160.0 | 134.7 | 52.2 | 1,085 |
| Accrued to reserve | 110.0 | 124.9 | 139.4 | 158.0 | 182.2 | 203.3 | 320.8 | 1,238 |

NOTE:*** FROM 2006 INCLUDES LIGURIA ASS.NI S.P.A.**

- each amount of the triangle is comprised of:
cumulative payment in the year of occurrence (from the year of commencement to the year of observation)
+ reserved relating to the year of occurrence on claims reported (in the year of observation)
+ reserved relating to the year of occurrence on late claims (in the year of observation)
- the "estimated final cost" is the cost of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "accrued to reserve" is the reserve relating to the year of occurrence in the last year of observation

The table below shows the situation of the claims for the companies of the Fondiaria-SAI Group and Milano Assicurazioni still open at the end of 2007, compared with the number of claims reported in the various years.

| Generation | Claims reported | Number of claims open | % on reported claims |
|------------|-----------------|-----------------------|----------------------|
| 1999 | 981,312 | 1,708 | 0.17 |
| 2000 | 1,017,239 | 2,503 | 0.25 |
| 2001 | 996,787 | 4,104 | 0.41 |
| 2002 | 987,098 | 6,626 | 0.67 |
| 2003 | 959,946 | 9,577 | 1.00 |
| 2004 | 929,973 | 13,080 | 1.41 |
| 2005 | 929,388 | 22,420 | 2.41 |
| 2006 | 912,798 | 55,748 | 6.11 |
| 2007 | 882,694 | 248,304 | 28.13 |

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

Card management from 1/2/2007

| Generation | Claims reported | Number of claims open | % on reported claims |
|------------|-----------------|-----------------------|----------------------|
| 2007 | 428,094 | 72,319 | 16.89 |

Verification of the liabilities

The premium reserve for risks in course is made, in accordance with article 32 of Legislative Decree 173/97 to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the circular No. 360/D of January 21, 1999. This reserve is in line with the adequacy test of the technical reserves of the non-life classes required by IFRS 4 (LAT).

It is also considered that the current method in the determination of the claims reserves in accordance with the last cost criteria are methodologically appropriate to represent the future cash flows in the contract portfolio in force.

LIFE DIVISION

In the individual policy segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in the “stand alone” form, through annual premium and single premium products with constant capital or decreasing, and in accessory form to other types of policies.

For the tariffs of these products, the Group utilises specific tariff forms determined on the basis of the mortality history of the portfolio of the policyholders.

The products currently distributed provide for a personalisation of the cost for the policyholders that undertake a medical visit - whatever the amount of the capital to be insured. There is no tariff differentiation or discounts whether the policyholder declares to be a smoker or not.

The amount insured is underwritten on the basis of fixed and standard rules, the so-called “underwriting grid”. This grid is structured on the basis of a different step-up of capital insured for which there are different types of events of a health nature in accordance with the “International Guidelines” in the medical field.

There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.

In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.

It is also noted that for amounts above a certain threshold, the underwriting of the risk is subject to the presence of explicit acceptance by the reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

The technical performance on the portfolio confirms, generally, that historically applied in terms of personalisation of the statistical base adopted compared to the general ISTAT.

The longevity risk is currently marginal - typically related to the portfolio relative to annuities - due to the almost total absence of this type of contracts in the portfolio of the Company.

In the Corporate sector, the typical risks insured by the insurer are those relating to the coverage conventionally called “assistance” and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In consideration of the tariff structures utilised by the insurance companies of the Group for this type of contract, a verification that the insurance cover is due to an objective situation - an obligation of law and company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests of insurance cover made based on the needs of single individuals in order to exclude the origin of all forms of anti selection of the risk are excluded methodologically.

This fundamental rule is supplemented by further limitations relating to the determination of the capital and amount insured.

The amount insured is underwritten based on standard variable rules (insurance grid) based on the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.

For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.

It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is reserved in relation to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.

The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company - means the recurring monitoring of the trend both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.

The technical trend on the portfolio confirms, generally, that historically applied in terms of personalisation on the statistical basis adopted with respect to ISTAT.

Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in portfolio.

This risk is present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise decreasing guaranteed financial returns and the most updated base statistics.

The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by our sales network, with an increase related to the salaries.

The portfolio related to the management of the liquidity of the companies is realised through specific financial securitisation policies of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of the services and shows a strong acceleration in line with the market.

In relation to this, particular attention is dedicated to the concentration of the commitments on the individual counterparties in order to avoid negative impacts on the company accounts in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.

This element is circumvented with an internal regulation which requires on the one hand, a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related and on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of the insurance risks in the Life sector

The portfolio of the Group can be classified in three uniform macro-groups for technical characteristics and the product offered:

- The risk products, whose offer consists of products protecting the individual or his family guaranteeing a certain economic level against unexpected events;
- The pure investment product to meet greater requests for solutions for treasury needs of small and medium size enterprises as a replacement of alternative opportunities proposed by the financial market;
- Savings products for the medium-long term period, also with a view to pensions.

In relation to the traditional products, within the first category are included all the contracts which have an important risk component in the case of death, as for the temporary death case and for mixed insurance; in the second case, the contracts which have a strong financial component such as the securitisation and for the third, greater annuity contracts and deferred capital.

In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to the Oicr basket and equity or stock exchange indices.

A Life contract is classified as insurance if the insurance risk is significant, that is if an event insured can induce the insured to pay significant additional services; “additional services” are intended as the amounts paid in the case of the occurrence of events which exceed those that would be paid in which the event insured did not occur.

A contract of the Life Division is considered as an insurance contract if:

- the services are above, conventionally and with a certain continuance, the level of 5% of the amount payable in the case in which the event does not occur;
- it is an annuity right;
- it contains an option of conversion in guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.

The classification was made at tariff level; consequently there are in existence certain insurance products (for example covering death), certain financial products (for example securitisation) and in addition, residually, products for which, in order for their classification, it is necessary to make evaluations at individual contract level.

Verification of the liabilities

To determine the LAT (Liability Adequacy Test) in order to evaluate the adequacy and the sufficiency of the reserves recorded in the Local GAAP accounts, a model was adopted which generates prospective annual cash flows, developed in Visual Basic for the Companies FONDIARIA, MILANO, PO VITA and NOVARA VITA. In relation to BPM Vita, the data is provided directly by the insurance Company which utilises the same criteria as the Parent Company.

Level of coverage of the test and aggregation criteria

Subdividing first the portfolio under examination in uniform groups in accordance with the technical characteristics of the products (securitisation, risk and saving and pension contracts), subsequently appropriate model points in respect of the uniformity restrictions relating to the contractual parameters were realised. In the risk products of Po Vita, two pure risk tariffs covering mortgages exist that for this purpose, for the moment, were not analysed, as considered not determinant for the valuation purposes.

The aggregation therefore was made for tariff, duration, residual duration, gender, contract status, and minimum guaranteed yield.

The table below shows the quantification in terms of model point constructed with the criteria subdivided by the Companies examined.

Number of policies and model point elaborated at 31/12/2007

| Division | | Capitalisation | Prod. Of Risk | Savings & pension | Total | Total 2006 |
|-----------------------|-----------------------------|----------------|----------------|-------------------|----------------|----------------|
| Fonditaria-SAI S.p.A. | Number of policies | 40,476 | 116,057 | 251,109 | 407,642 | 432,694 |
| | Mod.point elaborated | 19,130 | 34,880 | 47,584 | 101,594 | 100,579 |
| Milano Ass.ni S.p.A. | Number of policies | 19,260 | 107,056 | 97,060 | 223,376 | 224,482 |
| | Mod.point elaborated | 11,225 | 44,640 | 28,363 | 84,228 | 78,190 |
| BPM Vita | Number of policies | 484 | 609 | 74,007 | 75,100 | 75,100 |
| | Mod.point elaborated | 11 | 78 | 4,313 | 4,402 | 4,324 |
| Po Vita | Number of policies | 3,458 | 18,668 | 72,607 | 94,733 | 54,165 |
| | Mod.point elaborated | 180 | 277 | 603 | 1,060 | 596 |
| Novara Vita | Number of policies | 1,558 | - | 21,525 | 23,083 | 26,080 |
| | Mod.point elaborated | 125 | - | 1,356 | 1,481 | 872 |
| Total | Number of policies | 65,236 | 242,390 | 516,308 | 823,934 | 812,521 |
| | Mod.point elaborated | 30,671 | 79,875 | 82,219 | 192,765 | 184,561 |

The tariffs modelled for the purposes of the LAT calculation covered almost all of the portfolio of the traditional contracts within IFRS 4 at the time of evaluation, as illustrated by the table below.

For the unit and index linked insurance classified contracts (IFRS 4), given the different characteristics with the traditional products it is not possible to utilise the same model and a simplified approach was therefore utilised (the weight of the reserves of this within the group is not important) comparing directly by tranche or by tariff the current value of the projected flow of services with the reserves recorded in the accounts.

Composition of the traditional portfolio by division at 31/12/2007

| Division | Reserve elaborated* | Total reserve* | % elaborated |
|----------------------|----------------------------|-----------------------|---------------------|
| Fondiaria-SAI S.p.A. | 6,631,391 | 7,393,176 | 89.7 |
| Milano Ass.ni S.p.A. | 3,315,261 | 3,559,002 | 93.2 |
| BPM Vita | 1,407,825 | 1,407,825 | 100.0 |
| Po Vita | 1,554,655 | 1,762,911 | 87.6 |
| Novara Vita | 524,459 | 575,011 | 92.1 |
| Total | 13,423,591 | 14,697,925 | 91.3 |

* (Amounts stated in Euro thousands)

The results obtained in the portfolio considered, in accordance with the methods described below, were thereafter proportionally extended to the entire portfolio.

