CONSOLIDATED FINANCIAL STATEMENTS
2008

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 167,043,712 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

	2004	%	2005	%	2006	%	2007	%	2008	%
TOTAL PREMIUMS										
MOTOR TPL	4,187,410	42.65	4,210,494	44.30	4,307,043	43.18	4,190,572	35.27	4,048,099	35.18
NON-LIFE DIVISION	2,822,633	28.75	2,933,822	30.87	2,997,751	30.05	3,127,573	26.32	3,249,984	28.25
LIFE DIVISION	2,807,567	28.60	2,360,942	24.84	2,670,472	26.77	4,564,123	38.41	4,208,340	36.57
TOTAL	9,817,610	100.00	9,505,258	100.00	9,975,266	100.00	11,882,268	100.00	11,506,423	100.00
APE	-		-		244,410		402,757		379,158	
premiums relating to investment policies	-		717,752		882,541		171,982		297,452	
CLAIMS PAID *and related charges*	6,515,165		6,614,224		7,063,900		8,166,014		9,894,498	
GROSS TECHNICAL RESERVES										
UNEARNED PREMIUM RESERVE	2,456,758		2,490,917		2,567,470		2,621,820		2,696,189	
CLAIMS RESERVE	9,010,996		8,949,726		9,083,916		8,969,398		8,570,978	
OTHER TECHNICAL RESERVES	25,153		10,825		10,501		14,463		14,444	
LIFE TECHNICAL RESERVES	15,135,113		13,908,135		15,264,706		19,737,383		18,039,925	
TOTAL	26,628,020		25,359,603		26,926,593		31,343,064		29,321,536	
TECHNICAL RESERVES/PREMIUMS	271.2%		266.8%		269.9%		263.8%		254.8%	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	2,829,741		3,922,539		4,453,774		4,550,883		3,804,044	
NET PROFIT	445,027		586,350		600,768		620,050		90,764	
	3,274,768		4,508,889		5,054,542		5,170,933		3,894,808	
INVESTMENTS	26,297,585		30,065,020		33,812,476		38,020,751		33,437,833	
AVERAGE NUMBER OF EMPLOYEES OF THE GROUP	6,031		5,852		5,991		6,154		7,714	

* 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 to 2008 refer to the financial statements prepared in accordance with IAS/IFRS.

MAIN EVENTS IN 2008

- 30/01/2008: Fondiaria-SAI approved the launch of a voluntary public purchase and exchange on all of the ordinary shares of Immobiliare Lombarda S.p.A. not held directly and/or indirectly by Fondiaria-SAI, corresponding to approx. 38.8% of the share capital of the company.
  The Offer period, as agreed with Borsa Italiana S.p.A., commenced on March 18, 2008 and terminated on April 17, 2008.
  For further details relating to the project reference should be made to the section Asset and Financial Management "Launch by Fondiaria-SAI of a share swap public offer on the shares of Immobiliare Lombarda for payment in shares of Milano Assicurazioni, for the purpose of the delisting of Immobiliare Lombarda".
- 30/01/2008: The Board of Directors' of Fondiaria-SAI reviewed and approved the guidelines for an industrial/corporate reorganisation of the Fondiaria-SAI Group relating to the activities of some insurance companies belonging to the Group and the real estate assets managed by Immobiliare Lombarda.

  Specifically, the project provides for:

  1. 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;
  2. 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;
  3. 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 holding held by Fondiaria-SAI in Immobiliare Lombarda, from the Bid equal to 27.88%.
- 12/03/2008: 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.
- 31/03/2008: sale of 50% of the subsidiary Po Vita to Credit Agricole Assurance Italia S.p.A. with a gain of Euro 29 million.
- In order to avail of the opportunities in the automotive repairs market, in April Fondiaria-SAI established the company Auto Presto & Bene.
  Auto Presto & Bene's objective is to increase the level of service in the settlements of Motor TPL claims, reducing the average reparation cost and rationalising the processes through commercial agreements with a network of reliable operators (body repair workshops, spare parts, dealerships, distributors, car manufacturers).

- 23/04/2008: approval of the merger by incorporation into Milano Assicurazioni S.p.A. of Sasa Assicurazioni e Riassicurazioni S.p.A., Sasa Vita S.p.A. and the share capital increase of Milano Assicurazioni S.p.A. reserved to Fondiaria-SAI for the conferment in kind by this latter of the entire holding of Liguria Assicurazioni S.p.A. and of 27.88% held in Immobiliare Lombarda S.p.A.
- In April 2008, the Board of Directors of the Company approved the merger by incorporation of NOVARA VITA S.p.A. into POPOLARE VITA S.p.A., both companies jointly held by the Fondiaria-SAI Group and the BANCO POPOLARE Group.

  Within the complex agreements with the BANCO POPOLARE for the implementation of a partnership for the placement of Life Class insurance products, in fact, POPOLARE VITA S.p.A. (formerly BPV VITA S.p.A.) was appointed as the sole vehicle for the undertaking of this partnership.

  The merger was completed on December 31, 2008.
- 30/05/2008: the ordinary share buy-back programme commenced, in accordance with the Shareholders' Meeting Resolution of April 23, 2008.
- 09/10/2008: Fondiaria-SAI S.p.A. launched, in accordance with the obligations assumed pursuant to the purchase contract of the shares representing approx. 83.32% of the share capital of the Serbian insurance company DDOR Novi Sad, completed on January 31, 2008, a public purchase offer on all the residual 352,701 DDOR ordinary shares, representing approx. 16.68% of the share capital of DDOR.

  On October 29, 2008, the subscription period to the Offer ended with sales requests received for a total of 336,590 ordinary shares of DDOR, equal to 15.92% of the share capital. Taking into account the outcome of the Offer, as well as the number of DDOR shares already held, Fondiaria-SAI acquired a total holding of 99.24% of the share capital of DDOR.

  As a consequence of attaining a holding above 95% of the share capital of DDOR, on December 4, 2008 Fondiaria-SAI purchased the remaining shares of DDOR held by the market under the so-called squeeze-out procedure.
- 29/10/2008: the Board of Directors of Fondiaria-SAI and UniCredit approved the modifications to be made to the existing agreements concerning their joint venture in Capitalia Assicurazioni. The agreements were amended and/or updated in a manner through which the joint venture: will maintain its potential distribution within the new structure of the UniCredit Group, placing products through the UniCredit Banca di Roma and Banco di Sicilia networks; will continue the expansion of its product range in line with the overall non-life banassurance offer of the UniCredit Group.
- 29/12/2008: Fondiaria-SAI and Milano Assicurazioni S.p.A signed a preliminary purchase contract with SINERGIA HOLDING DI PARTECIPAZIONI S.P.A. and RAGGRUPPAMENTO FINANZIARIO S.P.A. for 100% of the share capital of Atahotels S.p.A., the sixth largest Italian hotel group. The agreement provides for the acquisition of 51% of the share capital of Atahotels for Euro 15.3 million by Fondiaria-SAI, and 49% of the share capital of Atahotels for Euro 14.7 million by Milano Assicurazioni Sp.A., for a total amount of Euro 30 million. The agreement also includes a variable earn-out for the ceding parties, up to a maximum amount of Euro 13 million payable in 2013, based on the profitability of the company. The preliminary contract is subject, among other matters, to ISVAP and AGCM approval. The closing of the operation is expected in the first half of 2009.

NEW INSURANCE PRODUCTS

Non-Life Business

- February 2008: with the continuation of the revision and rationalisation of the products relating to the Non-Motor Classes, the Group launched a new policy CONSTRUCTION COMPANY TPL INSURANCE, featuring innovative criteria, responding to the needs of this specific market sector, and with uniform and simplified procedures and solutions for all of the Companies of the Group.
- October 1, 2008: within the product line Nuova 1ª GLOBAL, the CONTRACT FOR YOUNG DRIVERS Policy was created.
- October 1, 2008: with the AUTO PRESTO & BENE Policy, the motor policy which unites the tried and tested insurance solutions of the Nuova 1ª GLOBAL with the practicality and efficiency of "Auto Presto & Bene", the companies of the Fondiaria-SAI Group guarantee, in the case of claims, the maximum reliability in the repair of the vehicle through an extended network of highly specialised repair centres able to carry out fast repairs and with the guarantee of original spare parts.
- October 2008: within the updating and rationalisation of the products of the Group, the launch of the new policies INSURANCE FOR BUSINESSES – CUMULATIVE ACCIDENTS and INSURANCE FOR THE BUSINESS - PRODUCT WITHDRAWAL TPL, with the same procedures and uniform solutions providing simplification for all of the Group Companies.
- November 2008: the products INSURANCE FOR THE BUSINESS – CIVIL, ENVIRONMENTAL AND PLANT RESPONSIBILITY and the global policy for the photovoltaic plant SOLE AMICO were brought to the market.

Life Business, Pension & Managed Savings

- February 19, 2008: a new annual premium term life insurance product with equal capital payments called DEDICATED FOR SMOKERS – NON SMOKERS, based on the differentiation of tariffs between smokers and non smokers was introduced.
- February 25, 2008 – March 27, 2008 and May 12, 2008 – June 25, 2008: two new index-linked products WORLD CUP and WORLD CUP 2 were introduced.
- April 7, 2008: a new annual premium product OPEN PIU' was launched.
- September 22, 2008 – November 7, 2008 and November 10, 2008 – December 10, 2008 (except reaching the plafond): a new edition of the single annual premium product called CERTAIN VALUE was introduced (only for individuals).

BANCASAI

- May 2008: introduction of the mortgage SUBROGATION AT FIXED RATE, following the issue of the Bersani Decree, in view of the new Regulatory environment.
- August 2008: launch of the Sicav of UBS called GLOBAL ASSET MANAGEMENT.
- October 2008: launch of the Banking Services offer reserved for the Agencies of the Fondiaria-SAI Group called I-POS (Insurance Point of Sale).
- December 2008: introduction of the mortgage SUBSTITUTION + LIQUIDITY and launch of the Sicav called NEUTRAL SICAV.

OTHER INITIATIVES

- In January, COVIP issued a series of measures in relation to Complementary Pensions. These measures, effective as of July 1, 2008, clearly define the information which must be made available to potential Clients in the presentation and/or subscription phase of the products such as P.I.P. and Open Pension Funds for the purposes of a complementary pension. COVIP also permitted that such information may be received directly by the clientele, within the specific section dedicated to Complementary Pensions already present on the Internet site of the Parent Company.
  In order to further personalise the service offered, our Group decided to expand the level of consultation with clients. Based on the above, the company set up MADE TO MEASURE ONLINE PENSION which offers the option to evaluate the difference between income from employment and from pensions and, through a guided and easily accessible path, to identify the complementary pension product most suited to one's needs and expectations.

- In April 2008, Fondiaria-SAI in partnership with the companies PaySat and Infomobility.it took part in an experimental project in selected regions relating to the installation of the GREEN BOX (an advanced terminal for localised satellite, remote control, logistics and antitheft applications) on a sample of vehicles as illustrated below. The objective of the experimentation for the above-mentioned companies was to validate the model applied, while for Fondiaria-SAI the objective was the acquisition of data on driving styles. The project was undertaken as part of the ongoing studies by the Parent Company to create future tariff forms based also on the use of the vehicle and on the driving conduct of the owner.

- In Italy, as in the rest of the world, the number of people using the Internet to access information is constantly on the increase. Therefore, from November 2008, Fondiaria-SAI decided to initiate a new service called LIFE INSURANCE ONLINE STATEMENT, dedicated to Life insurance clients, in order to allow them to access information on the contracts to which they have subscribed and updated monthly.

- The progressive ageing of the population due to greater longevity and to the large increase in the costs of technological innovation in the medical field are just two of the reasons why the Fondiaria-SAI Group has decided to seek radical changes in the welfare system.
  Following continued requests for long-term care insurance and for pension funds, the Group has created a new division totally dedicated to health management: Healthcare Systems, the leading network in the healthcare sector, represents the optimal coming together of public agencies, private structures and citizens.

CONSOLIDATED FINANCIAL STATEMENTS 2008

CORPORATE BOARDS OF FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Jonella Ligresti*	*Chairman*
Giulia Maria Ligresti*	*Vice Chairman*
Massimo Pini*	*Vice Chairman*
Antonio Talarico*	*Vice Chairman*
Fausto Marchionni*	*Chief Executive Officer - General Manager*
Andrea Broggini	
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*
Rossella Porfido	*Alternate Auditor*

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGER

Fausto Marchionni

EXEUCTIVE 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 above the value of 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 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, on the most significant operations.

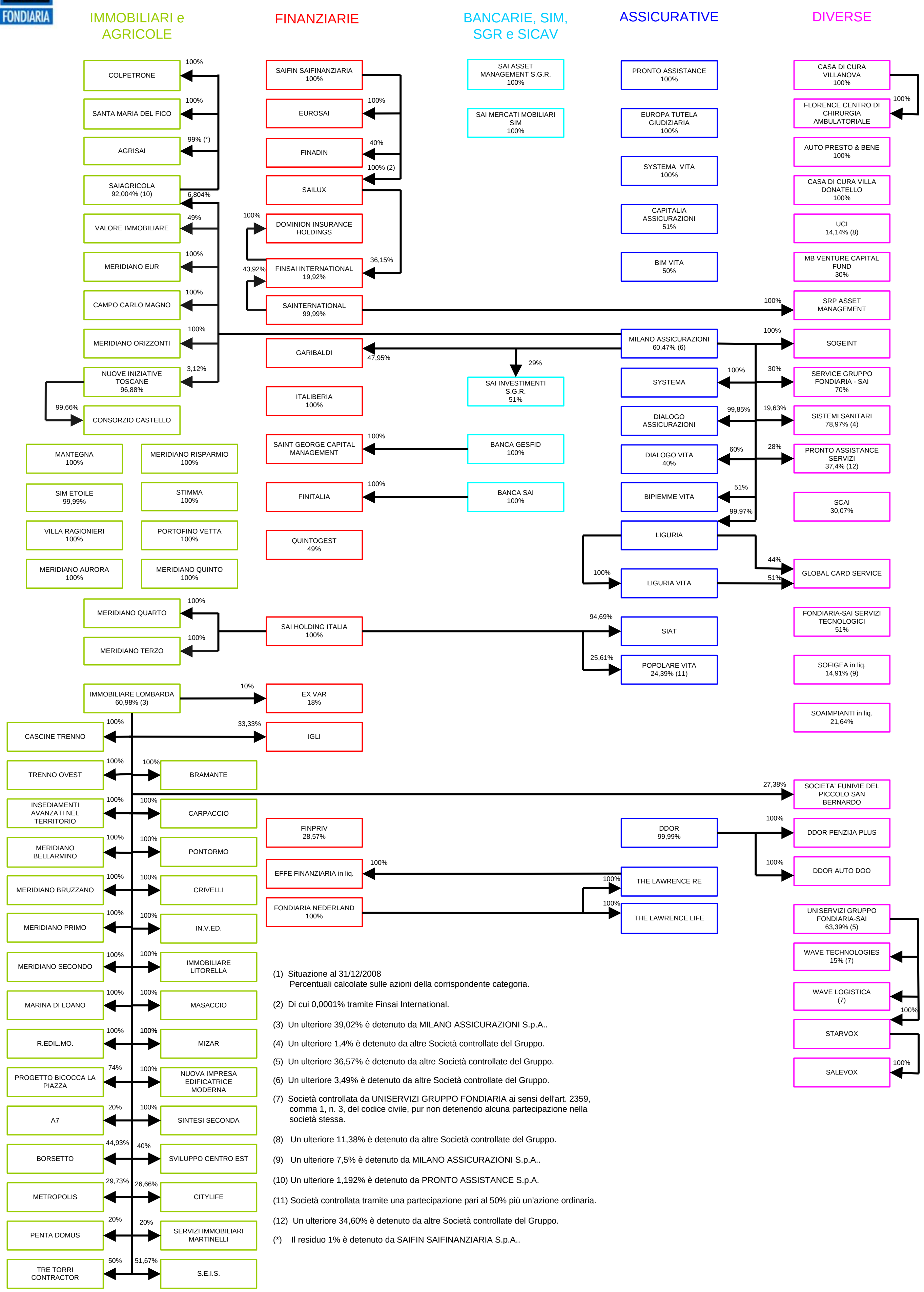
The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 18, 2009 - 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 attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. 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

SOCIETA' CONTROLLATE E COLLEGATE(1)



(1) Situazione al 31/12/2008
Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Di cui 0,0001% tramite Finsai International.