Description of the model used

For each model point the projected cash flows are annually generated which takes into account the demographic assumptions, mortality and expenses in accordance with the second order so as to value on an annual basis, the economic gains for the calculation of the needs, assuming that they are settled on maturity or at the end of the deferral of the capital paid.

The recognition of services and premiums, where in accordance with a minimum guaranteed return and for the discounting of the cash flows, utilise a market risk free curve at the reference date.

In the estimate of the amounts paid following the redemption by clients of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific penalties of each tariff are considered.

For the entire life tariffs, a contract duration of twenty years was utilised.

In the definition of the assumptions of the future commissions payable to the network based on the premiums collected, reference was made to the loading corresponding to the tariffs and in accordance with the current commercial agreements in force.

With regard to the assumptions, reference was made where possible to the company experience and the Italian insurance market in addition to economic-financial scenarios at the valuation date.

For further details, reference should be made to the notes at the end of the tables.

Traditional Portfolio

The discounting of the future cash flows described permitted the determination of the commitments of the Company in accordance with the “best estimate” basis at the moment of the valuation. This amount is defined in the “LAT Reserve” table below.

The table below shows for each tariff regrouping described above, the comparison between the LAT reserve and the reserves recorded in the accounts considering the actuarial reserves, the future expenses reserves, the additional reserves for interest guarantee and decreased by the commissions to be amortised.

| DIVISION | | CAPITALISATION | PROD.OF RISK | SAVINGS & PENSION | TOTAL |
|---------------|---------------|----------------|--------------|-------------------|-----------|
| Fondiaria-SAI | LAT Res. | 2,347,202 | 977,771 | 3,306,526 | 6,631,498 |
| | Tot.per Accts | 2,567,396 | 1,102,280 | 3,820,392 | 7,490,069 |
| | Balance Res.. | 2,538,441 | 1,087,068 | 3,767,667 | 7,393,176 |
| | Add. Res. | 16,830 | 7,207 | 24,980 | 49,018 |
| | Expenses Res. | 12,125 | 9,673 | 33,525 | 55,323 |
| | DAC | - | 1,668 | 5,780 | 7,448 |
| Milano Ass.ni | LAT Res. | 802,881 | 861,999 | 1,619,358 | 3,284,238 |
| | Tot.per Accts | 872,880 | 944,835 | 1,789,149 | 3,606,864 |
| | Balance Res. | 867,682 | 930,091 | 1,761,229 | 3,559,002 |
| | Add. Res. | 1,354 | 12,528 | 23,723 | 37,604 |
| | Expenses Res. | 3,844 | 4,441 | 8,410 | 16,695 |
| | DAC | - | 2,225 | 4,213 | 6,438 |
| BPM Vita | LAT Res. | 351,514 | 429 | 872,227 | 1,260,968 |
| | Tot.per Accts | 355,853 | 667 | 1,059,513 | 1,416,033 |
| | Balance Res. | 355,158 | 660 | 1,052,006 | 1,407,825 |
| | Add. Res. | 10 | - | 755 | 765 |
| | Expenses Res. | 685 | 7 | 6,752 | 7,444 |
| | DAC | - | - | - | - |
| PO Vita | LAT Res. | 511,935 | 11,031 | 986,642 | 1,509,607 |
| | Tot.per Accts | 556,093 | 19,478 | 1,203,187 | 1,778,758 |
| | Balance Res. | 549,248 | 19,335 | 1,194,328 | 1,762,911 |
| | Add. Res. | 1,202 | 42 | 2,613 | 3,857 |
| | Expenses Res. | 5,642 | 101 | 6,246 | 11,990 |
| | DAC | - | - | - | - |
| Novara Vita | LAT Res. | 48,308 | - | 452,020 | 500,328 |
| | Tot.per Accts | 51,441 | - | 529,201 | 580,642 |
| | Balance Res. | 50,590 | - | 524,421 | 575,011 |
| | Add. Res. | 474 | - | 1,422 | 1,896 |
| | Expenses Res. | 377 | - | 3,358 | 3,735 |
| | DAC | - | - | - | - |

Note:

- Revaluation of services: According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual - commitment of the Group, including the technical rate.
- Inflation: 2.60 %.
- Discount rate: Euro Swap Curve at the valuation date.
- Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 20% those deriving from the table SIM/F 2002.
- Redemptions, Reductions, Cancellation: the frequency of the eliminations vary, according to duration of policies, in a range between: 1.00% & 20.00%.
- Management expenses: between Euro 18 and Euro 50 according to whether they are individual single premiums, individual annual premiums/single recurring premium or collective premiums.

Index and Unit-Linked Policies

For the valuation of Index and Unit products classified as “insurance” (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the accounts in relation to the risks underwritten and to the future expenses.

| DIVISION | | UNIT-LINKED | INDEX-LINKED | TOTAL |
|---------------|---------------|-------------|--------------|-----------|
| Fondiaria-SAI | LAT Res. | 76,056 | 314,537 | 390,593 |
| | Tot.per Accts | 78,508 | 315,662 | 394,170 |
| | Class D Res. | 77,351 | 311,207 | 388,558 |
| | Add. Res. | 397 | 295 | 692 |
| | Expenses Res. | 759 | 4,159 | 4,918 |
| Milano Ass.ni | LAT Res. | - | 183,084 | 183,084 |
| | Tot.per Accts | - | 193,235 | 193,235 |
| | Class D Res. | - | 190,413 | 190,413 |
| | Add. Res. | - | 237 | 237 |
| | Expenses Res. | - | 2,584 | 2,584 |
| BPM Vita | LAT Res. | - | 201,176 | 201,176 |
| | Tot.per Accts | - | 241,395 | 241,395 |
| | Class D Res. | - | 238,141 | 238,141 |
| | Add. Res. | - | - | - |
| | Expenses Res. | - | 3,254 | 3,254 |
| PO Vita | LAT Res. | 59,011 | 804,219 | 863,230 |
| | Tot.per Accts | 59,194 | 827,789 | 886,983 |
| | Class D Res. | 58,633 | 794,921 | 853,554 |
| | Add. Res. | 234 | 2,151 | 2,385 |
| | Expenses Res. | 327 | 30,717 | 31,044 |
| Novara Vita | LAT Res. | 25,290 | 1,592,408 | 1,617,698 |
| | Tot.per Accts | 26,014 | 1,603,508 | 1,629,522 |
| | Class D Res. | 25,507 | 1,579,968 | 1,605,475 |
| | Add. Res. | 507 | 4,789 | 5,296 |
| | Expenses Res. | - | 18,751 | 18,751 |

Note:

- Revaluation of services:: According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the Group, including the technical rate.
- Inflation: 2.60 %.
- Discount rate: Euro Swap Curve at the valuation date.
- Frequency of interruption of the recurring premiums: percentage of renewal premiums equal to 100% for all the recurring premiums with amounts lower than Euro 1,549.37, with the payment of the premium. The recurring premium contracts above the afore-mentioned threshold were considered as single premiums.
- Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 20% those deriving from the table SIM/F 2002.
- Redemptions, Reductions, Cancellation: frequency of eliminations vary, according to duration of policies, in a range betw: 1.00% &20.00%
- Management expenses: annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the portfolio.

Guarantee return reserve

With reference to the commitments underwritten with the policyholders, the breakdown of the Life reserves for the companies of the Group shows more than half (approx. 53%) equal to Euro 8,955.1 million relate to policies with guaranteed returns between 1% and 3%, while approx. 28% (equal to Euro 4,718.3 million) relate to policies with guaranteed return between 3% and 5%.

In comparison, the reserves for contracts without guarantees are modest (Euro 102.8 million), as are the contracts with guarantees related to specific assets (Euro 12.8 million) while, compared to the previous year, the reserves with guarantees at fixed interest rates on maturity increased from Euro 940.3 million in 2006 to Euro 2,709.6 million in 2007.

Insurance reserves of the Life segment: guarantee return (*)

| (Euro millions) | (**) 2007 | (***) 2006 |
|---|-----------------|-----------------|
| Reserves with guaranteed annual interest rate | 13,925.8 | 13,338.7 |
| 0% - 1% | 252.4 | 125.6 |
| from 1% to 3% | 8,955.1 | 7,815.0 |
| from 3% to 5% | 4,718.3 | 5,398.1 |
| Reserves without guaranteed interest rate | 102.8 | 116.3 |
| Reserves related to specific assets | 12.8 | 12.7 |
| Reserves with guaranteed interest rate on maturity | 2,709.6 | 940.3 |
| Total | 16,751.0 | 14,408.0 |

(*) The total includes the amount of the direct gross actuarial reserves and the technical reserves where the investment risk is borne by the policyholders.
The Company Po Vita is consolidated 50%

(**) Companies considered: Fondiaria-SAI, Milano Assicurazioni, Po Vita, Novara Vita, BPM Vita.

(***) Companies considered: Fondiaria-SAI, Milano Assicurazioni, Po Vita, Novara Vita, Fondi prev., BPM Vita.

**PART G - Information on
business combinations**

In accordance with IFRS 3, the following operations took place with the business combination method and the Consolidated Income Statement of the Fondiaria-SAI Group includes the income of the companies acquired from the acquisition date.