(3) Un ulteriore 39,02% è detenuto da MILANO ASSICURAZIONI S.p.A..

(4) Un ulteriore 1,4% è detenuto da altre Società controllate del Gruppo.

(5) Un ulteriore 36,57% è detenuto da altre Società controllate del Gruppo.

(6) Un ulteriore 3,49% 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.

(12) Un ulteriore 34,60% è detenuto da altre Società controllate del Gruppo.

(*) Il residuo 1% è detenuto da SAIFIN SAIFINANZIARIA S.p.A..

ALTRE PARTECIPAZIONI DI RILIEVO (1)

FINANZIARIE e BANCARIE	DIVERSE
RCS 5,462 % (2)	PIRELLI & C. 4,482 % (6)
GEMINA 4,185 %	AEROPORTO DI FIRENZE 2,053 %
MEDIOBANCA 3,835 % (3)	ALERION 3,408 % (7)
MELIORBANCA 6,098 %	
PREMAFIN 6,717 % (4)	
BANCA INTERMOBILIARE 2,023 % (5)	

(1) Situazione al 31/12/2008
Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Partecipazione detenuta direttamente per il 2,243% e indirettamente per il 3,219%

(3) Partecipazione detenuta direttamente per il 3,142% e indirettamente per lo 0,693%

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

(5) Partecipazione detenuta direttamente per l'1,863% e indirettamente per lo 0,16%

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

(7) Partecipazione detenuta direttamente per l'1,5% e indirettamente per l'1,908%

Directors' Report at December 31, 2008

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.

Consolidated Income Statement

The financial crisis has significantly affected the results of the Group.
The utilisation of international accounting standards, which are centred around fair value evaluations of assets held, has amplified its effects. The Fondiaria-SAI Group however has rigorously applied the principles, although in the knowledge that adhering to the regulations in such a manner would certainly have distortive effects on the balance sheet and financial situation and on the income statement. The recent financial crisis was so unexpected and severe as to take many organisations by surprise - including the IASB in the drawing up of the accounting regulations.
Unfortunately all of the critical declarations in relation to the mark-to-market evaluations by numerous leading commentators and also by the authority to the press were not reflected in adequate regulations to benefit both the preparers of the accounts and their ultimate users.
Therefore, although not debasing the entirety of the accounting principles currently in force, the Group has, within the limits allowed by the regulations and the current interpretations, lessened the impacts which the rigid application of the fair value would have had on the accounting information related to the present financial statements.
In relation to this, more detailed explanations will be provided in the report and the financial statements.

On October 13, 2008, IASB issued an amendment to IAS 39 – Financial instruments “Recognition and Measurement” and to IFRS 7 – “Financial instruments - Disclosures”, which permit, in particular circumstances, the reclassification of certain financial assets, other than derivatives and designated instruments at fair value through profit and loss, from the accounting category “fair value through profit and loss”.
The amendment was effective as of July 1, 2008. On this date, the Group reclassified a part of the assets held for trading from the category “fair value through profit and loss” to the category “available-for-sale”. In this manner it was possible to apply the provisions from the regulations, eliminating from the income statement the negative effects of the volatility on the financial markets in the period July 1 – September 30, 2008, which were of an absolutely exceptional nature. For reasons of transparency and while awaiting a more stable regulatory framework, it was considered appropriate to value the assets at fair value through equity, in order to quantify the fair value impact on the financial statements. This reclassification resulted in a decrease in consolidated net equity, instead of in the income statement, of approx. Euro 52 million, taking into account, for the securities in the Life sector the shadow accounting effect, as well as the total tax effect.

The key financial results in the year are shown below:

(Euro thousand)	31/12/2008	31/12/2007	Changes
Net premiums	11,153,553	11,501,073	(347,520)
Net charges relating to claims	8,965,047	9,359,735	(394,688)
Net commissions	56,708	48,820	7,888
Net income of the investments (*)	909,502	1,255,930	(346,428)
Net Income from financial instruments recorded at fair value through profit or loss	(341,548)	(255,725)	(85,823)
Management expenses	1,930,496	1,854,366	76,130
Management expenses on investments and interest expense	162,798	131,790	31,008
Other income and charges	(545,382)	(312,001)	(233,381)
Profit before taxes	**174,492**	**892,206**	**(717,714)**
Income taxes	83,728	273,235	(189,507)
Net Profit	**90,764**	**618,971**	**(528,207)**
Profit from discontinued operations	**-**	**1,080**	**(1,080)**
Consolidated profit	**90,764**	**620,051**	**(529,287)**
Minority interest profit	**3,355**	**113,085**	**(109,730)**
Group profit	**87,409**	**506,966**	**(419,557)**

(*) 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 91 million, of which over Euro 87 million attributable to the Group and over Euro 3 million attributable to minority interests. The significant decrease in the minority interest profit followed the loss by the subsidiary Popolare Vita which incurred large restructuring costs for the underlying Lehman Brothers index linked policies;
- the **overall technical performance in the insurance sectors** remained stable in terms of premiums written by the Non-Life sector (-0.3%) with a decrease in the Life sector (-8%) principally due to the sale (and the consequent deconsolidation) of the subsidiary Po Vita, and the lower proportion of securitisation products sold to institutional clients. 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 315 million (Euro 662 million in 2007). The segment technical account, recorded in accordance with the traditional reporting statements, reports a break-even result (Euro 366 million in 2007). The decrease of the technical management is due to lower premiums and lower savings from the release of reserves of previous years and the impact of the amortisation on the long-term commissions. In particular, this latter was not offset by a similar flow of new securitisations in consideration of the commercial decision taken by the Group to no longer make advance commission payments against long-term contracts, currently nearing redemption.

  In relation to the performance of the principal Classes it is noted:
  - a significant reduction in the contribution of the Motor TPL division due to the drop in premiums, the persistence of the problem of physical damage (even minor damage) against which the flat-rate proposed by the Technical Committee appears insufficient to deal with the direct costs sustained and the need to strengthen the No Card reserves relating to previous years.
  - a large resizing of the contribution of the Land Vehicle Class due to a decrease in registrations and the lower margins on new contracts.

- the Other Classes remain stable although with the Health Class and General TPL Class experiencing difficulties. The result of the Other Classes include the already stated amortisation of long-term commissions. Excluding the effect of these amortisation, the performance was satisfactory.

- The **Life insurance sector** recorded a drop in premiums written of 8%, the reasons for which are alluded to above (deconsolidation of PO Vita, redemptions of the corporate clients etc.). The objective of the group is to improve the quality of the premiums to favour, in the medium term, the achievement of better results from a margins viewpoint. The application of international accounting standard IFRS 4 also resulted in the reversal of premiums on financial contracts for approx. Euro 297 million, principally relating to index and unit linked policies for which a significant insurance risk was not identified. The result for the sector includes Euro 27 million (Euro 54 million in 2007) deriving from the application of the shadow accounting which permitted, although in compliance with the minimum guarantees, the recognition of part of the value adjustments of the policyholders against the insurance liabilities. The pre-tax result was a loss of Euro 59 million (profit of Euro 158 million in 2007), which includes lower profits to be realised and valuation losses of Euro 62 million (zero in 2007), as well as the already stated restructuring of the underlying Lehman index policies of Popolare Vita.

- The **real estate sector** result was particularly affected with a pre-tax loss of Euro 70 million compared to a pre-tax profit of Euro 36 million in 2007.
  Along with the negative results there were higher interest and management charges which were not offset by gains and, relating to the Tikal R.E. Fund, a greater amount of valuation losses.

- The **Other Activities sector,** which includes the companies operating in the financial and asset management sectors, report a pre-tax loss of Euro 11 million (profit of Euro 36 million in 2007). This sector benefits from the positive contributions of Banca Gesfid and Italiberia, against heavy losses for the write downs of the RCS shares held by Sainternational of Euro 28 million.

- The **gross technical reserves** amounted to Euro 29,322 million (Euro 31,343 million in 2007). The ratio between the total technical reserves and the total premiums written was 254.8% (263.8% in 2007). This ratio was 154.6% in the Non-Life sector (158.6% in 2007);

- The total **management expenses** amounted to Euro 1,948 million (Euro 1,868 million in 2007). In the Non-Life sector these expenses, net of those strictly related to the management of the investments, amounted to Euro 1,605 million and represent 22% of premiums (20.5% in 2007), while in the Life sector the total amount of expenses was Euro 246 million with the greater amount of expenses of the Non-Life division affecting the already cited situation of long-term commissions, amounting to 5.8% of premiums (6.2% in 2007).

- The **net commissions** for financial services amounted to Euro 57 million compared to Euro 49 million in 2007;

- **Net income from financial instruments recorded at fair value through profit and loss** was a net charge of Euro 342 million (net charge of Euro 256 million in 2007) 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 520 million (loss of Euro 201 million in 2007) of net charges relating to contracts where the risk is borne by the policyholders. These amounts are offset by similar positive changes in the commitments towards policyholders;

- **Income from investments in subsidiaries, associated and joint venture companies** refers prevalently to the gain realised by the subsidiary Sai Holding in relation to the sale of the investment held in Po Vita;

- Excluding the contribution of the net income deriving from financial instruments at fair value through the profit and loss and interest expense, **the total net income from investments**, including income from investments in subsidiaries, associated companies and joint ventures of Euro 31 million, amounted to Euro 910 million (Euro 1,256 million in 2007).
  Interest income contributed Euro 924 million, other net income Euro 191 million, net gains to be realised Euro 33 million and valuation losses, net of the relative revaluations, approx. Euro 270 million;
- The **investment management expenses and interest expenses** amounted to Euro 163 million (Euro 132 million in 2007) of which Euro 145 million referred to interest on Group debt;
- **Other revenues and costs** amounted to a net charge of Euro 545 million (Euro 312 million in 2007). 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 108 million (Euro 71 million in 2007);
- The **income tax for the year** amounted to Euro 84 million, with an increase in the tax rate for the year, compared to approx. 34% in the previous year. The increase is largely due to the impairment on the investment in RCS for Euro 109 million, in which there is no corresponding tax saving, as relating to an investment exempt from tax. In addition, in the previous year the reduction in the nominal tax rate had a positive impact in the recalculation of all of the deferred taxes.
- The **net equity** amounts to Euro 3,895 million (Euro 5,171 million in 2007) and the Group share amounts to Euro 2,935 million (Euro 3,858 million in 2007);

Premiums Written

The consolidated premiums written amounted to Euro 11,506.4 million compared to Euro 11,882.3 million in 2007, a decrease of 3.16%.

The results are summarised in the table below:

(in Euro millions)	31/12/2008	31/12/2007	Change %
DIRECT PREMIUMS			
Non-Life Division	7,287.6	7,309.5	(0.30)
Life Division	4,206.5	4,557.9	(7.71)
Total direct premiums	11,494.1	11,867.4	(3.15)
INDIRECT PREMIUMS			
Non-Life Division	10.5	8.7	20.69
Life Division	1.8	6.2	(70.97)
Total indirect premiums	12.3	14.9	(17.45)
TOTAL	**11,506.4**	**11,882.3**	**(3.16)**
of which:			
Non-Life Division	7,298.1	7,318.2	(0.27)
Life Division	4,208.3	4,564.1	(7.80)

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

Segment Income Statement

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1.1	Net premiums	6,967,990	6,958,179	4,185,563	4,542,894	0	0	0	0	0	0	11,153,553	11,501,073
1.1.1	*Gross premiums*	*7,284,746*	*7,263,968*	*4,208,340*	*4,564,123*							11,493,086	11,828,091
1.1.2	*Premiums ceded to re-insurers*	*-316,756*	*-305,789*	*-22,777*	*-21,229*							-339,533	-327,018
1.2	Commission income			43,163	64,685			48,501	56,267	-2,345	-1,355	89,319	119,597
1.3	Income and charges from financial instruments at fair value through profit or loss statement	209,615	-41,541	-551,147	-218,024	-1	-7	-15	4,271	0	-424	-341,548	-255,725
1.4	Income from investments in subsidiaries, assoc. & joint ventures	2,431	100	29,802	22,507	5,694	2,561	135	3,888	0	0	38,062	29,056
1.5	Income from other financial instruments and property investments	598,869	567,713	709,672	727,791	45,966	107,617	124,429	108,249	-65,164	-45,515	1,413,772	1,465,855
1.6	Other revenues	177,556	228,331	64,515	51,414	133,099	95,050	300,423	308,805	-215,201	-201,910	460,392	481,690
1	**TOTAL REVENUES AND INCOME**	**7,956,461**	**7,712,782**	**4,481,568**	**5,191,267**	**184,758**	**205,221**	**473,473**	**481,480**	**-282,710**	**-249,204**	**12,813,550**	**13,341,546**
2.1	Net charges relating to claims	-5,184,320	-4,895,589	-3,780,727	-4,464,570	0	0	0	0	0	424	-8,965,047	-9,359,735
2.1.2	*Amounts paid and changes in technical reserves*	*-5,324,134*	*-5,151,613*	*-3,802,470*	*-4,487,910*						*424*	-9,126,604	-9,639,099
2.1.3	*Reinsurers' share*	*139,814*	*256,024*	*21,743*	*23,340*							161,557	279,364
2.2	Commission expenses			-14,693	-49,811			-17,918	-20,966			-32,611	-70,777
2.3	Charges from investments in subsidiaries, assoc. & joint ventures	-1,177	-595		-3	-5,617	-4,948	-442	-11		20	-7,236	-5,537
2.4	Charges from other financial instruments and property investments	-353,274	-153,107	-198,124	-133,769	-98,710	-60,295	-89,856	-45,742	60,002	41,433	-679,962	-351,480
2.5	Management expenses	-1,613,783	-1,506,354	-255,279	-291,463	-468	-270	-78,898	-71,163		1,130	-1,948,428	-1,868,120
2.6	Other costs	-489,056	-494,917	-291,894	-93,940	-150,047	-103,432	-297,485	-307,619	222,708	206,217	-1,005,774	-793,691
2	**TOTAL COSTS AND CHARGES**	**-7,641,610**	**-7,050,562**	**-4,540,717**	**-5,033,556**	**-254,842**	**-168,945**	**-484,599**	**-445,501**	**282,710**	**249,224**	**-12,639,058**	**-12,449,340**
	PROFIT BEFORE TAXES	**314,851**	**662,220**	**-59,149**	**157,711**	**-70,084**	**36,276**	**-11,126**	**35,979**	**0**	**20**	**174,492**	**392,206**

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2008

International economic overview

The economic crisis which began in the summer of 2007 in the real estate sector in the US, quickly spread to all sectors of international finance, and in recent months hit the real economy, influencing consumer, investment and production choices.
In particular, in the last quarter of 2008 the macroeconomic situation continued to worsen, in a context of intensified financial turbulence with repercussions felt throughout the world - even in the emerging economies.