Reference should be made to the Directors' Report of Fondiaria-SAI and of the Group relating to the details of the operations and the information relating to the income statements of the companies acquired.

Acquisition of exclusive control of Bipiemme Vita S.p.A.

On June 14, 2006, Banco Popolare di Milano (BPM) and the subsidiary Milano Assicurazioni completed the agreement for the joint and exclusive development of bancassurance activities of the BPM Group in the Life Sector, signed on December 21, 2005.

In accordance with the agreement, Milano initially purchased from BPM and from the subsidiary Banca di Legnano a stake of 46% in the share capital of Bipiemme Vita S.p.A. at a price of Euro 90.5 million (fully paid at the purchase date) with the possibility of the transfer of control of this latter from the BPM Group to Milano, through the sale of a further two shareholdings respectively of 4% and 1%, in two subsequent periods, respectively within December 31, 2006 and within June 30, 2006, in exercise of put and call options, in two tranches, which the parties reciprocally granted under determined conditions and terms.

On October 18, 2006, Milano Assicurazioni exercised the first tranche of the above-mentioned call option, acquiring 4% of Bipiemme Vita and thus increasing its holding to 50%. The purchase price, in accordance with the contractual terms, was Euro 7.9 million and paid at that date.

Following the exercise of this option, a corporate governance agreement was signed with Bipiemme Vita, which in accordance with IAS 31, the accounts at December 31, 2006 were consolidated under the proportional method.

On June 29, 2007, Milano Assicurazioni, exercising the second and final tranche of the call option, acquired 1.1% of the company at a price of Euro 2.2 million, increasing the holding to 51% of the total investment. Therefore, the balance sheet at June 30, 2007 of Bipiemme Vita was consolidated under the line-by-line method, while for the income statement, as the exclusive control was only obtained at the end of the first half year, the proportional consolidation method was maintained.

A summary of the net asset values acquired of Bipiemme Vita for the years 2006 and 2007 are shown below.

Net assets acquired in 2006, already recorded in the consolidated financial statements at December 31, 2006 under the proportional consolidation method for 50%:

| <i>(in Euro thousands)</i> | Book value | Fair value adjustments | Total fair value |
|---|-------------------|-------------------------------|-------------------------|
| Assets | | | |
| Intangible assets | 103 | 76,428 | 76,531 |
| Tangible fixed assets | 11 | | 11 |
| Technical reserves attributed to reinsurers | 1,227 | | 1,227 |
| Investments | 1,684,102 | | 1,684,102 |
| Other receivables | 10,096 | | 10,096 |
| Deferred tax assets | | | |
| Other assets | 22,946 | | 22,946 |
| Cash and cash equivalents | 14,419 | | 14,419 |
| Total | 1,732,904 | 76,428 | 1,809,332 |
| Liabilities | | | |
| Technical reserves | 497,540 | | 497,540 |
| Loans | 1,186,626 | | 1,186,626 |
| Other payables | 146 | | 146 |
| Deferred tax liabilities | 1,299 | 28,855 | 30,154 |
| Other liabilities | 16,831 | | 16,831 |
| Total | 1,702,442 | 28,855 | 1,731,297 |
| Net assets acquired | 30,462 | 47,573 | 78,035 |
| Minority interest share | | | - |
| Acquisition price | | | 98,622 |
| Goodwill | | | 20,587 |

Net assets acquired in 2007 following the change in the consolidation method of Bipiemme Vita, from proportional to line-by-line, made following the exclusive control with the purchase of 1% stake:

| <i>(in Euro thousands)</i> | Book value | Fair value adjustments | Total fair value |
|---|-------------------|-------------------------------|-------------------------|
| Assets | | | |
| Intangible assets | 90 | 76,428 | 76,518 |
| Tangible fixed assets | 126 | | 126 |
| Technical reserves attributed to reinsurers | 1,710 | | 1,710 |
| Investments | 1,796,648 | | 1,796,648 |
| Other receivables | 20,850 | | 20,850 |
| Deferred tax assets | 59 | | 59 |
| Other assets | 17,902 | | 17,902 |
| Cash and cash equivalents | 32,944 | | 32,944 |
| Total | 1,870,329 | 76,428 | 1,946,757 |
| Liabilities | | | |
| Technical reserves | 674,325 | | 674,325 |
| Loans | 1,095,180 | | 1,095,180 |
| Other payables | 20,959 | | 20,959 |
| Deferred tax liabilities | 2,538 | 28,855 | 31,393 |
| Other liabilities | 29,416 | | 29,416 |
| Total | 1,822,418 | 28,855 | 1,851,273 |
| Net assets acquired | 47,911 | 47,573 | 95,484 |
| Minority interest share | | | 93,575 |
| Acquisition price | | | 2,167 |
| Goodwill | | | 258 |

The fair value adjustments refer to the value of the insurance portfolio of Bipiemme Vita already existing at the moment of acquisition, which is amortised in accordance with the relative average maturity.

The net cash flow of the acquisition was as follows:

| | |
|----------------------------|---------------|
| <i>(in Euro thousands)</i> | |
| Payment in cash | -2,167 |
| Cash and banks acquired | 32,944 |
| | 30,777 |

Acquisition of 100% of Sintesi Seconda S.r.l.

On May 11, 2007, the subsidiary Immobiliare Lombarda S.p.A. acquired 100% of the company Sintesi Seconda S.r.l. and a receivable from the seller, amounting to Euro 36,069 thousand.

The fair value of the assets and liabilities at the acquisition date was as follows:

| | Book value | Fair value adjustments | Total fair value |
|---------------------------------|---------------|------------------------|------------------|
| (in Euro thousands) | | | |
| Plant and machinery | - | - | - |
| Other intangible assets | - | - | - |
| Concessions | - | - | - |
| Inventories | 36,000 | 20 | 36,020 |
| Trade and other receivables | 137 | - | 137 |
| Other financial assets | 1 | - | 1 |
| Cash and cash equivalents | 262 | 20 | 262 |
| | 36,400 | - | 36,420 |
| Loans and financing | - | - | - |
| Trade and other payables | 351 | - | 351 |
| Provisions | - | - | - |
| Tax liabilities | - | - | - |
| Other financial liabilities | - | - | - |
| | 351 | - | 351 |
| Fair value of net assets | 36,049 | 20 | 36,069 |

The net cash flow of the acquisition was as follows:

| | |
|----------------------------------|-----------------|
| (in Euro thousands) | |
| Payment in cash | (36,069) |
| Cash and banks acquired | 262 |
| Net cash inflow/(outflow) | (35,807) |

Acquisition of 51.66% of S.E.I.S. S.p.A.

On June 29, 2007, the subsidiary Immobiliare Lombarda S.p.A. acquired 51.66% of the company S.E.I.S. S.p.A. for the price of Euro 11,999 thousand.

The fair value of the assets and liabilities at the acquisition date was as follows:

| | Book value | Fair value adjustments | Total fair value |
|---------------------------------|--------------|------------------------|------------------|
| (in Euro thousands) | | | |
| Plant and machinery | 159 | - | 159 |
| Other intangible assets | 1 | - | 1 |
| Concessions | - | - | - |
| Inventories | 7,668 | 27,161 | 34,829 |
| Trade and other receivables | 447 | - | 447 |
| Other financial assets | 1,914 | - | 1,914 |
| Cash and cash equivalents | 5 | - | 5 |
| | 10,194 | 27,161 | 37,355 |
| Loans and financing | 4,784 | - | 4,784 |
| Trade and other payables | 336 | - | 336 |
| Provisions | 131 | - | 131 |
| Tax liabilities | - | 8,528 | 8,528 |
| Other financial liabilities | 351 | - | 351 |
| | 5,602 | 8,528 | 14,130 |
| Fair value of net assets | 4,592 | 18,633 | 23,225 |
| Minority interest share | | | 11,226 |
| Purchase price | | | 11,999 |

The net cash flow of the acquisition was as follows:

| | |
|----------------------------------|-----------------|
| (in Euro thousands) | |
| Payment in cash | (11,999) |
| Cash and banks acquired | 5 |
| Net cash inflow/(outflow) | (11,994) |

Purchase of 50% plus one share of Popolare Vita S.p.A. (former BPV Vita S.p.A.)

On September 7, 2007, the Parent Company purchased 50% plus one share of Popolare Vita S.p.A. (former BPV Vita S.p.A.)

The acquisition was made in cash for a total payment of Euro 530.9 million.

The total cost of the operation was compared with the fair value of the current and potential assets and liabilities of the company acquired.

The difference was allocated as follows:

(in Euro thousands)

| | |
|--------------------------|---------|
| Goodwill | 461,307 |
| VIF | 58,000 |
| Deferred tax liabilities | 18,962 |

The VIF (Value of In Force) is represented in the value of the implicit future profits of the insurance portfolio acquired: This asset will be amortised based on the receipt of the future cash flows related to the portfolio acquired, currently estimated as five years.