USA
In December, a strong decrease in industrial production in the US was recorded. The index calculated by the Federal Reserve decreased in December by 2% on the preceding month (compared to 0.8% forecast).
The commercial real estate market declined further, also following the decrease and the tightening of credit by the banks.
Due to an unemployment rate at the end of the year of 6.7%, higher than the previous month (6.5%, +0.2%), the lower household disposable income in the US continued to affect consumer confidence, with reduced retail sales of 2.7% during December (for the sixth consecutive month) and caused a contraction in the GDP in the fourth quarter of 2008, which on annual basis amounted to a 3.8% drop.

Asia and Japan
The emerging economies in Asia also reported strong slowdowns in economic activity. The stunted growth was in large part due to the weakening in internal demand, due to falling consumer and business confidence.

In the final quarter of 2008, the GDP of Japan fell by three times that of the US - the greatest contraction since the oil crisis of 1974: -12.7% on annual basis (-3.3% on a real basis and -1.7% nominally compared to the preceding quarter): it is the third consecutive quarterly decrease, signalling a worsening of the recession.
Despite the apparent immunity of the country to international financial market turbulence, it was affected by two principal factors, those of international trade and the currency markets - being an economy excessively dependent on exports.

UK
The real estate market in the United Kingdom continues to experience difficulties: in November, the price of housing suffered a 13.6% drop on an annual basis. Industrial production in October decreased by 5.2% on the same month in the previous year.

In relation to the credit crisis which has hit the international markets, it is noted also that in January 2009 following the announcement of record losses of GBP 28 billion by the Royal Bank of Scotland, the British Government launched a new “bank rescue” plan, putting GBP 50 billion at the disposition of the Bank of England in order to allow the credit institutions to “insure” against the “toxic” debts held on their books.

The State also extended until the end of the year the guarantee on GBP 250 billion of new or expired credit lines. It is highlighted however at the reporting date, the Bank of England has again cut interest rates by 50 basis points, after the lowering of February 5, 2009, bringing the interest rate to 0.5%: this is the lowest since the foundation of the Supervisory Board in 1964.

Euro Area

In December, there was a collapse in confidence in Europe: the Isae consumer index in fact decreased from -25 to -30 in the last month of 2008 - the lowest since the foundation of the index in 1985.

The significant drop in the price of raw materials, returning to end of 2004 levels, and the consequent deflationary effect on the major economies, falling in December to an annual rate of 1.6% in the Euro Zone from 2.1% in November, allowed greater room for manoeuvre for a significant reduction in official discounting rates. The European Central Bank, in an attempt to reduce the negative effects of the global recession, reduced the cost of lending for the fifth time in six months, bringing it to a historical minimum of 1.5% at the beginning of March 2009 following a further reduction of 50 basis points for a total reduction of 275 basis points since October 2008.

Eurostat confirmed in the course of the fourth quarter of 2008 the collapse of European GDP, with an average decrease of 1.5% recorded between October and December 2008 on the previous quarter, with Germany being the hardest hit (-2.1%).

The European Commission estimates for 2009 foresee continued recession which will principally affect Germany (-2.3%), Spain (-2% - as for Italy) and France (-1.8%), with an inflation rate in the Euro Zone estimated at 3.3% at the end of 2008 which will reduce to 1% at the end of 2009 and rise to 1.8% in 2010.
Unemployment is also expected to increase both this year and in 2010. The Commission estimates the number of unemployed persons in the 16 principal countries of the Euro Zone to rise from 7.5%-7.9% in 2008 to 9.3% in 2009 and 10.2% in 2010.
In particular, unemployment numbers in Germany rose by 56 thousand in January (expected 30 thousand), with an unemployment rate increasing from 7.7% to 7.8%.

The Italian economy

The national situation deteriorated in the last months of 2008 with a continuance of the recession at the beginning of the year.
Industrial turnover decreased by 13.9% in November compared to the same month of 2007, with a fall in orders of 6.3% on a monthly basis and 26.2% on an annual basis - the greater contraction since 1991 and industrial production 12.3% down on that of November 2007 (-2.3% on October 2008).

The industrial crisis deteriorated further in December, with a further decrease in production of 12.2% (-2.2% on a monthly basis). This is the worst data since 1991.

The Bank of Italy, in its January report, estimates a GDP contraction of 2% in 2009 - 2.1% according to the International Monetary Fund, while the estimates of the Confindustria Studies Centre are for a 2.5% decrease. The forecasts for recession take account of the drop, greater than expected, in industrial production in November 2008 of 12.3%. On this data, the performance of the auto industry was affected particularly severely (-42.8% annually).

At the reporting date, the Italian Government is drawing up an ad hoc incentive plan, in order to set out measures to boost consumer confidence for some of the principal economic sectors in difficulty such as, for example, the auto and related industries which fell by 48.9% - one of the industrial sectors hit the hardest by the recession.

In the analysis carried out by Ocse, Italy – after Portugal – is one of the worst performing countries in the Euro Zone in terms of economic growth in the last five year period - 1.1% annually compared to 2% average in the Zone as a whole.

In relation to employment, the growth in the last ten year period was arrested in the third quarter of 2008, showing an increase on an annual basis of just 0.4%, a decisive slowdown on the past. The results which once more show an increase in the foreign population is to be considered positive however in light of the greater recourse to the Temporary Lay-off Scheme forecast for the next two year period.

The consumer price index in December 2008 decreased by 0.1% on November 2008, an increase of 2.2% on an annual basis. The average inflation rate for 2008 was 3.3%, 1.5 percentage points higher than the previous year, as well as the highest level in the last 12 years.

Against this, in January 2009 the national price index for goods decreased 1.6% on the same month of 2008, reporting inflation at August 2007 levels.

The insurance sector

The insurance market faces the global financial crisis with solid foundations and is sufficiently protected against the fluctuations on the financial markets: this is reported by a Swiss Re study on the performance of the global insurance market in 2008 and on the forecasts for 2009.
Although not immune from the crisis, insurers (which to September 2008 had lost between 10% and 20% of their asset values on the previous year) needed less recourse to Government assistance which occurred not as a result of the operational insurance business, but rather from the components related to financial services.

In relation to premiums, in the Non-Life sector a limited impact from the crisis is expected, in that not many classes are affected by the general economic situation. In the Life sector, a drop in unit-linked policies and of single premium policies was recorded, but it is expected that they will return to growth as soon as the market conditions become more stable.

The reinsurance component also shows strong technical fundamentals, although recording losses in asset value.

However, a lack of consumer confidence and widespread pessimism is currently evident. For example purposes, the forecasts of some of the largest rating agencies on the principal insurance sectors in the United States for 2009 are reported.

Table 1: Outlook for 2009 of the principal US insurance sectors

Sector	S&P	Moody's	Fitch
Personal lines	Negative	Stabile	Negative
Commercial lines	Negative	Stabile	Negative
Reinsurance	Stabile	Stabile	Negative
Health	Negative	Negative	Negative
Life insurance	Negative	Negative	Negative

Source: AON Corporation Benfield – Reinsurance Market Outlook (January 2009)

The provisional data for 2008 shows that the financial crisis had significant repercussions on two of the largest insurance markets in the Euro Zone.

In **France**, according to the estimates of the Fédération Française des Sociétés d'Assurances (FFSA), in 2008 premiums written were down by 6.2% on the previous year (amounting to approx. Euro 183.6 billion). Personal insurance premiums decreased by 8.7%, due to a contraction in premiums from the Life Division, only partially offset by an increase in the Accident and Health Classes.
In particular, from January to November the new business of the Life Division amounting to Euro 112.2 billion was 11% down on 2007. The index-linked products were the most affected by the situation in the financial system, decreasing by approx. 42% in one year. The traditional product premium levels were stable compared to the previous year. The 12% increase in services paid reduced net premiums to Euro 29.4 billion, 2.8% lower in one year. The reserves in the sector remain in line with those of November 2007, at Euro 1,147 billion. In the asset protection and civil responsibility market, premiums written grew by approx. 2.8% in the first quarter of 2008 on the same period of 2007. An important contribution was made by the Motor insurance sector, whose premiums began to increase once again, by 1.5%, after two consecutive years of reduction. The level of claims is improving, against which however there is an increase in the cost of claims.

In **Germany**, according to the forecasts of GDV (Gesamtverband der Deutschen Versicherungswirtschaft, the German insurers' association), premiums written in 2008 would amount to Euro 165 billion, an increase of 1.5% on 2007, a growth rate significantly lower than the average in the preceding years. Life insurance and Health coverage would grow by 2% and 2.9% respectively, while the Non-Life Division would show signs of very contained growth (0.2%). In 2008, approx. Euro 77 billion of premiums written would be undertaken on life contracts (Euro 75.4 billion in 2007), while a further Euro 3.4 billion would be allocated to Cash and Pension Funds (Euro 3.5 billion in the previous year). Non-Life insurance premiums were strongly affected by the performance of the Motor division, which for a fourth consecutive year reported lower premiums written (-1.7%). The increase in claims will cause a worsening of the combined ratio in this class.

In relation to **Italy**, for the first time since 2007 the Motor TPL premiums written decreased. The principal causes are the increase in the concession of discounts, to the extension of classes to other family members, as well as the containment of premiums for some targets.
Further elements such as the decrease for a number of years of the technical reserve and the increase in the amount of claims are added to the reduction in premiums written. There will however be a containment in the average costs in the near future, along with a reduction in general expenses which are growing at a greater rate than premiums.

Many new regulations introduced in the last months, focused on greater competition in the Motor policies market, and resulted in better growth than in the past in the mobility of clients between the various insurance offers on the market. For example, the sending of risk certification allows for the easier switching of companies, as do the new regulations on brokerage, which allow the obtaining of more mandates facilitating the change in mandate and the collaboration of the non-exclusive networks.

Undoubtedly, the most significant effect has been the introduction of direct compensation: in the case of claims, the client assesses the actions of the company and consequently the choice of insurance coverage is determined by the quality of service, as well as the price.

Recent regulatory changes have caused a transformation in the product, principally due to the containment of the price. Success for the channels will be determined by the competition on product, service, price, method of sale and the identification of the target.

Regulatory framework

Following a few years of "large scale regulatory changes", the insurance companies must be more adaptable to the changes in market regulation and the speed of change can create a long-term competitive advantage.
The insurance market, traditionally stable and controlled by large companies, is today becoming more open to competition and the mobility of clients, causing a growth in competition and the transformation of products which are aimed at the varying and changing needs of the clients - essentially (but not only) the containment of price.

The most significant legislative and regulatory changes in the sector in 2008 are reported below.

Direct compensation

From February 2007, a new direct compensation procedure has been in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.
With the direct repayment system, the damaged party is directly repaid by the company which in turn is repaid by the damaging party (through a "clearing house" managed by Consap) obtaining however not the amount paid but a standard sum. This sum until now has been the average costs of claims recorded in the previous year differentiated for the three geographic areas for material damaged, plus a flat rate payment in the case of serious injury to the driver.
Also from 2008, in order to reduce the cost of the Motor TPL costs for motorcycles (a sector characterised by high expenses for personal damages), the Technical Committee created by the Economic Development Ministry decided to divide the direct compensation system following road accident into two parts: the Insurance Companies pay separately compensation for personal injuries and property damage. In particular, the flat-rate in the "clearing house", applied by the insurance companies on the settlements on claims (incurred or provoked by their clients), amounts to Euro 1,415 for property and vehicle damage and Euro 3,250 for small personal injuries to drivers.

For claims from January 1, 2009, the compensation will be regulated as follows:

- the following flat rates for the three geographic areas, for damage to the vehicle and other material damage belonging to the owner or the driver of the vehicle: Euro 1,658, Euro 1,419, Euro 1,162;
- the same flat rate established for 2008, both for minor damage suffered by the driver in the amount of Euro 3,250 and for the repayment of damage compensated to third parties (including personal damage and property damage) for Euro 3,300.

With particular reference to the amount of indemnity for minor damage suffered by the driver, as until now the regulation in force for direct compensation did not allow the differentiation of flat rates based on the category of vehicle, it is believed that the amount obtained in terms of compensation from the "clearing house" is insufficient to cover the costs of compensation paid within this category and related to the fact – for example – that two wheeled vehicles have a higher incidence of accidents with regard to that recognised for the standard sum. National statistics have shown that in the case of accidents, one in two motorcyclists report physical damage compared to one car driver in five.

It is noted that as at the reporting date, in order to tackle possible market distortions, the Council of Ministers approved the final regulation which amends the mechanisms used to-date by insurance companies to compensate any differences in the direct compensation of its clients for damage caused by third parties to vehicles or persons of a minor nature; the differentiation in compensation will be recognised and modified with a Ministry of Economic Development Decree, approved by ISVAP and the Technical Committee.

The settlement of compensation (Ministerial Decree 254/2006 – article 13, paragraph 3) will be replaced by a new system based on the major classes of vehicles, allowing the differentiation of varying levels - for example, of charges for vehicles exposed to major risks (such as mopeds and motorcycles, characterised by a high level of physical damage and an average cost of the same higher than the general average) to that of buses.
The provision reflects a greater levelling of the field in this regard between companies which, as stated by the Antitrust Authority, may be disadvantaged by the different amounts for categories of contracts in their portfolios, minimising the disequilibrium between indemnities effectively paid and average costs (which refer to average values) as well as avoiding the difference between the non covered costs of compensation translating into an unjustified increase in the premiums of policyholders.

In order to avoid, however, of differentiation creating problems for the effective functioning of the system, the provision states that the criteria for differentiation to be applied alternatively or in tandem, must not however cause an excessive fragmentation of average costs to be used as the basis of compensation.

Liberalisation measures for the Auto TPL (Law 248/06).