A summary of the book values of the Group acquired are reported below:

| (in Euro thousands) | Book value | Fair value adjustments | Total fair value |
|----------------------------------|-------------|------------------------|------------------|
| Intangible assets | 135 | 58,000 | 58,135 |
| Investments | 2,743,782 | - | 2,743,782 |
| Cash and cash equivalents | 43,798 | - | 43,798 |
| Receivables and other net assets | 23,619 | (18,962) | 4,657 |
| Net technical reserves | (2,402,597) | - | (2,402,597) |
| Financial liabilities | (308,385) | - | (308,385) |
| Provisions | (146) | - | (146) |
| Net assets acquired | 100,206 | 39,038 | 139,244 |
| Minority interest share | | | 69,623 |
| Purchase price | | | 530,930 |
| Goodwill | | | 461,307 |

The net cash flow of the acquisition was as follows:

(in Euro thousands)

| | |
|-------------------------|------------------|
| Payment in cash | (530,930) |
| Cash and banks acquired | 43,798 |
| Net cash outflow | (487,132) |

The acquisition of Popolare Vita S.p.A. contributed negatively to the consolidated results of the Fondiaria-SAI Group for Euro 5,704 thousand: This amount includes the quota of amortisation of the gain attributed to VIF for Euro 1,791 thousand.

Sale of subsidiaries

In October, the subsidiary Milano Assicurazioni sold 100% of the investment in Novara Assicura to companies of the Banco Popolare di Verona e Novara Group.

The assets and liabilities of Novara Asicura at June 30, 2007 are summarised in the table below:

(in Euro thousands)

| | |
|--------------------------------------|---------------|
| Assets (non-life sector) | |
| Investments | 15,327 |
| Other receivables | 240 |
| Other assets | 319 |
| Cash and cash equivalents | 782 |
| Total | 16,668 |
| Liabilities (non-life sector) | |
| Technical reserves | 1,885 |
| Other payables | 166 |
| Other liabilities | 811 |
| Total | 2,862 |
| Net equity | 13,806 |
| <hr/> | |
| Sales price | 15,600 |

The sales price was paid in cash before the year-end. Therefore, the net cash flow deriving from the sale was as follows:

(in Euro thousands)

| | |
|----------------------|---------------|
| Cash received | 15,600 |
| Cash and banks ceded | - 782 |
| | <hr/> |
| | 14,818 |

PART H - Transactions with related parties

Disclosure in the consolidated financial statements on “Related Parties” is governed by IAS 24 and by Consob Communications.

The principal equity, financial and economic transactions of the Parent Company with its subsidiaries (whether within the application of article 2497 of the Civil Code or otherwise) are reported in the Directors’ Report to the separate financial statements.

The operations between the Parent Company and its subsidiaries were eliminated in the consolidated financial statements and are not shown in these notes.

The operations between Group and other related parties are detailed in the following tables:

| (in Euro thousands) | 31/12/2007 | | 31/12/2006 | |
|---|------------|-------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Holding company | - | 428 | - | 1,283 |
| Associated companies and joint ventures | 71,230 | - | 65,585 | - |
| Group companies | 2 | 21 | 1 | 20 |
| Other related parties | 216,081 | 15,621 | 194,516 | 13,341 |

| (in Euro thousands) | 31/12/2007 | | 31/12/2006 | |
|---|------------|----------|------------|----------|
| | Income | Expenses | Income | Expenses |
| Holding company | 415 | 1,716 | 358 | - |
| Associated companies and joint ventures | 6,963 | - | 4,031 | - |
| Group companies | 5 | - | 19 | - |
| Other related parties | 7,240 | 64,285 | 7,172 | 45,394 |

All of the above operations were concluded at normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made in the year for any losses on receivables from related entities.

The principal transactions in the year are outlined below.

The principal transactions with associated Companies and joint ventures refer to:

- Euro 29 million with Garibaldi S.c.s. for an interest-bearing loan granted by Milano Assicurazioni S.p.A.;
- Euro 19 million with Ex Var S.c.s. for an interest-bearing loan granted by Fondiaria-SAI S.p.A. and a shareholder loan granted by Immobiliare Lombarda S.p.A.
- Euro 7 million with Borsetto S.r.l. for a shareholder loan granted by Immobiliare Lombarda S.p.A.
- Euro 5 million with Chrysalis S.p.A. for an interest-bearing loan granted by Immobiliare Lombarda S.p.A..

The principal transactions with Other Related Parties refer to:

- Euro 72 million with IM.CO S.p.A. by Milano Assicurazioni S.p.A. in relation to:
 - Euro 32 million down-payment in the year and in previous years in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castilia (Lunetta dell'Isola). We recall that this operation, which commenced in 2005, resulted in: The sale by Milano Assicurazioni to the company IM.CO. of the land in question; the purchase from IM.CO. by Milano Assicurazioni, of a building for office use, under construction on the land in question at a price of Euro 94 million;
 - Euro 40 million down-payment in the year and in previous years to IM.CO in relation to Via Lancetti, Milan. We recall that this operation, completed in 2003 and described in detail in the directors' report in the current year, resulted in the sale of the land to IM.CO. S.p.A. and the purchase from IM.CO. of the real estate complex in course of construction on the land in question at a price of Euro 36 million.
 - In relation to this operation, we report that during the work there was an opportunity to make some modifications to the construction, in order to increase the value of the complex, without changing the non-residential use of the building. These changes, which involve the construction of two additional buildings which will combine the new construction with a building already owned by Milano Assicurazioni in Via Lancetti 43 was made possible following the transfer of the building capacity of the property at Via Lancetti 43 through the use of the entire 6th floor which is used as a fitness/health centre. At the present moment, the parties are defining the necessary amendments to the sale/purchase contract, the necessary modifications to the project and the price considering the higher real estate value, which Milano Assicurazioni will obtain from these modifications, in addition to valuations prepared by Scenari Immobiliari.
 - In the meantime, the parties agreed, on October 31, 2007, to the sale/purchase of the so-called "linking buildings" at a price of Euro 6 million, against their market value, determined by an evaluation by Scenari Immobiliari of Euro 8 million.
 - Euro 12 million to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for capital expenditures on properties.
- Euro 76 million of Milano Assicurazioni S.p.A. with the company Avvenimenti e Sviluppo Alberghiero S.r.l. for a down-payment of a similar amount, paid in the current year and previous years in relation to the area in Rome, Via Fiorentini. This operation, undertaken in 2003, resulted in the sale of the land to Avvenimenti e Sviluppo Alberghiero S.r.l. and the purchase of the completed real estate complex in course of construction on the land in question at a price of Euro 96 million. During the work, the parties agreed to some modifications to the original building project, in order to increase the value of the complex. These modifications resulted in a lengthening of the completion time of the building, which, on the basis of the preliminary sales contract, should have been completed by December 31, 2006. The parties however agreed to extend the completion time to December 31, 2008 and to review the price, with the possibility to bring forward the sales/purchase operation of one of the three buildings within the project.

- Euro 27 million of Immobiliare Lombarda S.p.A. with I.C.E.IN S.p.A. for Euro 17 million and IM.CO. S.p.A. for Euro 10 million as down-payments on extraordinary maintenance and future constructions.
- Euro 15 million incurred by the subsidiary Nuove Iniziative Toscane S.r.l. with Europrogetti S.r.l. and Euro 10 million by the subsidiary Villa Ragionieri S.r.l. with IM.CO. S.p.A. against the advancement of the work on buildings.
- Euro 3.6 million incurred by the subsidiary Campo Carlo Magno S.p.A. with I.C.E.IN S.p.A. against restructuring work on the hotel real estate complex.
- The liabilities to Other Related Parties principally refer to the trade payables of the subsidiary Immobiliare Lombarda S.p.A. to MI.PR.AV S.r.l. for Euro 2 million, Atahotels S.p.A. for Euro 2 million and IM.CO. S.p.A. for Euro 2 million, as well as the subsidiary Villa Ragionieri to IM.CO for Euro 8 million for invoices to be received against work undertaken.

The income from Associated Companies and Joint Ventures relate to interest on loans incurred by the associated company Garibaldi S.c.s. with Milano Assicurazioni S.p.A. and dividends paid by the associated company Fin.Priv. to Fondiaria-SAI S.p.A.

The income from Other Related Parties principally refers to insurance premiums.

The other charges from Other Related Parties principally refer to the fees to Directors for offices covered in companies of the Group for Euro 29 million and salaries of senior management for Euro 5.4 million.

Finally, Euro 24 million was incurred by Immobiliare Lombarda (Euro 17 million) and Fondiaria-SAI (Euro 7 million) for costs in the year for maintenance of the properties owned.

The Companies IM.CO S.p.A., I.C.E.IN. S.p.A., Atahotels S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. are related parties in that there are members on the board of directors of these companies, or their holding companies, also on the boards of Fondiaria-SAI and/or its subsidiaries.

In relation to the operations with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Directors' fees

The remuneration of directors for offices held in the Group is shown in the following table:

| (in Euro thousands) | 31/12/2007 | 31/12/2006 |
|----------------------------|---------------|---------------|
| Remuneration | 14,050 | 8,700 |
| Bonus and other incentives | 6,000 | 4,950 |
| Non-monetary benefits | 73 | 50 |
| Total | 20,123 | 13,700 |

The remuneration recognised to directors is fixed based on the average market remuneration level, while the bonuses and the other incentives are normally determined ex-post in relation to the results achieved and/or in

relation to particular operations.

On June 20, 2007, the vesting period established by the regulations of the stock option plan was anticipated, concerning the saving shares of the Company, in favour of the executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company, as approved by the shareholders' meeting of April 28, 2006. The decision takes into account, on the one hand, the reaching of some objectives in the 2006-2008 Industrial Plan of the Group and, on the other hand, the various fiscal regulations to which the plans are subject compared to the date of their approval.

Obligation to publish the audit fees and other services provided by audit firm

The Consolidated Finance Act reform contained in law No. 262 of December 28, 2005, supplemented by Legislative Decree No. 303 of December 29, 2006 modified the regulations on the incompatibility of the audit firm and introduced new provisions in relation to the disclosure of audit fees pursuant to article 160, paragraph 1-bis.

Article 149 of the Consob Issuers' regulations implemented article 160, paragraph 1-bis of the Consolidated Finance Act and establishes the format for the disclosure of the audit remuneration which the audit company and parties belonging to its network received, separately, for audit or other services and indicating the type or category or service.

The fees received for the various services by the audit firm Deloitte & Touche S.p.A. from Fondiaria-SAI S.p.A. are listed below:

| Type of service | Party providing the service | Company | Remuneration (in Euro thousands) |
|-----------------------|-----------------------------|---------------------|-------------------------------------|
| a) audit | Deloitte & Touche S.p.A. | Fondiaria-Sai | 695.1 |
| | Deloitte & Touche S.p.A. | Fondiaria-Sai Group | 338.1 |
| b) certification work | Deloitte & Touche S.p.A. | Fondiaria-Sai | 527.4 |
| | Deloitte & Touche S.p.A. | Fondiaria-Sai Group | 54.6 |
| c) fiscal consulting | | | |
| d) other services | Deloitte & Touche S.p.A. | Fondiaria-Sai | 180.0 |
| Total fees in year | | | 1,795.2 |

excluding VAT.

d) advisory fees for the issue of a comfort letter on subordinated loan.

The fees for the various services by the audit firm Deloitte & Touche S.p.A. paid by the Fondiaria-SAI Group are listed below:

| Type of service | Party providing the service | Company | Remuneration (in Euro thousands) |
|-----------------------|-----------------------------|----------------------|-------------------------------------|
| a) audit | Deloitte & Touche S.p.A. | Subsidiary companies | 1,582.3 |
| b) certification work | Deloitte & Touche S.p.A. | Subsidiary companies | 228.0 |
| c) fiscal consulting | Deloitte & Touche S.p.A. | Subsidiary companies | 26.9 |
| d) other services | Deloitte & Touche S.p.A. | Subsidiary companies | |
| Total fees in year | | | 1,837.2 |

excluding VAT.

**PART I - Subsequent events
after the year end**

The present financial statements were approved by the Board of Directors of Fondiaria-SAI together with the authorisation for publication by Borsa Italiana. In addition, in accordance with IAS 10.17, the Shareholders may adjust indirectly the present draft before its approval at the shareholders' meeting, where the separate financial statements of the Parent Companies are modified.

In accordance with IAS 10.19, any information relating to events after the year-end are contained in the section "Significant events after the year end" in the Directors' Report.

PART L - Other Information

Exchange rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

| | 2007 | 2006 |
|--------------|---------|--------|
| US Dollar | 1.4721 | 1.317 |
| UK Sterling | 0.73335 | 0.6715 |
| Japanese Yen | 164.93 | 156.93 |
| Swiss Franc | 1.6547 | 1.6069 |

Group solvency margin

In accordance with the provisions of the Supervision Authority in relation to the correct solvency margin and the application of the prudent filters, consequent to the introduction of the new IAS/IFRS standard, for the year 2007 the ratio between the constituting elements and the amount of the correct solvency margin requested was above 150% (160% at December 31, 2006).

Milan, March 26, 2008

*For the Board of Directors
The Chairperson*

JONELLA LIGRESTI

Declaration of the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of 14 May, 1999 and subsequent modifications and integrations

The undersigned Fausto Marchionni (as Chief Executive Officer of Fondiaria-SA) and Piergiorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI S.p.A.) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:

- the accuracy of the information on company operations and
 - the effective application,
- of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2007.

The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2007 is based on a Model defined by Fondiaria-SAI S.p.A. in accordance with the “Internal Control – Integrated Framework” and “Cobit” which represent benchmarks for internal control systems generally accepted at international level.

In addition, we declare that the consolidated financial statements at December 31, 2007:

- corresponds to the underlying accounting documents and records;
- were prepared in accordance with International Financial Reporting Standards IAS/IFRS adopted by the European Union pursuant to EU Regulation No. 1606/2002 and Legislative Decree 38/2005 and 209/2005 and measures, regulations and circulars of ISVAP and provide a true and fair representation of the balance sheet, financial position and results of the issuer.

Milano, March 26, 2008

The Chief Executive Officer

Fausto Marchionni

*The Executive Responsible
for the preparation of the corporate accounting documents*

Pier Giorgio Bedogni

Report and resolutions of the independent boards

Statutory Auditors' Report

Dear Shareholders,

Your Company prepared the Consolidated Financial Statements for the year ended December 31, 2007 in accordance with Legislative Decree No. 38/05 and Legislative Decree No. 173/97, applying international accounting standards (IAS/IFRS), and in accordance with the financial statement formats and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007.

The Consolidated Financial Statements consist of the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the notes to the financial statements.

The financial statements are presented with the Directors' Report which pursuant to Legislative Decree 173/97 and Legislative Decree 209/2005 illustrates the Group operating performance for the year.

The Consolidated Financial Statements and the Directors' Report also contain detailed information on the operating performance of the Parent Company and of the subsidiary companies, on the principal sectors of activity of the Group (life and non-life insurance, real estate and other activities), on the asset and financial management, on litigation in course, on significant matters arising after the year-end and on the outlook.

On the Consolidated Financial Statements for the year ended December 31, 2007 of the Fondiaria-SAI Group we have undertaken appropriate controls and we have verified:

- the correct application of the main accounting principles and policies. In particular, compliance with the consolidation principles and with the regulations related to the definition of the consolidation scope and the reporting date of the data;
- the adequacy of the organisational-administrative structure of the Parent Company in order to manage the information flows and the consolidation operations and therefore the correctness of the accounting entries of the parent company and the information transmitted by the companies included in the consolidation;
- the adequate presentation and disclosure in accordance with the international accounting standards issued by the IASB and approved by the European Union, and in turn integrated by specific provisions of the Supervision Authority;

In addition, the Audit Firm Deloitte & Touche S.p.A., on April 4, 2008, issued its report without noting any issues and/or irregularities.

The Board also confirms that the audit of the subsidiary companies is in accordance with provisions of Legislative Decree No. 58/1998 and Consob Resolution No. 11971 of May 14, 1999. We also confirm that the voluntary audits of the subsidiary companies, not subject to obligatory audits based on local regulations, are in accordance with these provisions.

The Consolidated Financial Statements, prepared in thousands of Euro, report a net profit and Group net equity of Euro 506,966 thousand and Euro 3,857,752 thousand respectively. The notes to the Consolidated Financial Statements provide detailed information on the individual accounts.

In conclusion, we certify that the structure of the consolidated financial statements is in accordance with current regulations.

Turin, April 7, 2008

The Board of Statutory Auditors
Mr. Benito MARINO
Mr. Giancarlo MANTOVANI
Mr. Marco SPADACINI

Auditors' Report

**RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 156
DEL D.LGS. 24/02/1998, N. 58 E DELL'ART. 102 DEL D.LGS. 07/09/2005, N. 209**

**Agli Azionisti di
FONDIARIA - SAI S.p.A.**

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dallo stato patrimoniale, dal conto economico, dal prospetto delle variazioni di patrimonio netto, dal rendiconto finanziario e dalle note esplicative, di FONDIARIA - SAI S.p.A. e sue controllate ("Gruppo FONDIARIA - SAI") chiuso al 31 dicembre 2007. La responsabilità della redazione del bilancio compete agli Amministratori di FONDIARIA - SAI S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 11 aprile 2007.

3. A nostro giudizio, il bilancio consolidato di FONDIARIA - SAI S.p.A. al 31 dicembre 2007 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al regolamento emanato in attuazione dell'art. 90 del D.Lgs n. 209/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, le variazioni del patrimonio netto ed i flussi di cassa del Gruppo FONDIARIA - SAI per l'esercizio chiuso a tale data.

DELOITTE & TOUCHE S.p.A.