Multi-mandate

With reference to the entry into force of Law No. 40/2007 which from January 1, 2008 nullified the contractual clauses of exclusive distribution of policies relating to all of the Non-Life Classes between insurance companies and sales agencies (the so-called single mandate agencies) guaranteeing greater competition in the sector, according to a survey by the Insurance Agents' Union in December, only 16% of operators were considering becoming multi-mandate, while 8% of policy holders had changed company (it is estimated that in 2009 this portion will rise to 10%).
At the reporting date, an amendment to Bill No. 1195 presented to the Senate, despite the negative opinion of the Antitrust Authority, seeks to remove the ban on exclusivity clauses in insurance mandates, therefore abolishing article 5 of Law No. 40/2007.

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-year policies in the Non-Life Classes with the ten-year restriction, in accordance with the Civil Code (article 1899). The contracting party therefore has the right to cancel the contract, from year to year, without additional costs, by sending a registered letter 60 days before the expiry of the annual instalment.
According to a survey by Isvap, great interest was shown by consumers in relation to annual review of long-term policies and on the application of the law: this is highlighted by the fact that in the two year period 2007-2008 the Supervisory Board received over 5,000 notifications and/or requests for information and clarification on the issue.

An amendment to Bill No. 1195, currently being examined by the Senate, would postpone the right to annual review on Non-Life Division policies, allowing them only after 5 years of the contract.

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 has publicised the European competition to create an "estimate calculator" to allow citizens to compare in a simple and clear manner with one Internet visit, the estimates of the Motor TPL class of all the insurance companies, classified by price. The portal will be accessible both from the Isvap site and from the Ministry for Economic Development site.
The estimate calculator is expected by the end of October, but the definition of the indicators which will calculate the premium were available from the spring of 2009. The system is the most complete of all those present online. The user will complete a questionnaire based on a series of parameters, some of which are optional (but a more complete response will give a more accurate estimate). The result of the estimate calculator will arrive within a few minutes, following an assessment of 66 companies operating in the Motor TPL class in Italy.
The premium calculated will be a basic premium, without discounts, special offers, formulas diverging from the most common or the bonus-malus. The calculation will be limited to new contracts and is not applicable to renewals. The result of the estimate calculator will be a starting point between the multitude of offers available in the sectors and will allow consumers to decide which companies to contact.

Increase in maximum coverage.

The European Union, with a directive in 2005, enacted in Italy through a Legislative Decree in 2007, fixed the minimum maximum coverage at Euro 5 million per claim relating to the insurance contracts for the Motor TPL segment, 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 is countering 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 since 2007 has undertaken an information campaign concentrated in the Agencies at the moment of the issue of the contract, informing its customer base 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 Security

In July 2008, the Senate approved the conversion into law of the decree on highway security. It was passed without amendments from the text produced by the House; the new legislative decree introduces more severe penalties for offences against security and confers greater powers to local authorities on two fronts:

- 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 particular, in the Official Gazette No. 210 of September 8, 2008, the Decree of the Minister for Work, Health and Social Policy of July 30, 2008, in which the content of the notices to be shown in bars or places in which shows are performed or other forms of entertainment along with the sale and consumption of alcoholic beverages, was published.
The provision, which contains amending articles to the Highway Code, in order to increase the level of security, was issued in application of Legislative Decree of August 3, 2007 No. 117 (converted into law, with modifications, by article 1 of Law of October 2, 2007, No. 160) which was also amended by the Highway Code.
The regulation seeks to promote awareness of risks in relation to highway accidents in the case of driving under the influence of alcohol, as well as informing on the effects of the consumption of alcohol.

Motor TPL claims databank

It is highlighted also that at the reporting date, ISVAP has put to public consultation a Regulation which will introduce significant improvements in the utilisation and the functionality of the Motor TPL claims databank operated by the Authority.

The Regulation formalises the Private Insurer's Code and the Code for the protection of personal data which gives ISVAP the power to regulate the significant material aspects (method of transmission of data by the companies, organisational procedures and functioning procedures of the databank, consultation conditions by the judicial bodies and by relevant public administrations in relation to the prevention and fight against fraud within the sector and conditions of and limits to access by the insurance companies).

The text put to public consultation takes account of the observations and suggestions of the Privacy Authority, the evaluations of which were acquired in a consultative manner in consideration of the delicateness of the material.

In summary, the Regulation seeks to make the consultation of the databank faster and more efficient, with a significant improvement in the "visibility" of the information relating to claims recorded benefiting from a larger amount of parties involved and in particular of those from the settlement structures of the insurance companies.

Specifically, the Regulation:
1) reduces the information subject to the transmission obligation;
2) reorganises the manner of transmission of data by the company which manages the claim, guaranteeing a timely update in accordance with cost criteria;
3) restructures the output provided in relation to the new consultation online methods (with the immediate publication of the information) and batch information (deferred until the transfer of the file), in order to facilitate the systematic utilisation of the claims databank as an efficient and common instrument in the fight against fraud in the obligatory Motor TPL insurance sector.

New regulation of the index-linked policies

On December 22, 2008, ISVAP put to public consultation a proposal for a new Regulation regarding the governing of index-linked policies - contracts which are directly related to a stock market index or to another reference value. It is still possible, at the reporting date, to send any observations, comments or proposals directly to the Supervisory Board.

Action is regularly taken in relation to the multitude of initiatives initiated by the Authority following the financial market crisis whose effects were manifested also in the insurance sector with the crisis in the issuing banks such as Lehman Brothers and the Icelandic banks. Product innovation, which has being a characteristic of the sector since the first half of the '90s, also saw the issue of these particular types of contracts in relation to Life insurance, containing a high level of financial components, usually linked to stock market index values and/or other market values, broken down into varying risk profiles for the insured party.

The insurance industry in particular developed contracts with technical commitments based on the purchase of shares or through a combination of shares and derivatives. In the majority of cases the assets acquired for the services indicated in the policy represent the “reference value” of the index, configuring the transfer of the risk to the counterparty, with effect on the sum insured.

In the first phase of regulation (ISVAP circular No. 332/1998 and 451/2001) the limiting of risks to the insured party was controlled by the same authority through minimum requisite parameters (reproducibility, transparency, publication of values) excluding some types of indices (on goods and on internal insurance funds) and reinforcing the controls set out in the primary regulations on assets used to cover the technical reserves. The provisions particularly focus on the security of investments through the establishment of the most restrictive conditions on the issuing parties such as the possession of a credit position not less than that of “A-”.

In light of the subprime mortgage crisis, it is certain that the contracting parties and the insurance market in Italy has benefited from this regulation which has mitigated the negative impact; the index-linked exposure to this type of mortgage is of approx. Euro 278 million. Based on a study conducted by the Supervisory Authority, without the banning of such, the exposure to credit instruments of this type would have been very high - estimated at Euro 7.6 billion.

At the same time ISVAP drew up a new standard for transparency in relation to pre-contractual disclosure. The new Regulation contains a clause in which the hedged bond instruments offered can no longer represent the issuer, but exclusively the hedging of insurance companies against contractual commitments. This facilitates the substitution of assets utilised to hedge technical reserves, in relation to which the company assumes the risk of insolvency of the issuing party. A clause was also inserted aimed at increasing transparency of the admissible indexes providing, among other issues, that the shares or bonds on which they are based are available exclusively on regulated active and liquid markets.

“Illiquid” products

It is highlighted that on March 2, 2009, Consob (with communication No. 9019104 of March 2, 2009) has introduced more rigorous regulations in terms of both transparency and conduct of the brokers involved in the distribution of financial products such as bank bonds, financial insurance policies, over-the-counter market brokered derivatives (and in general all “illiquid” products). This communication is included within the “level 3” measures on Brokerage regulation and is based on an interpretive reading of the general existing regulations, with specific reference to the dealing of illiquid financial products to retail clients.

A financial product is considered illiquid if the bearer of the same has difficulty to sell or resell in a reasonable timeframe, at conditions which attract a reasonable degree of interest for purchase or sale. In the document, Consob has in fact re-stated the definition of “illiquid” also for the financial-insurance products (index-linked, unit-linked and securitisations).

As financial brokerage occurs in an unequal disclosure environment where the complexity of the operation, the costs of information and the financial disclosure culture renders a deficit of information for the client of the intermediaries, the degree of which is directly linked to the type of operation and the nature of the client; the retail client (often with lesser experience and financial knowledge) must place great trust in the assistance of the broker, with particular reference to the evaluation in the adequateness/appropriateness of the transaction and the setting out of the conditions to be applied to the same, in which he/she is not able to assess the suitability of the contract, and often even after the conclusion of the operation.
Moreover, the situation is often more complex due to the crossover of the role of the broker and issuer.

The measures set out, aimed at protecting the most vulnerable clients, provides concrete guidelines for the maintenance of a correct relationship between the broker and client to preserve trust in the financial system, safeguarding any eventual undesirable consequences of innovation, without which development would be hindered.

The communication resulted in, in substance, recommendations and indications for brokers for correct and transparent behaviour in the distribution to retail clients of illiquid financial products, with regard to:

- ex-ante transparency measures which allow the savers to purchase in a regulated informational environment complete with the most significant and relevant data for the investment choices, and ex-post transparency measures;
- controls on pricing, which impose objective and coherent processes on the determination of prices;
- scaling of the offer and controls in relation to the verification of the adequateness/appropriateness of investments, which consider the distinguishing aspects of the illiquid products.

The necessary verifications are currently taking place to evaluate – also based on the indications which will most likely be provided by ANIA – if the measures above render it opportune to revise the current organisational and procedural structures of the brokers.

Solvency II

With the Solvency II project, the European Union intends to create a new system for regulation and supervisory instruments focused on guaranteeing greater solvency of insurance and reinsurance companies.
The project, contained in the Directive Proposal presented by the European Commission on July 10, 2007, unifies and harmonises the new regulations with the pre-existing regulations contained in thirteen directives. The new regime will not only introduce new financial and information disclosure requisites, but will radically change both the way in which supervision is carried out and the qualitative requisites used in the management of the company.
Among the quantitative objectives of Solvency II is to increase the limits of the current regime, imposing prudency from risk requisites which would support and incentivise the improvement of the management of risks by the individual enterprise.
The Commission employed CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) to carry out a study on the quantitative impact on a large scale (QIS) to evaluate the practicality and implications of varying approaches. On March 31, 2008, the Commission after 8 weeks of public consultation carried out with the technical support of CEIOPS and providing guidelines on specific problematic situations, requested CEIOPS to carry out the fourth Quantitative Impact Study (QIS4) . CEIOPS carried out the study between April and July 2008.

One of the principal objectives of QIS4 was to collect information on the impact on the financial statements of the companies of the insurance industry in relation to the new regulations, in a cooperative manner for the development of second level implementation measures, in line with regulations (of the first level) contained in the Directive Proposal. The areas of principal importance identified by the Commission were:

- the quantitative evaluation of solvency capital requirements (SCR) on the financial statements of insurance groups, considering the effects of diversification and the transferability of own funds;
- the simplification for the calculation of requisites and technical reserves, and the use of standard parameters for each insurer;
- the revision and calibration of a standard formula for the minimum capital requirement (MCR);
- the comparability of the internal models (complete or partial) with the standard formula.

88 Italian companies participated in QIS4, 20 of which belong to the Fondiaria-SAI Group. The insurance groups were required to partake in a concerted disclosure effort, in fact six different approaches were tested, four of which with the standard formula and two with an internal model.
The internal models in fact could have an important role in the determination of capital supervisory requisites. In relation to this, CEIOPS constituted a working group which will be involved particularly with internal models and will have the responsibility to support the European Commission in the issuing of implementing measures, which will establish in detail the principles and regulations established by the Directive.
Fondiaria-SAI and the Companies of the Group participating at the QIS pooled a large degree of data and experience in order to prepare as best as possible for the Directives forecast for 2012.

Class Action

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

The so-called “thousand extensions 2008” decree (Legislative Decree of December 30, 2008 No. 207) which extended some terms of the legislative decree, postponed to June 30, 2009 the operation of collective compensatory actions, which can promote the consumer’s association represented by the National Board of Consumers and Users (CNCU).

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 its representative, who 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.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKE T

In Italy, the first estimates of Ania also show a decrease in total premiums written of approx. 7% (to Euro 92 billion) in 2008, with substantial stability in the Non-Life Classes (-0.3% approx., equal to approx. Euro 37.5 billion), confirming the performance in the first three quarters of the year. Total premiums recorded by the Life and Non-Life Divisions in the first nine months of 2008 amounted to Euro 66,328.3 million, a reduction of 8% on the same period of 2007.
In particular, the Non-Life portfolio, which amounted to Euro 26,250.4 million decreased by 0.2%, accounting for 39.6% of the total portfolio (36.5% in the same period of 2007).
In relation to the Non-Life Classes, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 13,102.9 million (-3.1% on the first nine months of 2007), comprising 49.9% of total Non-Life Division premiums (51.4% in the same period of 2007) and 19.8% of total premiums (18.7% in the first nine months of 2007). From the initial results of Ania, the decrease in the Motor TPL division to the end of 2008 was in line with that recorded in the first nine months (approx. -3.1% - Euro 17,700 million of premiums).
The largest amount of premiums written in the other Non-Life classes were: Land Vehicles with 8.8% (9% in the first nine months of 2007), Accident with 8.2% (8% in 2007), General TPL with 7.8% (7.6% in 2007), Other Property Damage with 6.5% (6.1% in 2007), Health with 5.5% (5% in 2007), and Fire and Natural Elements with 5.5% (same as 2007).

The analysis by distribution channel continues to highlight the premiums written through brokerage agencies amounting to 84.5% of the Non-Life portfolio (85.5% in 2007) and 90.9% of the TPL Motor division (in line with 2007).
The current financial crisis, according to an analysis by Prometeia on the 2008 half year financial statements of the principal operators in the Italian market, occurs at a very critical time for the entire insurance sector, with premiums consistently contracting and competition increasing.

The Motor TPL market is also affected by this scenario, with in addition to various regulatory interventions which are resetting the operating conditions, an aggressive tariff policy in place within the industry which may compromise the technical equilibrium established in recent years: the contraction in premiums written is accompanied by a decrease in average premiums.
The Non-Auto Non-Life Division, continues to show positive growth although concentrated in specific areas of activities: the performance in the coming years will depend in large part on the effects of the crisis in the Classes with greatest dependency on economic growth, considering also that the margins for financial management are decreasing, the write downs of debt instruments and the loss in value in the equity markets - this latter also affected by the worsening of the crisis in the Autumn of 2008.
The sector however should be able to absorb serious financial shocks. The traditional prudency of the companies in the Italian insurance sector allowed the sector to begin 2008 with equity levels greatly superior than those required by law: applying the criteria of Solvency II, the Italian insurance system could count on, at the end of 2007, capital 2.4 times greater than the minimum required.
The Non-Life sector clearly recorded a more positive situation than the Life sector (analysed in the relevant section "Life Insurance Management"), not just because of greater profits, but thanks to the absence of potential threats which affect the recovery in the Life Division, which in recent years has developed in a manner more closely to the financial markets (in particular to the policies of Class III).
Also improving the outlook for the Non-Life Divisions is the direct compensation regime - a procedure in which approx. 74% of claims conform to the applicability principles of the convention.