Enrico Ciai
Socio

Torino, 4 aprile 2008

Attachments to the Consolidated Financial Statements

Consolidation scope

| Company | State | Method (1) | Activity (2) | Direct Holding % | Total Holding % (3) | Voting % in Ordinary Shareholder Meeting (4) | % consolidated |
|--|-------|---------------|-----------------|------------------|---------------------------|---|----------------|
| NOVARA VITA SPA | 086 | G | 1 | | 50,00 | 50,00 | 100,00 |
| PRONTO ASSISTANCE SPA | 086 | G | 1 | 100,00 | 100,00 | 100,00 | 100,00 |
| SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI SPA | 086 | G | 1 | | 94,20 | 94,20 | 100,00 |
| BIM VITA SPA | 086 | G | 1 | 50,00 | 50,00 | 50,00 | 100,00 |
| EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| FINSAI INTERNATIONAL SA | 092 | G | 11 | 19,92 | 99,98 | 99,99 | 100,00 |
| SAIAGRICOLA SPA | 086 | G | 11 | 92,00 | 97,14 | 99,99 | 100,00 |
| SAIFIN - SAIFINANZIARIA SPA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| SAINTERNATIONAL SA | 092 | G | 11 | 99,99 | 99,99 | 99,99 | 100,00 |
| SAI HOLDING ITALIA SPA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| SAILUX SA | 092 | G | 11 | | 99,99 | 100,00 | 100,00 |
| SIM ETOILE SA | 029 | G | 10 | 99,99 | 99,99 | 99,99 | 100,00 |
| SRP ASSET MANAGEMENT SA | 071 | G | 11 | | 99,99 | 100,00 | 100,00 |
| PO VITA COMPAGNIA DI ASSICURAZIONI SPA | 086 | P | 1 | | 50,00 | 50,00 | 50,00 |
| COLPETRONE SRL | 086 | G | 11 | | 97,14 | 100,00 | 100,00 |
| SASA ASS. E RIASS. SPA | 086 | G | 1 | 99,99 | 99,99 | 99,99 | 100,00 |
| SASA VITA SPA | 086 | G | 1 | 50,00 | 100,00 | 100,00 | 100,00 |
| CONSORZIO CASTELLO | 086 | G | 10 | | 98,35 | 99,66 | 100,00 |
| DIALOGO ASSICURAZIONI SPA | 086 | G | 1 | | 57,85 | 99,85 | 100,00 |
| DOMINION INSURANCE HOLDING LTD | 031 | G | 11 | | 99,98 | 100,00 | 100,00 |
| EFFE FINANZIARIA SPA | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| EFFE VITA COMPAGNIA DI ASS. E RIASS. SPA | 086 | G | 1 | 100,00 | 100,00 | 100,00 | 100,00 |
| EUROPA TUTELA GIUDIZIARIA SPA | 086 | G | 1 | 100,00 | 100,00 | 100,00 | 100,00 |
| FONDIARIA NEDERLAND B.V. | 050 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| FONDIPREV SPA | 086 | G | 1 | 40,00 | 74,76 | 100,00 | 100,00 |
| SERVICE GRUPPO FONDIARIA SRL | 086 | G | 11 | 70,00 | 87,38 | 100,00 | 100,00 |
| MILANO ASSICURAZIONI SPA | 086 | G | 1 | 55,13 | 57,94 | 57,95 | 100,00 |
| NUOVE INIZIATIVE TOSCANE SRL | 086 | G | 10 | 96,88 | 98,69 | 100,00 | 100,00 |
| PORTOFINO VETTA SRL | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| STIMMA SRL | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| SYSTEMA COMPAGNIA DI ASS.NI SPA | 086 | G | 1 | | 57,94 | 100,00 | 100,00 |
| THE LAWRENCE RE IRELAND LTD | 040 | G | 5 | | 100,00 | 100,00 | 100,00 |
| THE LAWRENCE LIFE ASSURANCE CO. LTD | 040 | G | 2 | | 100,00 | 100,00 | 100,00 |
| UNISERVIZI SCARL | 086 | G | 11 | 63,37 | 87,95 | 99,98 | 100,00 |
| VILLA RAGIONERI SRL | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| CASCINE TRENNO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| TRENNO OVEST SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MERIDIANO BELLARMINO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MERIDIANO BRUZZANO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MERIDIANO EUR SRL | 086 | G | 10 | | 57,94 | 100,00 | 100,00 |
| MERIDIANO ORIZZONTI SRL | 086 | G | 10 | | 57,94 | 100,00 | 100,00 |
| MERIDIANO PRIMO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MERIDIANO RISPARMIO SRL | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| MERIDIANO SECONDO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| BANCA SAI SPA | 086 | G | 7 | 100,00 | 100,00 | 100,00 | 100,00 |
| BRAMANTE SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| CAMPO CARLO MAGNO SPA | 086 | G | 10 | | 57,94 | 100,00 | 100,00 |
| CARPACCIO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| CASA DI CURA VILLA DONATELLO SPA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| CASA DI CURA VILLANOVA SRL | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA | 086 | G | 11 | 30,07 | 30,07 | 30,07 | 100,00 |
| COS.ED SPA | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| CRIVELLI SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| FINITALIA SPA | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| IMMOBILIARE LITORELLA SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| IMMOBILIARE LOMBARDA SPA | 086 | G | 10 | 50,12 | 56,45 | 61,05 | 100,00 |
| INIZIATIVE VALORIZZAZIONI EDILI IN.V.ED. SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MANTEGNA SRL | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| MASACCIO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MERIDIANO QUARTO SRL | 086 | G | 10 | | 100,00 | 100,00 | 100,00 |
| MERIDIANO TERZO SRL | 086 | G | 10 | | 100,00 | 100,00 | 100,00 |
| MIZAR SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| NUOVA IMPRESA EDIFICATRICE MODERNA SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| MARINA DI LOANO SPA (EX PORTOBELLO SPA) | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| PROGETTO BIGOCCA LA PIAZZA SRL | 086 | G | 10 | | 41,77 | 74,00 | 100,00 |
| PRONTO ASSISTANCE SERVIZI SPA | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| SAI INVESTIMENTI SGR SPA | 086 | G | 8 | 51,00 | 67,80 | 80,00 | 100,00 |
| SAI MERCATI MOBILIARI SIM SPA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| SALEVOX SRL | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| SANTA MARIA DEL FICO SRL | 086 | G | 11 | | 97,14 | 100,00 | 100,00 |
| SOGEINT SRL | 086 | G | 11 | | 57,94 | 100,00 | 100,00 |
| STARVOX SPA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| TIKAL R.E. FUND | 086 | G | 10 | 53,18 | 79,39 | 94,26 | 100,00 |
| SAI ASSET MANAGEMENT SGR SPA (EX EFFE GESTIONI) | 086 | G | 8 | 100,00 | 100,00 | 100,00 | 100,00 |
| FLORENCE CENTRO DI CHILURGIA AMBULATORIALE SRL | 086 | G | 11 | | 100,00 | 100,00 | 100,00 |
| LIGURIA SOCIETA' DI ASSICURAZIONI SPA | 086 | G | 1 | 99,97 | 99,97 | 99,97 | 100,00 |
| LIGURIA VITA SPA | 086 | G | 1 | | 99,97 | 100,00 | 100,00 |
| MERIDIANO AURORA | 086 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| BANCA GESFID SA | 071 | G | 7 | 100,00 | 100,00 | 100,00 | 100,00 |
| CAPITALIA ASSICURAZIONI SPA | 086 | G | 1 | 51,00 | 51,00 | 51,00 | 100,00 |
| ITALIBERIA INVERSIONES FINANCIERAS SL | 067 | G | 11 | 100,00 | 100,00 | 100,00 | 100,00 |
| BIPIEMME VITA SPA | 086 | G | 1 | | 29,55 | 51,00 | 100,00 |
| MERIDIANO QUINTO S.r.l. (EX FONSAI MB&A) | 086 | G | 10 | 100,00 | 100,00 | 100,00 | 100,00 |
| POPOLARE VITA SPA (EX BPV VITA SPA) | 086 | G | 1 | 50,00 | 50,00 | 50,00 | 100,00 |
| SINTESI SECONDA SRL | 086 | G | 10 | | 56,45 | 100,00 | 100,00 |
| SOCIETA' EDILIZIA IMMOBILIARE SARDA S.E.I.S SPA | 086 | G | 10 | | 29,17 | 51,67 | 100,00 |

(1) Consolidation method: Global Line-by-line =G, Proportional=P, Line-by-line for man. unit =You

(2) 1= Italian Ins; 2= EU Ins; 3=Other State Ins; 4=Holding insurance; 5=EU reins; 6=Reins. Other State; 7=Banks; 8=SGR; 9=Other holding; 10=Real Estate 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Details of non-consolidated holdings

(Amounts in Euro)

| Company | State | Activity (1) | Type (2) | Direct Holding % | Total Holding % (3) | Voting % in Ordinary Shareholder Meeting (4) | Total Book Value |
|--|-------|--------------|----------|------------------|---------------------|--|------------------|
| AGRISAI SRL | 086 | 11 | a | | 97,17 | 100,00 | 55.000 |
| FIN. PRIV. SRL | 086 | 11 | b | 28,57 | 28,57 | 28,57 | 55.027.000 |
| SOFIGEA SRL | 086 | 11 | b | 14,91 | 19,25 | 22,41 | 0 |
| UFFICIO CENTRALE ITALIANO SRL | 086 | 11 | b | 14,14 | 20,89 | 25,53 | 129.000 |
| MB VENTURE CAPITAL FUND | 050 | 11 | b | 30,00 | 30,00 | 30,00 | 9.315.000 |
| AUTO PRESTO & BENE (EX SAI SISTEMI ASSICURATIVI SRL) | 086 | 11 | a | 99,00 | 100,00 | 100,00 | 91.000 |
| FINADIN SPA | 086 | 11 | b | | 40,00 | 40,00 | 41.683.000 |
| SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA | 086 | 11 | b | | 15,46 | 27,38 | 4.038.000 |
| BORSETTO SPA | 086 | 10 | b | | 25,36 | 44,93 | 4.083.000 |
| CITY LIFE SRL | 086 | 10 | b | | 15,06 | 26,67 | 43.366.000 |
| DELTAPRIME SRL | 086 | 11 | a | | 15,34 | 51,02 | 0 |
| I.T. EURO CONSULTING SRL (EX EURO C.S. SRL) | 086 | 11 | a | | 15,19 | 50,53 | 585.000 |
| GARIBALDI SCS | 092 | 11 | b | | 27,78 | 47,95 | -402.000 |
| METROPOLIS SPA | 086 | 10 | b | | 16,78 | 29,73 | 993.000 |
| PROGETTO ALFIERE SPA | 086 | 10 | b | | 10,73 | 19,00 | 5.110.000 |
| TELVOX SRL | 086 | 11 | a | | 30,07 | 100,00 | 372.000 |
| SERVIZI IMMOBILIARI MARTINELLI SPA | 086 | 10 | b | | 11,29 | 20,00 | 51.000 |
| SISTEMI SANITARI SPA | 086 | 11 | b | 22,54 | 37,44 | 48,25 | 1.011.000 |
| A7 SRL | 086 | 10 | b | | 11,29 | 20,00 | 1.010.000 |
| SOAIMPIANTI- ORGANISMI DI ATTESTAZIONE SPA | 086 | 11 | b | 21,64 | 21,64 | 21,64 | 317.000 |
| DIANOS SPA | 086 | 11 | a | | 30,07 | 100,00 | 464.000 |
| GLOBAL CARD SERVICE SRL | 086 | 11 | a | | 94,97 | 95,00 | 486.000 |
| LIGURIA DIREZIONE SRL | 086 | 11 | a | | 99,97 | 100,00 | 0 |
| EX VAR SCS | 092 | 11 | b | 18,00 | 23,65 | 28,00 | 14.000 |
| PENTA DOMUS SPA | 086 | 10 | b | | 11,29 | 20,00 | 423.000 |
| NEXT SOLUTION SRL | 086 | 11 | a | | 18,94 | 63,00 | 45.000 |
| WAVE TECHNOLOGIES | 086 | 11 | a | 15,00 | 15,00 | 15,00 | 1.500.000 |
| FONDIARIA-SAI SERVIZI TECNOLOGICI SRL | 086 | 11 | b | 51,00 | 51,00 | 51,00 | 7.453.000 |
| SVILUPPO CENTRO EST SRL | 086 | 10 | b | | 22,58 | 40,00 | 0 |
| INFOMEDIA ITALIA IMI SRL | 086 | 11 | b | | 6,01 | 20,00 | 62.000 |
| CHRYSLIS SPA | 086 | 11 | b | | 11,29 | 20,00 | 961.000 |
| IGLI SPA | 086 | 11 | b | | 18,82 | 33,33 | 89.803.000 |
| QUINTOGEST SPA | 086 | 11 | b | 49,00 | 49,00 | 49,00 | 1.980.000 |