This percentage will increase in the coming years, due to a continual improvement of the IT procedures (which may have initially slowed down the entry of claims under convention) and to the fact the claims between two policyholders of the same company will also be included, which were excluded in the 2007 data (from 2008 on a voluntary basis and 2009 obligatory).

In 2008 the tariffs of the Motor TPL policies decreased below 2006 levels and competition increased. Such data emerged from the Motor industry body formed by the Brokers' Associations (Aiba) in collaboration with Iama Consulting. In 2008, the average premium was Euro 750, a decrease of 2.2% on the previous year, bringing values lower than those of 2006 (Euro 755). The decrease in premiums generated a strong increase in the mobility of consumers: 8% of insured persons changed companies. 2008 showed some indications of a shift in the industry, such as the decrease in Motor premiums (approx. -3% on September 30, 2008; -1% on 2007), the reduction of the total technical account (from 2006), the increase in the amount of claims (from 2007) and the uncertainty on the average cost of claims (after an improvement in 2007). As the Motor TPL Class continues to contribute a large amount of total premiums written and to the technical results of the Non-Life Divisions (averaging 80%), the evaluation remains incomplete if the decrease in prices is effectively related to the liberalisation of the sector with the introduction of multi mandate agencies, given the percentage of agencies throughout Italy which would abandon the exclusive channel. In relation to this, reference should be made to the estimates of the survey by the Insurance Agents Union in December 2008 (ref. Regulatory framework - liberalisation measures for the Motor TPL policy).

Operational performance

The total premiums of the Fondiaria-SAI Group amounted to Euro 7,298.1 million compared to Euro 7,318.2 million in 2007, a decrease of 0.3%.
The direct premiums written amounted to Euro 7,287.6 million compared to Euro 7,309.5 million in 2007, a decrease of 0.30%.

The decrease in the Motor TPL class is due to the liberalisation measures contained in the Bersani decrees which, as already illustrated in the introduction caused a significant decrease in the average premium.
The strong drop in new vehicle registrations, increased competition in the market leading to the personalisation of the product, the application of discounts and the diversification of tariffs compounds the situation. In particular this latter aspect could, in the short-term, cause a situation of disequilibrium in technical reserves.

The increase in the premiums in the Non Motor classes benefits from some significant product initiatives in the retail sector, characterised by higher profit margins, against a careful policy selection in the corporate sector.

The breakdown of the gross premiums written is shown below:

(in Euro millions)				Percentage	
	2008	**2007**	**Cge. %**	**2008**	**2007**
Accident & health	722.5	701.4	3.0	9.9	9.6
Marine, aviation and transport	206.1	191.7	7.5	2.8	2.6
Fire and other property damage	862.5	797.1	8.2	11.8	10.9
General TPL	521.3	513.6	1.5	7.1	7.0
Credit & Bonds	87.7	85.1	3.1	1.2	1.2
General pecuniary losses	29.4	25.7	14.4	0.4	0.4
Legal expenses	19.5	17.1	14.0	0.3	0.2
Assistance	45.9	40.1	14.5	0.6	0.5
Total Division – Non Motor	**2,494.9**	**2,371.8**	**5.2**	**34.1**	**32.4**
Motor TPL	4,048.1	4,190.6	(3.4)	55.6	57.3
Motor vehicles – other classes	755.1	755.8	(0.1)	10.3	10.3
Total Division – Motor	**4,803.2**	**4,946.4**	**(2.9)**	**65.9**	**67.6**
TOTAL	**7,298.1**	**7,318.2**	**(0.3)**	**100.0**	**100.0**

The premiums written in 2008 include the premiums of the subsidiary DDOR Novi Sad which is consolidated from the date of acquisition of control, at the end of January 2008.
The contribution to premiums written was approx. Euro 125 million.
Therefore, on a like-for-like consolidation basis, total premiums would have decreased by approx. 2%.

The premiums ceded amounted to Euro 324 million (Euro 290.3 million in the previous year).

The gross technical reserves amounted to Euro 11,282 million (Euro 11,606 million in 2007) and the ratio with the premiums written was 154.6% (158.6% in 2007).

The management expenses, excluding those strictly related to the management of the investments, totalled Euro 1,605 million (Euro 1,500 million in 2007), an increase of approx. 7%.

From the last quarterly report, the Fondiaria-SAI Group has revised the presentation of some of its technical efficiency ratios among which the Combined Ratio, the Combined Operating Ratio and the Expense Ratio, excluding from the calculation the amortisation of the long-term commissions capitalised in previous years.
In fact the abolition, due to the Bersani bis Decree, of the long-term contract obligation on the Other Class policies results in higher charges for the amortisation of these commissions - charges which in turn are not offset by new capitalisation.

It is evident that this factor introduces, in the trend of the technical indicators, distortive elements and provides discontinuity which does not adequately allow the analysis of the operational activities. In line with the decision adopted for the present year, the 2007 ratios were restated to provide uniform figures.

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

TECHNICAL RATIOS (%)	2008	2007
Loss ratio	74.40	70.36
Expense ratio	21.70	21.16
Combined operating ratio	**96.10**	**91.52**
OTI ratio (*)	2.55	2.83
Combined ratio	**98.65**	**94.35**
Reserve ratio (**)	**154.60**	**158.6**

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

The ratio of claims to premiums in the period was 74.4% (70.4% in 2007): this ratio has worsened compared to the previous year. This follows both the lower growth in premiums and the necessity to strengthen the previous year reserves.

The expense ratio, equal to 21.7%, deteriorated following the nature of fixed costs in the insurance sector, which are inelastic in a period of dropping premiums. In relation to this it is noted that in 2008 a containment process of general expenses aimed at setting off the lower amount of business was programmed (and currently being implemented).

The combined ratio was 98.65% (94.35% in 2007).

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		
	2008	**2007**	**Cge. %**	**2008**	**2007**	**Cge. %**
Accident	216,407	207,449	4.32	97,147	97,648	(0.51)
Health	185,961	181,818	2.28	220,811	215,088	2.66
Railway	1,134	-	-	-	-	-
Aviation	1,314	862	52.45	51	33	54.55
Maritime	14,049	18,401	(23.65)	708	638	10.97
Merchandise transport	21,259	21,728	(2.16)	4,195	4,116	1.92
Fire and other natural elements	245,379	203,403	20.64	85,447	64,311	32.87
Other property damage	255,862	234,133	9.28	149,898	138,810	7.99
Aviation TPL	1,955	619	215.87	19	105	(81.90)
Maritime TPL	1,795	2,613	(31.31)	451	345	30.72
General TPL	361,453	344,784	4.83	102,152	101,820	0.33
Credit	687	249	175.74	3	3	-
Bonds	47,142	50,384	(6.43)	1,451	1,305	11.19
Pecuniary losses	6,741	6,483	3.99	4,546	7,204	(36.90)
Legal expenses	2,337	1,786	30.85	2,241	2,147	4.38
Assistance	19,547	17,317	12.88	98,119	83,803	17.08
TOTAL OTHER NON-LIFE DIVISION	**1,383,023**	**1,292,029**	**7.04**	**767,239**	**717,376**	**6.95**
Motor TPL	3,470,925	3,340,459	3.91	933,934	967,160	(3.44)
Land vehicles	444,224	379,580	17.03	321,741	277,328	16.01
TOTAL MOTOR	**3,915,149**	**3,720,039**	**5.24**	**1,255,675**	**1,244,488**	**0.90**
TOTAL NON-LIFE DIVISION	**5,298,172**	**5,012,068**	**5.71**	**2,022,914**	**1,961,864**	**3.11**

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 claims in the "Card Operator" system.

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

(Euro thousand)	2008	2007	Changes
Motor TPL	4,981	176,087	(171,106)
Land vehicles	68,198	156,830	(88,632)
Other Non-Life Classes	17,096	28,448	(11,352)
TOTAL DIRECT NON-LIFE	**90,275**	**361,365**	**(271,090)**

In relation to the **Motor TPL Class**, a significant decrease in the technical balance was recorded although remaining positive. As previously described, the following contributed to the decrease in the result:

- lower premiums written due to a decrease in the registration of new vehicles and the reduction in the average premium due to a more competitive environment;
- rigid management costs in a period in which premiums written contracted;
- the need to strengthen the previous year reserves for the part not related to the Card management, and the insufficiency of the flat rate for minor physical damage against the payments made by the Group for the claims under the Card Operator system.

At group level, claims reported decreased however (-3.4% compared to 2007) in addition to stability in the claims frequency and a further improvement in the speed of settlement, relating to the claims managed on both the current and previous generations. Apart from the above-mentioned management situation, the technical indicators related to claims and the frequency and speed of settlements there have been encouraging signs and form the basis for future profit opportunities.

The decrease in profitability in the **Land Vehicle Class** is correlated to the increased competition seen in the past three years: 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, to which is added the already cited decrease in the registration of new vehicles, which impacted on the volumes recorded and hence the profitability of the Class. The claims deriving from adverse atmospheric events, in particular hailstorms, added to this impact in 2008.

The decrease in the result of the **Other Classes** was substantially related to the significant impact that the long-term commissions from previous years had on the technical account of 2008 in terms of amortisation.
Disregarding the effects of that discussed, the Other Classes would have recorded a significant improvement: net of the portion of amortised long-term commissions the technical balance would have stood at approx. Euro 110 million compared to Euro 43 million in 2007.
In this context the subsidiary Milano recorded a technical result in line with 2007 and largely satisfactory, particularly in the Accident and Health Classes, while, as for the Parent Company, the General TPL class remains critical where, among others, the Ibnr's reserve was strengthened further.
In relation to direct business, Siat reported a good performance, also in the presence of some large claims which affected the Marine and Aviation sectors in 2007.

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.

IT System for claims management

In 2008, the first modules of the IT system to support the initiatives "Auto Presto & Bene" and for the launch of a new auto repair management system, were developed and released, allowing the company to avail of the opportunities deriving from the introduction of a new direct compensation regime. Also in relation to Claims, as part of the operations improvement programme, a procedure called "electronic filing" begun which allows the management in electronic format of the documentation which supports the settlement process, with advantages in terms of efficiency.

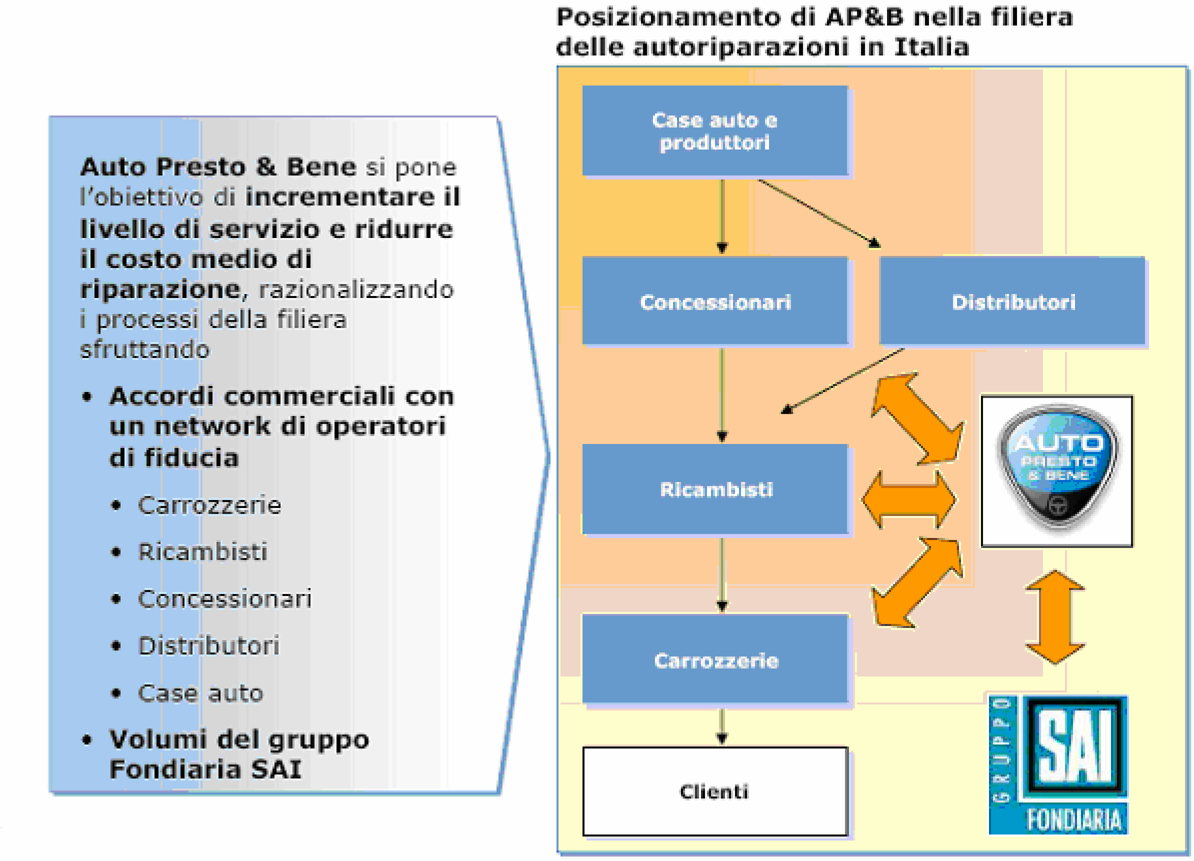
There were many new developments within the ISVAP new regulations in the second half of 2008 which particularly involved the Motor sector with the management of risk expectation and the discounting processes.

Motor Repair Project

Direct compensation offers the insurance department both the possibility to reduce the cost of the claim, thanks to greater saving opportunities (through the canalisation of car repair workshops of one's choice for the repair of the vehicle) and the loyalty of the Client, through a high level of settlement service/repair of the vehicle.
The high level of management of the auto repair process therefore becomes a strategic objective in the relationship with the Client.

The Fondiaria-SAI Group decided to avail of these new opportunities on three fronts:

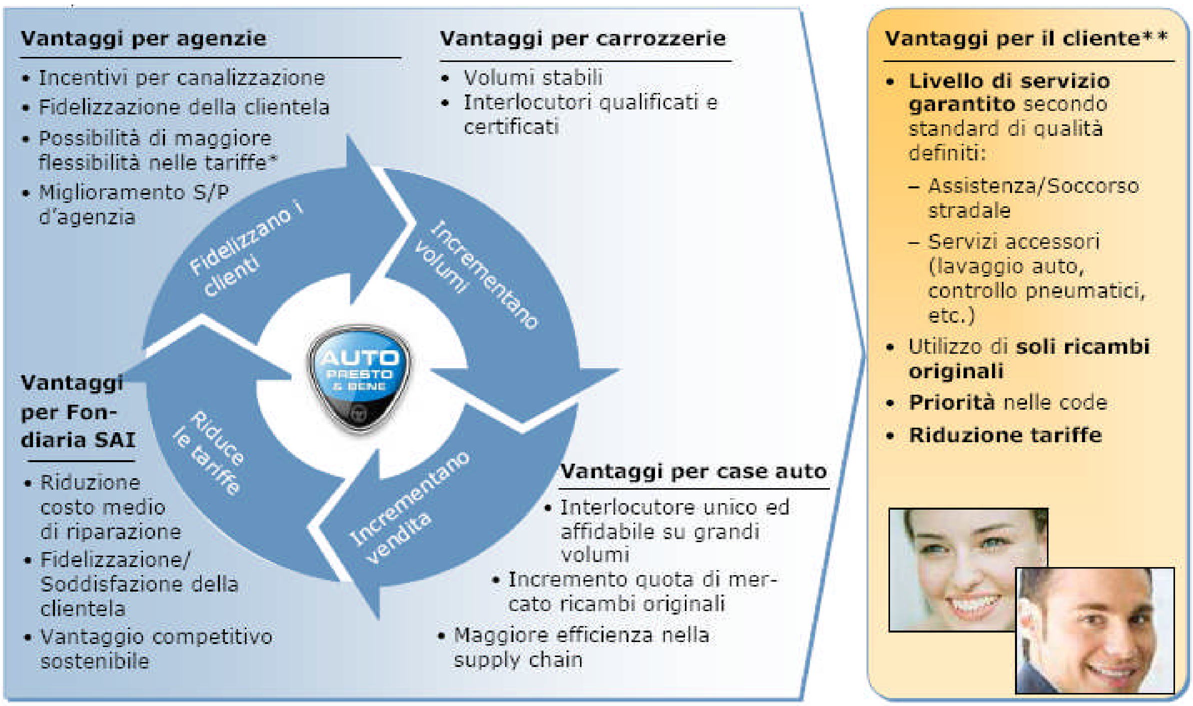
Fondiaria-SAI established a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime. Taking into account that the Fondiaria-SAI Group settles every year just over Euro 1 billion for auto repair, it is highlighted that the direct indemnity allows the possibility to produce value from the auto repair system and to achieve a market share that allows the Company to manage the claims cycle in a more efficient manner.



The management channels of the claims cycle provided by the new regulation provides an opportunity 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" and offer a high level of service. The project will permit the reduction of labour costs and of 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.

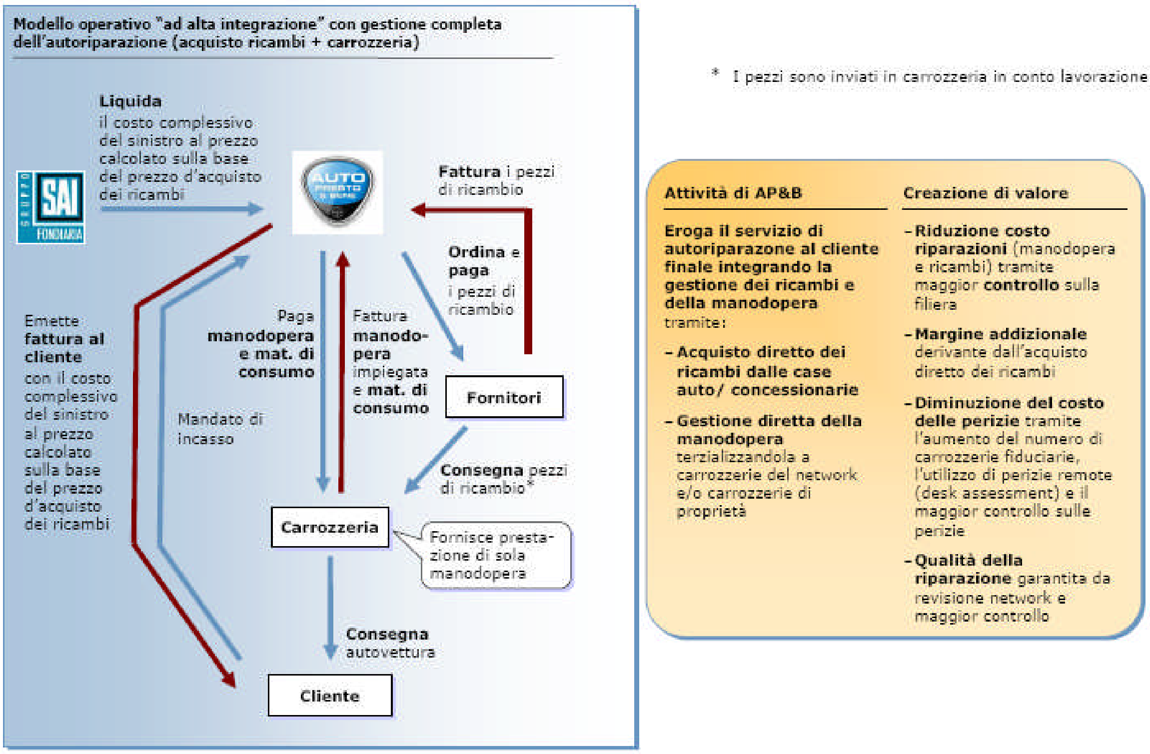
Given the complete diversity of the auto repair business to that of insurance, it was necessary - in line with that undertaken by other insurance Companies, to separate the two activities.

The new management model for car repairs generates value for all of the stakeholders involved in the process:



(**) they depend on the revision of the car repair network.

Auto Presto & Bene will preside directly over the entire process of car repair:



Both the vehicle company and the development of models with high local integration could benefit partnerships and/or acquisitions.
The business model is versatile. The panorama of auto claims is in fact very varied throughout the territory and local factors would suggest a variable approach with strong integration limited to the areas of high density in the centre-north of Italy.

In particular the new structure will permit:

- aggregation of the demand and negotiation with suppliers;
- control of repair costs through specialist resources;
- control of IT infrastructure;
- control of the working capital and the equilibrium of the inventories.

Nuova Polizza 1ª Global and Contract for Young Drivers

In 2008 specific policies which unify all the insurance solutions of the policy NUOVA 1ª GLOBAL with the technical and pricing needs of the market were launched.
In particular:

- AUTO PRESTO & BENE POLICY, the policy which brings together the insurance solutions mentioned above with the practicality and efficiency of the “Auto Presto & Bene” policy, the company of the Fondiaria-SAI Group created to guarantee maximum reliability in the repair of the vehicle through an extended network of highly specialised repair centres capable of quickly repairing and to a very high standard – and always with original spare parts. This new policy is aimed at all those insured parties who, on signing the Motor TPL contract, complete separate forms to avail of the direct compensation procedure (articles 149 and 150 of the private insurance code). In relation to this, the client:

    - has the possibility to declare the wish to avail of the “Conventioned Workshops” (in place of the Auto Presto & Bene workshops); in this case – under that set out in the tariff currently in force – a 3% discount will be applied to the Motor TPL premium (limited to the provinces and models listed in the relevant attachments of the Tariff regulations);
    - alternatively, from October 1, 2008, the client has a fresh opportunity to declare himself as availing of the car repair centre indicated forming part of the Auto Presto & Bene network. Upon this choice, a discount of 10% on the Motor TPL premium will be applied.

- On June 30, 2008, the so-called “Contract for Young Drivers” was signed by ANIA, the Highway Police and the Consumer Associations partaking, recognising the necessity to confront the problem of young drivers, who are involved in a high number of motor accidents: young people are among the parties most liable to risk and accidents, both as victims and as the causes of accidents. The greatest risk factor for young drivers, apart from the serious consequences in relation to the loss of human life or serious long-term personal injury, is the cost of Motor TPL insurance, which is very high in order to reflect the greater danger to the driver of the vehicle.

  The Fondiaria-SAI Group has signed up to the Contract for Young Drivers: from October 1, 2008 therefore the NUOVA 1^A GLOBAL – CONTRACT FOR YOUNG DRIVERS product was launched. The initiative seeks to improve tariffs and within this context from June 1 last Fondiaria-SAI - within the realm of the upcoming Contract for Young Drivers – decreased tariffs for the new generation of drivers with a vehicle equipped with a “Box – GPRS”.

New products

In relation to the corporate sector, within the programme of revision, rationalisation and updating of the Group product list, the new policies INSURANCE FOR THE BUSINESS - CUMULATIVE ACCIDENTS, INSURANCE FOR THE WITHDRAWL OF PRODUCTS TPL and CONSTRUCTION COMPANIES TPL INSURANCE were launched. The objective is to unify the product lists of the various Group Companies, proposing improved products in terms of technical content and price and more in line with the needs of the market.
In particular, for the first policy the aim is to respond in the best manner to the insurance needs of the Business, Entities and those exercising economic activity who wish to insure their owners, shareholders or employees, both freely and deriving from contractual collective or corporate responsibilities, while the remaining policies are characterised by the innovative criteria adopted, responding to the needs of a specific market sector and with uniform procedures and solutions and simplified for all the Companies of the Group.

In consideration of the current modest amount of information on the regulatory situation in relation to environmental pollution, as well as the limited development of insurance cover for these risks, the Group has responded with the launching of a new Group product called INSURANCE FOR BUSINESS – CIVIL RESPONSIBILITY SITE POLLUTION, with which, as well as introducing significant innovations from the past, provides an adequate response to the needs of business in relation to environmental responsibility.

Health Care Systems

The progressive ageing of the population due to greater longevity and the large increase in the cost of technological innovation in the medical field are some of the considerations which incentivised the Fondiaria-SAI Group to promote an innovative and radical change in the welfare sector.

Following continued requests for long-term care insurance and for pension funds, the Group has created a new division totally dedicated to health management: Healthcare Systems. The basis of this structure came from the active role that the Group started to play in the area of social development. Healthcare Systems is the first network organised in the healthcare area, a perfect coming together of public and private companies and citizens.

The Division is a new consortium, founded in July 2008, which operates through three principals:

- consultancy to the Fondiaria-SAI Group in the creation of cutting edge products and healthcare solutions;
- selection and management of a network of nominated healthcare centres;
- direct administration of repayments,

based on three lines of actions, parallel with dialogue and the satisfaction of all targets.

Healthcare Systems will provide to its clients a certified healthcare system, providing support in the creation of insurance products and the management of services, selecting doctors, the healthcare structure and operators, assessing the standards, technology and organisation, monitoring those services provided while maintaining the level of quality consistent with the Fondiaria-SAI Group.
A total control and production cycle, focused on protecting the Clients and optimising the work of the structures and of the qualified entities.

Within the realm of the selection of the healthcare structures and the doctors, Healthcare Systems follows precise qualitative protocols. Every clinic is first monitored and then evaluated by Group experts, to ensure the qualitative standards are high and an excellent service can be guaranteed to the Client.
The conventioned network, covering the entire national territory, consists of approx. 280 recovery centres, 450 out patient clinics and day hospitals, approx. 2,200 specialist doctors, 480 registered doctors (which form the association of medical doctors trusted by the Group) and 800 Service Companies, for the transport of patients, homecare assistance and telephone assistance - with these numbers continually growing.

The direct compensation of services represents not just a key logistical choice, but also a service to the clients. With the Healthcare Systems, the insured party has one reference point for all questions regarding health. From the simple booking to repayment, all is entirely managed in a timely manner with high quality and efficiency.
This leads therefore to the effective governance of all healthcare and related activities and the selection of the highest quality services and the guarantee of excellence in those services.

In order to guarantee high qualitative standards, it is fundamental to promote research, training and development: three factors which set apart the operating philosophy of Healthcare Systems.
The structure selects projects which are capable of ensuring cutting edge technology, scientific developments and new approaches to the care of the individual.
Based on these evaluations, the Fondiaria-SAI Group began to invest and support clinics and businesses involved in innovative programmes. The **IEO** (European Oncology Institute), created by Umberto Veronesi, is one such group and is offered as a new specialist centre.

The modus operandi of the institute is based on certain bases, shared with and approved by the Fondiaria-SAI Group, such as: the centrality of the client, the continual improvement of the quality and excellence of the service, a multidisciplinary approach to the clinical aspects, the development of experimental research with quick transfer of results to the patient, the valuation of human resources and finally the European spirit and openness to international collaboration.

These objectives were recognised by the Fondiaria-SAI Group also in the **Monzino Cardiology Centre**, a nucleus of experimentation with over 120 projects in the course of research presently.
The decision to support the **Cerba** (European Centre for Advanced Biomedical Research) is based on the desire to realise a true city of health, which can expand synergies to further biomedical science.
The support of **Genextra**, an international holding company for the discovery and development of therapies for cancer care, is yet another challenge of the Group in applied technology to health. Healthcare Systems will soon open its doors to projects and institutes, with a view to continuous and progressive improvement, in the name of well being and respect for the individual.

Public purchase offer of the residual DDOR ordinary shares

On October 9, Fondiaria-SAI S.p.A. ("Fondiaria-SAI") launched – in accordance with the obligations assumed pursuant to the purchase contract of the shares representing approx. 83.32% of the share capital of the Serbian insurance company DDOR Novi Sad "DDOR", completed on January 31, 2008, as announced to the market – a public purchase offer on all the residual 352,701 DDOR ordinary shares, representing approx. 16.68% of the share capital of DDOR (the "Bid").

The consideration for the purchase was determined, in accordance with the provisions of applicable Serbian law, as 10,336.32 Serbian Dinar per share; the Bid was not subject to conditions and, in particular, was not subject to the reaching of a minimum subscription threshold. The maximum payment for Fondiaria-SAI therefore amounted to approx. Euro 47.5 million (exchange rate at October 2, 2008), for a total investment – taking into account the shares already acquired – of approx. Euro 267.5 million.
The duration of the Subscription period was 21 calendar days from October 9, 2008, in accordance with the provisions of applicable Serbian law.

The Bid was authorised, on October 7, 2008, by the Serbian Republic Securities Commission.

On October 29, 2008, the subscription period to the Offer ended. At that date, sales requests were received for a total of 336,590 ordinary shares of DDOR, equal to 15.92% of the share capital (the "Shares Subject to Sales Requests").
In accordance with applicable Serbian laws, the final payment for the purchase was determined as 10,581.42 Serbian Dinars per share; the payment by Fondiaria-SAI in relation to the Shares Subject to Sales Requests amounted to Euro 3,561.6 million Serbian Dinars (Euro 42 million at the exchange rate of October 29). The total investment– taking into account the DDOR shares already acquired by Fondiaria-SAI – amounts to Euro 262 million.
Taking into account the outcome of the Offer, as well as the number of DDOR shares already held, Fondiaria-SAI held a total of 99.24% of the share capital of DDOR. As a consequence of reaching a holding above 95% of the share capital of DDOR, Fondiaria-SAI acquired the right to purchase the remaining DDOR shares within 120 days from October 29, at a price per share equal to that established for the Offer (so-called squeeze-out). In addition to this right of Fondiaria-SAI, this latter had the obligation to purchase the remaining shares from the shareholders of DDOR who made a request within 180 days from October 29, 2008. At the end of this period, Fondiaria-SAI pur-

chased a further 15,931 DDOR shares and today holds 100% of the share capital of the Serbian company.