(1) 1= Italian Ins; 2= EU Ins; 3=Other State Ins; 4=Holding insurance; 5=EU reins; 6=Reins. Other State; 7=Banks; 8=SGR; 9=Other holding; 10=Real Estate 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5 and

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Details of property, plant & equipment and intangible fixed assets

(in thousands of Euro)

| | At cost | At revalued amount or fair value | Total Book Value |
|-----------------------------|-----------|-------------------------------------|------------------|
| Investment property | 2.142.923 | 0 | 2.142.923 |
| Others buildings | 1.000.050 | 0 | 1.000.050 |
| Other tangible fixed assets | 201.812 | 0 | 201.812 |
| Other intangible assets | 279.996 | 0 | 279.996 |

Details of financial assets

(in thousands of Euro)

| | (in thousands of Euro) | | | | | | | | | | | |
|---|------------------------------|------|-----------------------|-----------|-------------------------------------|------------|---|-----------|--|-----------|------------------|------------|
| | Investments held-to-maturity | | Loans and receivables | | Available-for-sale financial assets | | Financial assets at fair value through profit or loss | | | | Total book value | |
| | | | | | | | Financial assets held for trading | | Financial assets designated at fair value through profit or loss | | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Equity securities and derivatives valued at cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity securities at fair value | 0 | 0 | 0 | 0 | 3.096.783 | 3.640.308 | 202.773 | 248.720 | 83.350 | 48.410 | 3.382.906 | 3.937.438 |
| <i>of which listed securities</i> | 0 | 0 | 0 | 0 | 3.024.989 | 3.553.658 | 202.211 | 248.274 | 83.350 | 48.410 | 3.310.550 | 3.850.342 |
| Debt securities | 0 | 0 | 102.327 | 107.047 | 19.393.263 | 18.859.785 | 1.049.231 | 1.058.258 | 7.274.384 | 4.358.495 | 27.819.205 | 24.383.585 |
| <i>of which listed securities</i> | 0 | 0 | 0 | 0 | 19.284.917 | 18.734.805 | 976.296 | 975.067 | 4.903.557 | 2.845.716 | 25.164.770 | 22.555.588 |
| Fund units | 0 | 0 | 0 | 0 | 842.180 | 564.603 | 12.333 | 1.498 | 1.781.207 | 1.151.685 | 2.635.720 | 1.717.786 |
| Loans and receivables from bank clients | 0 | 0 | 304.243 | 145.275 | 0 | 0 | 0 | 0 | 0 | 0 | 304.243 | 145.275 |
| Loans and interbank receivables | 0 | 0 | 167.935 | 281.058 | 0 | 0 | 0 | 0 | 0 | 0 | 167.935 | 281.058 |
| Deposits with reinsurers | 0 | 0 | 32.272 | 35.002 | 0 | 0 | 0 | 0 | 0 | 0 | 32.272 | 35.002 |
| Financial asset components of insurance contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other loans and receivables | 0 | 0 | 725.995 | 737.472 | 0 | 0 | 0 | 0 | 0 | 0 | 725.995 | 737.472 |
| Non-hedging derivatives | 0 | 0 | 0 | 0 | 0 | 0 | 13.834 | 6.312 | 350.368 | 264.790 | 364.202 | 271.102 |
| Hedging derivatives | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42.425 | 6.293 | 42.425 | 6.293 |
| Other financial investments | 0 | 0 | 490 | 9 | 2.775 | 2.915 | 0 | 0 | 129.636 | 12.992 | 132.901 | 15.916 |
| Total | 0 | 0 | 1.333.262 | 1.305.863 | 23.335.001 | 23.067.611 | 1.278.171 | 1.314.788 | 9.661.370 | 5.842.665 | 35.607.804 | 31.530.927 |

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and from pension fund management

(in thousands of Euro)

| | Contracts related to performance of investments funds and market indices | | Contracts related to the management of pension funds | | Total | |
|-----------------------------------|--|------------------|--|----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets in accounts | 9.333.028 | 5.599.629 | 176.485 | 151.674 | 9.509.513 | 5.751.303 |
| Inter-group assets* | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 9.333.028 | 5.599.629 | 176.485 | 151.674 | 9.509.513 | 5.751.303 |
| Financial liabilities in accounts | 4.773.348 | 4.472.110 | 176.485 | 151.674 | 4.949.833 | 4.623.784 |
| Technical reserves in accounts | 4.559.320 | 1.126.403 | | 0 | 4.559.320 | 1.126.403 |
| Inter-group liabilities* | | 0 | | 0 | 0 | 0 |
| Total Liabilities | 9.332.668 | 5.598.513 | 176.485 | 151.674 | 9.509.153 | 5.750.187 |

* Assets and liabilities eliminated in consolidation

Details of the technical reserves - reinsurance amount

(in thousands of Euro)

| | Direct business | | Indirect business | | Total book value | |
|---|-----------------|----------------|-------------------|----------------|------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Non-Life reserves | 505.950 | 537.157 | 193.757 | 147.352 | 699.707 | 684.509 |
| Unearned premium reserve | 71.785 | 87.820 | 51.688 | 41.849 | 123.473 | 129.669 |
| Claims reserve | 434.165 | 449.337 | 142.069 | 105.503 | 576.234 | 554.840 |
| Other reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Life reserves | 151.748 | 156.376 | 53.852 | 54.818 | 205.600 | 211.194 |
| Reserve for sums to be paid | 437 | 415 | 1.815 | 2.292 | 2.252 | 2.707 |
| Actuarial reserves | 151.310 | 155.959 | 52.037 | 52.526 | 203.347 | 208.485 |
| Technical reserves where investment risk is borne by policyholders and from pension fund management | 0 | 0 | | | 0 | 0 |
| Other reserves | 1 | 2 | | | 1 | 2 |
| Technical reserves attributed to reinsurers | 657.698 | 693.533 | 247.609 | 202.170 | 905.307 | 895.703 |

Details of technical reserves

(in thousands of Euro)

| | Direct business | | Indirect business | | Total book value | |
|---|-------------------|-------------------|-------------------|----------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Non-Life reserves | 11.494.494 | 11.523.654 | 111.188 | 138.233 | 11.605.682 | 11.661.887 |
| Unearned premium reserve | 2.618.248 | 2.563.004 | 3.573 | 4.466 | 2.621.821 | 2.567.470 |
| Claims reserve | 8.861.783 | 8.950.149 | 107.615 | 133.767 | 8.969.398 | 9.083.916 |
| Other reserves | 14.463 | 10.501 | 0 | 0 | 14.463 | 10.501 |
| <i>of which reserves set aside following the liability adequacy test</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Life reserves | 19.716.179 | 15.212.184 | 21.203 | 52.522 | 19.737.382 | 15.264.706 |
| Reserve for sums to be paid | 278.827 | 205.690 | 535 | 565 | 279.362 | 206.255 |
| Actuarial reserves | 14.986.995 | 13.694.630 | 20.668 | 51.957 | 15.007.663 | 13.746.587 |
| Technical reserves where investment risk is borne by policyholders and from pension fund management | 4.559.320 | 1.126.403 | 0 | 0 | 4.559.320 | 1.126.403 |
| Other reserves | -108.963 | 185.461 | 0 | 0 | -108.963 | 185.461 |
| <i>of which reserves set aside following the liability adequacy test</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| <i>of which deferred liabilities to policyholders</i> | <i>-262.767</i> | <i>74.521</i> | <i>0</i> | <i>0</i> | <i>-262.767</i> | <i>74.521</i> |
| Total Technical Reserves | 31.210.673 | 26.735.838 | 132.391 | 190.755 | 31.343.064 | 26.926.593 |