In relation to the major insurance companies of the Group, key financial information relating to the year 2008 is summarised in the table below:

(Euro thousand)	PREMIUMS WRITTEN	CGE %	INVESTMENTS	GROSS RESERVES	RESULT
NON-LIFE INSURANCE SECTOR					
CAPITALIA ASSICURAZIONI S.p.A.	30,242	(18.43)	64,035	63,727	640
DDOR NOVI SAD(*)	127,108	-	17,594	115,217	(3,631)
DIALOGO ASSICURAZIONI	21,117	48.50	32,593	26,921	(10,606)
EUROPA TUTELA GIUDIZIARIA	1,878	20.54	9,782	5,101	545
LIGURIA ASSICURAZIONI	269,457	19.54	246,173	305,713	(14,263)
MILANO ASSICURAZIONI (**)	2,475,733	(5.81)	4,547,677	4,951,683	144,219
PRONTO ASSISTANCE	1,823	(30.71)	5,398	1,845	2,072
SIAT	156,810	(0.58)	90,826	295,331	3,850
THE LAWRENCE RE LTD	528	(66.02)	404,392	375,549	20,105

(*) consolidated data in the non-life sector and including the impairment test carried out by Metals Bank
(**) 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 Holding 51%)

The financial statements for the year ended December 31, 2008 report a net loss of Euro 257 thousand compared to a net profit of Euro 408 thousand in the previous year. The most significant factors on the performance in 2008 were:

- total premiums written amounted to Euro 30,243 thousand, a drop of 18% on the previous year;
- the outward reinsurance balance in favour of reinsurers was Euro 537 thousand (Euro 806 thousand in 2007);
- the considerable increase in the net technical reserves from Euro 49,648 thousand to Euro 58,607 thousand (Euro +8,959 thousand) due to the increase in the premium reserve in the year;
- the decrease in net investment income (Euro -460 thousand) which takes account of the write-downs of the share portfolio of Euro 1,533 thousand.

The premiums written amounted to Euro 30,243 thousand (Euro 37,077 thousand in 2007) comprising 49.2% from fire and other property damage, 20.2% from the health class and 20.3% from the pecuniary loss class. These policies are related for 48.8% to mortgages provided by banking institutions and for 42.4% to Creditor Protection polices. The products of the Company are marketed, individually or through the signing of cumulative policies, prevalently through the banking networks Banca di Roma, Banco di Sicilia, Bipop Carire and Unicredit.

The total amount of claims paid and the relative expenses was in line with the previous year, amounting to Euro 1,272 thousand (Euro 1,389 thousand in 2007).

The financial management of the securities portfolio is undertaken by Capitalia Asset Management S.p.A. The investments amounted to Euro 69,552 thousand (Euro 57,997 thousand in 2007) and were comprised of 89.89% from bonds and other fixed income securities.

Considering the limited size of the Company portfolio, the best reinsurance protection continues therefore to be that represented by a proportional bouquet, reinsured with the Irish group company The Lawrence Re Ireland Ltd, relating to the Fire, General TPL, Accident, Health and ADB classes. Relating to the portfolio of fire policies issued against mortgages, proportional coverage instruments in line with those of previous years continue to be renewed. In 2008 two proportional protections were drawn up, to provide insurance coverage against the Personal Loans and CPI Mortgages.

DDOR NOVI SAD ADO
Share Capital Rds 2,579,597,280
(Direct Holding 99.99%)

The most important events in the year, which reported a net profit of RDS 38 million (local GAAP), are listed below.

During 2008, the sales contract to Fondiaria-SAI S.p.A. of a majority of the shares in the Company was completed. The first step took place at the Shareholders' AGM of January 31, 2008 during which the new majority shareholder acquired over 83% of shares issued. In October of the same year, a further 15.9% was acquired, in accordance with that set out in the contract. The process was completed on December 9, 2008 when Fondiaria-SAI S.p.A. became the sole shareholder in the Company.

During the first three quarters of the year, the macroeconomic variables remained in line with that forecast. However, in the final quarter of 2008, Serbia began to feel the effects of the economic and financial crisis, with drops in industrial production, prices and market indices, together with a high level of instability in exchange rates.

In 2008, DDOR Novi Sad was once again confirmed as one of the two leading companies in the Serbian market. Its market share is estimated at approx. 26%, with gross premiums written increasing by a further 3.8% in the year (including coinsurance).
From a financial viewpoint, the average return on capital net of taxes was approx. 1%. These results can be considered satisfactory in light of the fact that there was an increase in claims paid of approx. 6% and in the claims reserve of 46.3%.

Increasing competition in the Motor TPL class is the principal reason for the decrease, although limited to 1.7%, with the number of policies sold remaining substantially stable at 0.8 million.
The number of policies sold in the life division also recorded a notable increase in the year - approx. 21%. The proportion of the life division in relation to total premiums written of the Company remained contained but with forecasts for significant growth in the coming years. A 2.3% increase in gross premiums written in the non life division was recorded (a 23.5% increase in the premiums written on third party insurance is noted).

DIALOGO ASSICURAZIONI S.p.A.

Share Capital Euro 8,831,774.
(Indirect Holding 99.85%)

The Company operates in the placement, through the call centre and Internet channels, of motor insurance products and Personal and Wealth protection.
In 2008, in order to stimulate the growth set out in the industrial plan, a number of initiatives were taken aimed at developing and supporting the placement activities.
In particular, in May a new advertising campaign was launched with creative aspects different from that of the previous year. In 2008 the advertising campaign again utilised the press, radio and television, although in a selective manner. The total cost of the new campaign for the full year amounted to Euro 7 million, entirely expensed in the income statement.
At the same time, significant investments in the IT sector were carried out in order to bolster the existing structure to facilitate the development of the company.
As a result of the above-mentioned actions, total premiums written amounted to Euro 21.1 million, growth of 48.5% on Euro 14.2 million in 2007.
The technical result recorded a loss of Euro 10.1 million (loss of Euro 6.4 million in 2007), affected by the costs of the above-mentioned advertising campaign.
The financial activities' result, affected by the financial market crisis, was the worst in the last ten years, not benefiting from the greater capital invested – a profit of Euro 0.7 million (Euro 0.8 million in 2007), with large adjustments to the value of securities in portfolio.
Overall, the result for the year was a loss of Euro 10.4 million, compared to a profit of Euro 6.1 million in the previous year.

LIGURIA ASSICURAZIONI S.p.A.

Share Capital Euro 23,000,000.
(Direct Holding 99.97%)

In 2008, a loss of Euro 18,273 thousand was recorded (profit of Euro 2,113 thousand in 2007) – a year characterised by a progressive worsening in the overall economic situation.
In particular, the technical result, a loss of Euro 13,147 thousand (in 2007 a profit of Euro 7,880 thousand) is due to the increase in claims in the Motor Division which was not offset by the good technical results recorded in the General Classes. The deterioration essentially affected the motor classes and in particular is due to the claims in the Motor Vehicle TPL class covered by the CARD regime, which recorded a rise in claims, and the deterioration in the technical result of the Land Vehicle Class following increased competition in the market, the ageing of vehicles in circulation and greater claims from adverse atmospheric events.
The ordinary result was also affected by the valuation losses from securities in portfolio constituting current assets, due to the worsening financial market crisis.

Premiums written amounted to Euro 269,458 thousand compared to Euro 225,422 thousand in 2007 - an increase of 19.5%. The claims ratio to premiums in the direct non-life segment increased to 83.5% compared to 71.6% in 2007, which corresponds to a negative gross technical result of Euro 22,240 thousand, compared to a positive result of Euro 3,757 thousand in 2007.
The gross claims paid in the year, including the settlement expenses, amounted to Euro 171,009 thousand, compared to Euro 125,286 thousand in the previous year, an increase of 36.5%.

The growth in premiums was significant: in the Motor TPL division, where the largest proportion of the portfolio is concentrated (68.3%), premiums written grew by 24.8%. Also the other principal non- life sectors recorded growth: accident (+19.9%), health (+9.8%), land vehicles (+21.7%), fire (+14.0%), assistance (+51.6%) and bonds (+12.1%).

In relation to the financial management, the volume of the total investments increased from Euro 241 million in 2007 to Euro 247 million in 2008. As in the past the investment policy of the company is based on the purchase of highly liquid and low risk securities. Consequently, investments in property and strategic assets represent a limited portion and in 2008 did not change significantly. The most significant component in the portfolio are Government bonds with a contained risk profile and a much reduced duration. The cash flow generated during 2008 was that related to operating cash flow and from reimbursements, and was utilised in medium-short term maturities to gradually increase the duration.

Financial income amounted to Euro 4,828 thousand compared to Euro 5,967 thousand in the previous year recording a decrease of 20.1% due to the lower value of shares in portfolio with respect to the carrying value: the write-downs on the securities portfolio amounted to Euro 4,012 thousand compared to Euro 618 thousand in the previous year.

The sales network consists of 315 agencies (281 at the end of 2007) with a balanced distribution throughout the country (131 in the North, 104 in the Centre and 80 in the South).
In 2008, there were 54 new agencies and 20 agency contracts were resolved.

The Company continues in 2008 the development activities begun in previous years, however cognisant of the current risk underwriting policies and the settlement of claims in a more prudent and cautionary manner. More concerted evaluations were taken in relation to those regarding commitments in course, adopting more conservative reservation policies which on the one hand affected the result in the year, but on the other allowed the Company to operate in an increasingly more competitive market.

During the year, organisational actions were undertaken to render the principal processes more suited to the operating requirements. At the same time, a strategy aimed at creating synergies within the group in activities which require specific needs such as asset management, real estate management, risk management and reinsurance, was undertaken and in which the actions of the Parent Company were a fundamental element for the containment of the cost structure. In this context, the actions carried out in the claims and IT sectors will be intensified.

In the first month of 2009, there was a slowdown in the insurance sector, due to the protraction of the depressive cycle of the Italian economy. The motor division, already penalised by the poor performance in new registrations, was also affected by the greater tariff competition. The already low level of insurance product purchases by the public is being further penalised by the climate of uncertainty at the current moment and the reduced capacity for consumer spending.

In relation to the claims, the beginning of 2009 indicates a frequency of reported claims in line with the previous year. Actions aimed at reorganising the structure for claims settlement are being implemented, also for outlying offices, with the objective to contain the average costs while maintaining the high settlement speed. These interventions were accompanied by further actions aimed at removing non profitable areas from the portfolio, by a careful selection of risks and a more efficient control of policies underwritten by the Company.

MILANO ASSICURAZIONI S.P.A.
Share Capital Euro 305,851,341.
(Direct Holding 60.45%, Total Group Holding 62.72%)

The net profit for 2008 was Euro 167.9 million compared to Euro 252.1 million in the previous year (Euro 269.9 million like-for-like).
The key events in 2008 which contributed to this result are summarised below:

- The non-life sector recorded a pre-tax profit of Euro 193.7million, compared to Euro 313.2 million in 2007. The decrease is principally due to the deterioration of the technical performance which was impacted by the current economic crisis, from pressure on market prices in difficult market conditions and a greater negative impact from reinsurance compared to the previous year, which, among other issues, had benefited from the recovery from reinsurers of claims higher than the coverage in the excess claims.
- The life sector recorded a pre-tax profit of Euro 32.2 million, compared to Euro 77.2 million in 2007. The decrease is principally due to the current financial market crisis, which has caused a significant adjustment in the value of the investment portfolio. The higher amortisation charges of VOBA (Value of Business Acquired) relating to the Bipiemme Vita portfolio following the higher amounts of redemptions, stemming from the strong financial market turbulence and the uncertainty in the prospects of the principal economic variables also contributed to this result.
- The asset and financial management contributed net income from financial instruments and investment property of Euro 389.8 million, a decrease of 3.3% compared to the previous year (-7.4% on like-for-like terms).
- The management expenses in the non-life insurance sector amounted to Euro 591.4 million, with a percentage on net premiums of 21% (19% in 2007). In the life division, management expenses amounted to Euro 61.1 million, with a percentage on premiums of 5.3% (4.8% in 2007);
- The income taxes in the year amounted to Euro 67.1 million and the tax rate was 29.3%, compared to 35.8% in 2007. The tax rate is lower than the nominal rate principally due to the dividends received, of which almost all are not taxable. The change on the previous year is due to the reduction of the tax rates in 2008, which decreased from 33% to 27.5% for IRES and from 5.25% to 4.82% for IRAP.

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 2008 reported a net profit of Euro 15.4 million. The significant decrease on the particularly positive result of the previous year, amounting to Euro 224.7 million (Euro 239.4 million considering Sasa and Sasa Vita), is principally due to the current economic crisis and particularly to the strong turbulence in the financial markets which has been the biggest crisis in recent decades.

The key events in 2008 which contributed to this result are summarised below:

- the technical result of the Life Division recorded a loss of Euro 78.5 million (profit of Euro 49.1 million in 2007), affected for Euro 190.7 million by the adjustments in value of investments, following the write-down of the carrying values to current market prices, exceptionally low due to the effect of the financial crisis - one of the worst post-war economic crises;

- the technical result in the Non-life Division reported a profit of Euro 119.1 million compared to Euro 294.7 million in the previous year. The decrease is due to lower investment profits (decreasing from Euro 141.2 million to Euro 92.2 million, also due to the effect of higher adjustments on investments) and the technical result, which recorded a profit of Euro 28.3 million compared to a profit of Euro 154.7 million in the previous year;
- the technical result was impacted by the current economic crisis, from pressure on prices in difficult markets and a greater negative impact from reinsurance compared to the previous year, which had benefited from the recovery from reinsurers of claims higher than the coverage of the excess claims. In relation to direct business, the Motor TPL division saw premiums affected by the drop in new registrations, strong competition following greater price flexibility and the effects of the so-called Bersani Law in relation to the assignment of the bonus-malus class. The land vehicle class recorded a positive technical result but down on 2007, due to the increased competition, which reduced profit margins and an increase in the number of claims received, also due to the effects of adverse atmospheric events. The Non-Life Classes reported a performance substantially in line with the previous year;
- the asset and financial management reported investment income of Euro 389.3 million, an increase of 7.1% compared to Euro 363.5 million in 2007. Net profits from the realisation of investments amounted to Euro 64.3 million, also growth on Euro 54.9 million in 2007. The contribution of the financial management to the net result was strongly affected by the adjustment in investment values, amounting to Euro 334.7 million compared to Euro 46.9 million in 2007. The financial market crisis, which was sparked by the US real estate bubble in 2007 and progressively deteriorated in 2008, paralleled one of the worst economic crises in recent decades, heavily and exceptionally penalising equity and bond prices, especially in the corporate segment, resulting in large write-downs of carrying values;
- the administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 92.7 million and as a percentage on premiums was 2.7%. The number employees at December 31, 2008 amounted to 1,709, a decrease of 29 compared to December 31, 2007. Employee leaving indemnities amounted to Euro 116.3 million, in line with 2007 (+0.3%).
- income taxes in the year, comprising current and deferred taxes are a positive income component, principally due to the effect of dividends, which are almost entirely tax free, and also due to the realisation of tax exempt gains.