Details of financial liabilities

(in thousands of Euro)

| | (in thousands of Euro) | | | | | | | |
|---|--|---------|---|-----------|-----------------------------|-----------|------------------|-----------|
| | Financial liabilities at fair value through profit or loss | | | | Other financial liabilities | | Total book value | |
| | Financial liabilities held for trading | | Financial liabilities designated at fair value through profit or loss | | | | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Equity financial instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-ordinated liabilities | 0 | 0 | 0 | 0 | 820.007 | 807.386 | 820.007 | 807.386 |
| Liabilities from financial contracts issued by insurance companies deriving | 0 | 0 | 4.949.833 | 4.623.784 | 15.961 | 12.886 | 4.965.794 | 4.636.670 |
| From contracts for which the investment risk is borne by policyholders | 0 | 0 | 4.773.348 | 4.472.110 | 0 | 0 | 4.773.348 | 4.472.110 |
| From the management of pension funds | 0 | 0 | 176.485 | 151.674 | 0 | 0 | 176.485 | 151.674 |
| From other contracts | 0 | 0 | 0 | 0 | 15.961 | 12.886 | 15.961 | 12.886 |
| Deposits received from reinsurers | 0 | 0 | 0 | 0 | 305.238 | 324.499 | 305.238 | 324.499 |
| Financial liability components of insurance contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | 0 | 0 | 0 | 0 | 181.028 | 180.875 | 181.028 | 180.875 |
| Payables to bank clients | 0 | 0 | 0 | 0 | 354.377 | 284.892 | 354.377 | 284.892 |
| Interbank payables | 0 | 0 | 0 | 0 | 4 | 9 | 4 | 9 |
| Other loans obtained | 0 | 0 | 0 | 0 | 96.241 | 178.318 | 96.241 | 178.318 |
| Non-hedging derivatives | 16.779 | 7.109 | 1.075 | 0 | 0 | 0 | 17.854 | 7.109 |
| Hedging derivatives | 33.295 | 153.503 | 0 | 0 | 0 | 0 | 33.295 | 153.503 |
| Other financial liabilities | 29.657 | 57.066 | 814 | 570 | 381.378 | 448.998 | 411.849 | 506.634 |
| Total | 79.731 | 217.678 | 4.951.722 | 4.624.354 | 2.154.234 | 2.237.863 | 7.185.687 | 7.079.895 |

Details of insurance technical reserves

(in thousands of Euro)

| | | 2007 | | | 2006 | | |
|--------------------------------|--|------------------|-------------------|------------------|------------------|-------------------|------------------|
| | | Gross amount | reinsurers' share | Net amount | Gross amount | reinsurers' share | Net amount |
| Non-Life business | | | | | | | |
| NET PREMIUMS | | 7.263.968 | 305.789 | 6.958.179 | 7.316.233 | 312.580 | 7.003.653 |
| a | Premiums written | 7.318.145 | 290.270 | 7.027.875 | 7.304.794 | 307.654 | 6.997.140 |
| b | Change in unearned premium reserve | -54.177 | 15.519 | -69.696 | 11.439 | 4.926 | 6.513 |
| NET CHARGES RELATING TO CLAIMS | | 5.151.613 | 256.024 | 4.895.589 | 5.096.273 | 160.085 | 4.936.188 |
| a | Amount paid | 5.325.562 | 217.035 | 5.108.527 | 5.192.691 | 187.544 | 5.005.147 |
| b | Change in claims reserve | -85.667 | 41.086 | -126.753 | 7.592 | -26.521 | 34.113 |
| c | Change in recoveries | -92.271 | -2.097 | -90.174 | -104.434 | -938 | -103.496 |
| d | Change in other technical reserves | 3.989 | 0 | 3.989 | 424 | 0 | 424 |
| Life Division | | | | | | | |
| NET PREMIUMS | | 4.564.123 | 21.229 | 4.542.894 | 2.670.472 | 24.287 | 2.646.185 |
| NET CHARGES RELATING TO CLAIMS | | 4.487.911 | 23.340 | 4.464.571 | 2.922.330 | 24.261 | 2.898.069 |
| a | Sums paid | 2.851.960 | 30.194 | 2.821.766 | 1.871.209 | 26.926 | 1.844.283 |
| b | Change in reserve for sums to be paid | 36.292 | -414 | 36.706 | 100.762 | 601 | 100.161 |
| c | Change in actuarial reserve | 146.078 | -6.440 | 152.518 | 723.721 | -3.733 | 727.454 |
| d | Change in technical reserves where investment risk borne by policyholders and from pension fund management | 1.439.929 | 0 | 1.439.929 | 234.742 | 0 | 234.742 |
| e | Change in other technical reserves | 13.652 | 0 | 13.652 | -8.104 | 467 | -8.571 |

Financial income and charges and from investments

(in thousands of Euro)

| | | Interest | Other Income | Other Expenses | Gains realised | Losses realised | Total income and charges realised | Valuation profits | | Valuation losses | | Total income and charges not realised | Total income and charges 2007 | Total income and charges 2006 |
|--|---|----------|--------------|----------------|----------------|-----------------|-----------------------------------|-------------------|---------------------|------------------|------------|---------------------------------------|-------------------------------|-------------------------------|
| | | | | | | | | Valuation gains | Write-back of value | Valuation losses | Impairment | | | |
| Result from investments | | 966.548 | 343.116 | 116.178 | 428.410 | 293.455 | 1.328.441 | 46.514 | 210 | 503.876 | 0 | -457.152 | 871.289 | 1.045.494 |
| a | Deriving from property investments | 0 | 98.206 | 58.539 | 61.100 | 5.864 | 94.903 | 0 | 0 | 40.031 | 0 | -40.031 | 54.872 | 25.983 |
| b | Deriving from investments in subsidiaries, associates and joint ventures | 0 | 4.897 | 5.523 | 22.433 | 3 | 21.804 | 1.726 | 0 | 11 | 0 | 1.715 | 23.519 | 19.446 |
| c | Deriving from investments held-to-maturity: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d | Deriving from loans and receivables | 49.009 | 14.387 | 589 | 0 | 3.503 | 59.304 | 0 | 210 | 0 | 0 | 210 | 59.514 | 42.489 |
| e | Deriving from available-for-sale financial assets | 767.983 | 134.787 | 4.000 | 291.745 | 119.477 | 1.071.038 | 0 | 0 | 0 | 0 | 0 | 1.071.038 | 877.311 |
| f | Deriving from financial assets held for trading | 43.151 | 90.212 | 1.287 | 24.561 | 90.970 | 65.667 | 12.361 | 0 | 166.629 | 0 | -154.268 | -88.601 | 39.463 |
| g | Deriving from financial assets designated at fair value through profit or loss | 106.405 | 627 | 46.240 | 28.571 | 73.638 | 15.725 | 32.427 | 0 | 297.205 | 0 | -264.778 | -249.053 | 40.802 |
| Result of other receivables | | 15.680 | 0 | 44 | 0 | 0 | 15.636 | 0 | 0 | 450 | 0 | -450 | 15.186 | 13.166 |
| Result of cash and cash equivalents | | 32.732 | 9 | 458 | 7 | 489 | 31.801 | 0 | 0 | 0 | 0 | 0 | 31.801 | 26.893 |
| Result of financial liabilities | | -113.117 | 0 | 0 | 0 | 0 | -113.117 | 81.929 | 0 | 0 | 0 | 81.929 | -31.188 | -94.433 |
| a | Deriving from financial liabilities held for trading | 0 | 0 | 0 | 0 | 0 | 0 | 81.929 | 0 | 0 | 0 | 81.929 | 81.929 | |
| b | Deriving from financial liabilities designated at fair value through profit or loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| c | Deriving from other financial liabilities | -113.117 | 0 | 0 | 0 | 0 | -113.117 | 0 | 0 | 0 | 0 | 0 | -113.117 | -94.433 |
| Result of payables | | -4.919 | 0 | 0 | 0 | 0 | -4.919 | 0 | 0 | 0 | 0 | 0 | -4.919 | -12.801 |
| Total | | 896.924 | 343.125 | 116.680 | 428.417 | 293.944 | 1.257.842 | 128.443 | 210 | 504.326 | 0 | -375.673 | 882.169 | 978.319 |

Details of insurance management expenses

(in thousands of Euro)

| | | Non-Life Division | | Life Division | |
|--|--------------------------------------|-------------------|------------------|----------------|----------------|
| | | 2007 | 2006 | 2007 | 2006 |
| Gross commissions and other acquisition expenses | | 1.310.138 | 1.255.727 | 229.221 | 99.687 |
| a | Acquisition commissions | 1.048.656 | 1.060.886 | 175.248 | 50.658 |
| b | Other acquisition expenses | 167.119 | 159.047 | 38.024 | 30.501 |
| c | Change in deferred acquisition costs | 28.015 | -16.829 | 2.440 | 2.811 |
| d | Collection commissions | 66.348 | 52.623 | 13.509 | 15.717 |
| Commissions and profit part. from reinsurers | | -61.348 | -63.340 | -2.166 | -2.486 |
| Investment management charges | | 5.965 | 4.274 | 8.137 | 5.055 |
| Other administration expenses | | 251.599 | 234.390 | 56.271 | 53.224 |
| Total | | 1.506.354 | 1.431.051 | 291.463 | 155.480 |