The gross premiums and accessories of direct and indirect business totalled Euro 3,447.9 million compared to Euro 3,129.2 million in 2007 (+10.2%). The increase is due to the amount of approx. Euro 498 million deriving from the merger of Sasa Assicurazioni and Sasa Vita in the year within the corporate reorganisation and industrial process of the Fondiaria-SAI Group, as described in the introduction. On a like for like basis, considering the data of Sasa and Sasa Vita also for 2007, total premiums written would have decreased by 4.3%.

Within the direct business, which represents almost all of the portfolio with premiums written of Euro 3,436.7 million, the Non-Life class amounted to Euro 2,881.7 million (+9.7% compared to 2007) while the Life class amounted to Euro 555 million, a growth of 11.8%.

SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.
Share Capital Euro 38,000,000.
(Indirect Holding 94.69%)

2008 recorded a pre-tax profit of Euro 5,146 thousand, a significant increase on Euro 2,927 thousand in 2007. The net profit in 2008 was Euro 2,727 thousand compared to Euro 1,159 thousand in the previous year.

In summary, the above-mentioned profit followed a significant improvement in the industrial performance, which shows in a tangible manner the gains from the incorporation of the Transport Company of the Group, but was negatively affected by the financial management results.

The technical result of Euro 5,980 thousand (Euro 2,020 thousand in 2007) reported a significant improvement, principally due to the maritime sector, although the unfavourable performance of the general and motor classes continued (in a period of substantial run-off and limiting premiums - essentially consisting of third party premiums). This result, in comparison to the previous year, did not benefit from any form of transfer of investment profits from the non technical account (Euro 1,685 thousand in 2007). In fact as described below, investment profits decreased, which, as stated in the regulations in force are entirely to be written to the non technical account. However, the technical result was positively impacted by the strong containment of administration expenses.

Investment income of Euro 4,496 thousand (Euro 4,126 thousand in 2007) improved marginally, essentially due to higher interest matured on bonds, which in the first part of the year was positively affected by the increase in rates (described in detail below).

In general terms, total business in 2008 amounted to Euro 185,829 thousand and has not changed significantly from the previous year (Euro 187,851 thousand). In the Italian direct premiums, the breakdown of business between the various sectors highlighted the significant contribution of the "Transport" sector. The premiums breakdown was: transport sector 91.5% (91.4% in 2007), Motor sector 5.1% (5.6% in 2007) and 3.4% residual other classes (3.0% in 2007).

Claims paid in 2008 amounted to Euro 110,837 thousand, a significant decrease compared to the previous year (Euro 125,116 thousand). This principally refers to the "Transport" sector (in particular the maritime sector) despite the appreciation in the US Dollar in 2008 on the Euro.

At December 31, 2008, total investments amounted to Euro 99,292 thousand (Euro 95,622 thousand at December 31, 2007) and increased by 3.8% compared to the previous year. Bonds and other fixed income securities and property continue to represent the largest part of total investments, constituting a total of 87.4% (88.5% at December 31, 2007).

In relation to investments in securities however, shares and mutual investment funds including equities represent 4.5% of the total (7.7% at December 31, 2007). The reduction in the proportion of investments in equities is to be attributed, as well as the significant adjustment in values in the year following the strong turbulence on the international stock markets, also to a more cautious attitude to such investments.

The technical reserves at December 31, 2008 amounted to Euro 298,684 thousand (Euro 310,992 thousand at December 31, 2007). The premium reserve amounts to Euro 53,597 thousand (Euro 54,423 thousand at December 31, 2007). The claims reserve was however Euro 243,790 thousand (Euro 255,372 thousand at December 31, 2007).

In relation to the distribution structure in Italy, at December 31, 2008 there were 15 multi mandate agents and 264 brokers (respectively 14 and 263 at December 31, 2007). The geographical distribution is 76.9% in the North (218 brokers) and 23.1% in the Centre-South (61 brokers). As in previous years, distribution abroad is managed by local establishments in Belgium, France, Germany, Holland and Malta.

For the year 2009, it is believed that in relation to insurance for the "Transport" sector there are no particularly major changes from the conditions in 2008, particularly in relation to claims components, while the financial component should not worsen and there are no particularly unfavourable events currently unforeseeable and therefore reasonably positive results can be forecast.

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

The profit for the year amounted to Euro 21,876 thousand after income taxes.
In 2008, the company continued to operate exclusively as a reinsurer of the Fondiaria-SAI Group with the exception of the residual acceptance in the Life segment of the former Group company Po Vita, currently Credit Agricole. As well as the role of reinsurer, the company acts as a service provider for the majority of the companies in 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 intergroup 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. The new retention introduced in 2006 to cover the claims excess of the Motor TPL division began to clearly show its affect on values by the end of the year.

The premiums retained for 2008 amounted to Euro 204.1 million, of which Euro 12.0 million are in the Life segment. The premiums ceded to the market amounted to Euro 107.2 million, of which Euro 0.8 million relating to the Life segment. In 2007, the premiums retained amounted to Euro 189.3 million (of which Euro 14.5 million are in the Life segment) while those ceded amounted to Euro 96.6 million (of which Euro 0.7 million relate to the life segment).

The increase in the Non-Life division is largely due to the business retained by the company under the form of proportional agreements, in large part with the new group company Liguria Assicurazioni and the acceptances of the new companies of the DDOR Novi Sad Group and the higher premium for the acceptance of the Motor TPL business mentioned above. The decrease in life premiums is due to the reduced participation from Po Vita with the quota decreasing from 100% in 2007 to 33% in 2008.
The Company also continues to undertake the run-off activity of the companies of the Group, which avail of this 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, without affecting the profit margin. The company ceded part of this business, which reported a positive result also in 2008. From the previous year and with the objective to reduce the administrative load in the transactions of lower economic value, a part of this business was closed which remains in the remit of the relative company in the Group.
In 2008, the company paid a dividend of Euro 12 million.
The net equity at December 31, 2008 amounts to Euro 117,757 thousand.

Life Insurance Sector

THE LIFE INSURANCE MARKET

In Italy, the first estimates of Ania show a decrease of total premiums of approx. 7% (to Euro 92 billion) in 2008, with a large drop in the Life Classes (-11% approx., amounting to approx. Euro 55 billion) mainly occurring within the bancassurance sector, therefore confirming the figures to the end of the third quarter. In the first nine months of 2008, total Life insurance premiums in Italy amounted to Euro 40,077.9 million, a decrease of 12.5%, with a percentage on the overall Non-Life and Life portfolio amounting to 60.4% (63.5% in the same period of 2007).

In the classes most representative of the Life segment, Class I (Insurance on human life) recorded an increase of 4.6% on the same period of 2007 (Euro 20,179.4 million); Class III (Insurance principally related to mutual funds or internal funds or indices or other benchmark values) reduced by 26.4% (Euro 16,409.3 million), and Class V (Securitisation operations) recorded a reduction of 37.4% (Euro 2,321.2 million). These Classes impact on the total Life premiums respectively for 50.4%, 40.9% and 5.8% (respectively 42.1%, 48.7% and 8.1% in the same period of 2007).
In relation to the remaining Classes, the contribution of Class VI (Pension Funds: Euro 1,061.4 million) represents 2.6% of Life premiums (0.8%) in the first nine months of 2007).

At the end of December, the new Life business of the Italian companies and those based outside the EU in 2008 amounted to Euro 35.2 billion, 15.7% down on 2007. The decrease is in line with that of 2007 (-14.4%).

The new business brokered by banks and post offices amounted to Euro 24.5 billion, with a decrease of 20.9% on 2007. There were similar data for the premiums written by businesses (agencies): the activity decreased, falling in the last three-year period from approx. Euro 3 billion in 2006 to Euro 1.5 billion in 2008 (-24.6% in 2008 compared to the previous year). Agent activity remains strong with an increase in consolidated data from the previous year (+1.4%). Premiums issued by financial promoters also grew; from January this channel produced a positive result (+13.2% on 2007).

The current financial crisis, according to an analysis by Prometeia on the half year financial statements 2008 of the principal operators in the Italian market, occurs at a very critical time for the entire insurance sector, with premiums consistently contracting and competition increasing.
In particular, the net flow of premiums for the Life segment was negative for the first time in 2007 and the unfavourable trend continued in 2008, occurring at a time of overall contraction for the market of managed savings and with worsening forecasts for economic growth. In this context, the operating decisions in the short-term and the strategic choices in the medium term must take account of the greater need for financial security which insurance investment must guarantee.

In November new Life business in the individual policies sector recorded premiums written of Euro 3.5 billion, a decrease of 17.6% compared to 2006. From January premiums in the new Life 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; in 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 million, 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 caused by 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 loyalty.

Operational performance

With reference to the sector results, which report a pre-tax loss of Euro 59 million, the major impact was the financial crisis, progressively worsening in 2008 with greater uncertainty with regard to economic and financial forecasts.
This is seen in the behaviour of the clients which are particularly focused on highly liquid short-term or very short-term products.
The negative impact deriving from the restructuring of the index policies with underlying Lehman securities in the subsidiary Popolare Vita whose effect is quantified to date at Euro 150 million contributed to this result.

The total premiums of the Fondiaria-SAI Group amounted to Euro 4,208 million compared to Euro 4,564 million in 2007, a decrease of 7.8%. The direct premiums written amount to Euro 4,206 million, a decrease of 7.7%.
Life premiums represent however 36.6%of the total premium portfolio compared to 38.4% in 2007.

The total premiums in the sector also includes Euro 297 million (Euro 172 million in 2007), on investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

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

(in Euro millions)	**31/12/2008**	**31/12/2007**	**Change %**
I – Insurance on human life expectancy	2,291.5	1,418.6	61.5
III – Insurance to which points I and II are connected to investment funds	1,516.1	2,498.7	(39.3)
IV - Health insurance	0.5	0.7	(28.6)
V – Securitisations as per art. 40, Legislative decree 174/95	400.2	646.1	(38.1)
	4,208.3	**4,564.1**	**(7.8)**

The premiums written in 2008 no longer include the contribution (equal to 50% of the premiums written) of the subsidiary Po Vita as the company was sold in the first quarter of 2008.
In the first quarter of 2008 the new partnership with Banca Popolare Group become fully operational, through the subsidiary Popolare Vita, which recorded premiums written of Euro 2,106 million.

Total premiums written by bank branches amounted to Euro 2,511 million and represents 59.7% of the total direct premiums written. The premiums ceded amounted to Euro 23 million (Euro 21 million in 2007).

The gross technical reserves amounted to Euro 18,040 million (Euro 19,737 million in 2007) and the ratio of the technical reserves on the premiums issued was 428.7% (432.4% in 2007).

The Life sums paid amount to Euro 4,043 million (Euro 2,840 million in 2007), an increase of 42.3%,

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

(in Euro millions)	**Claims**	**Redemptions**	**Maturity**	**Total 2008**	**Total 2007**
II – Insurance on human life expectancy	77.0	923.7	858.5	1,859.2	1,686.3
III – Insurance to which points I and II are connected to investment funds	21.2	357.2	407.2	785.6	392.3
IV - Health insurance	0.1	-	-	0.1	-
V – Securitisations as per art. 40, Legislative decree 174/95	2.1	1,352.4	39.3	1,393.8	769.0
	100.4	2,633.3	1,305.0	4,038.7	2,847.5

In the Life segment the total management costs in 2008, excluding the investment management expenses, amounted to Euro 246 million, a decrease of 13.1% (Euro 283 million in 2007). The percentage on premiums therefore decreased from 6.2% in 2007 to 5.8% in 2008.

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:

	2008	2007
Press	4.21	4.55
Nuova Press 2000	4.22	4.50
Fonsai RE	5.03	5.23
Fondivita	4.16	4.52
Fondicol	5.05	4.88
VIVA	4.22	4.43
Milass RE	5.00	5.23
GEPRE	4.17	4.59
3A	4.21	4.51
Popolare Vita	4.67	-
BPM Gest	3.54	3.02
BPM Sicurgest	3.82	4.71
Fondo Liguria	4.04	4.13

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**	**2007**	**Cge. %**
Bim Vita S.p.A.	20,917	9,346	-	14	30,277	7,646	295.98
BPM Vita S.p.A	464,062	88,782	-	7,560	560,404	422,153	32.75
Fondiaria-SAI S.p.A.	399,421	46,021	-	66,648	512,090	597,382	(14.28)
Fondiprev S.p.A.	22,000	-	-	-	22,000		
Liguria Vita S.p.A.	11,767	3,469	-	2,693	17,929	15,591	15.00
Milano Assicurazioni S.p.A. *	201,255	51,686	106	57,039	310,086	328,457	(5.59)
Popolare Vita S.p.A.**	533,932	1,543,480	-	1,382	2,078,794	1,742,807	19.28
Po Vita S.p.A.	-	-	-	-	-	583,905	-
TOTAL	1,653,354	1,742,784	106	135,336	3,531,580	3,697,941	(4.50)

** including Sasa Vita*
*** including Novara Vita*
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 5.8%, amounting to Euro 379.1 million compared to Euro 402.7 million in 2007. Bancassurance contributed Euro 263.49 million compared to Euro 275.9 million in 2007 (-4.5%).
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.
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 402.7 million compared to Euro 431.1 million in 2007, a decrease of 2.5%.

New products

In relation to new products issued by the Life Division, in February 2008, the Parent Company launched a new term life product with an annual premium with constant capital, based on the different tariff rates between smokers and non-smokers.

At the same time as the launch of the new product, Dedicata Light was discontinued, whilst the product Dedicata Mutui – term life and decreasing capital – in the form of a single premium or with an annual premium, remained. Differing from previous tariffs in force, the current term life tariff differentiates the premium based on smoking habits, offering non-smokers a lower tariff.

From February 25, 2008 and for a placement period concluded on March 27, 2008, a new Index Linked product called WORLD CUP was made available to customers.

From a commercial point of view World Cup permits the investor/policyholder to receive a return on the investment even in the first year with a fixed coupon of 5.5%, subsequently offering the possibility to increase their savings also in the case of a negative market performance.

The new Index-Linked policy, of a 6 year duration, offers in fact a guaranteed coupon of 5.5% in the first year and the possibility in subsequent years to cash in a coupon of 8% annually, thanks to:

- an option (**Altipiano** type) related to 9 equities on the global stock markets;
- a combination of **3 mechanisms to optimise** the same option, which will increase the probability of obtaining the coupon.

The **Altipiano** option is a mechanism which links the payment of an annual coupon to the fact that no security within a reference basket decreases below the prefixed minimum.

The three mechanisms which improved the Altipiano di World Cup option are:

1. **Memory Effect:** from the 2nd to the 6th year, the previously non paid coupons can be recuperated in the year in which the conditions for the payment of the coupon are fulfilled.
2. **Decreasing limits:** from the second year the condition for the payment of the conditioned coupon is that no security losses more than 20% (the barrier) of its reference value **but** subsequently this barrier is lowered by 5% every year, until it reaches, in the sixth year, 40% of the reference value.
3. **Identification of an initial minimum reference value:** the reference value for each security in the basket will be equal to the <u>lowest closing price</u> observed daily in a period of 6 months from the beginning date (from 27/03/08 to 26/09/08, inclusive). This price is the <u>reference value</u>, which when passed represents the barrier for the determination of the annual coupon.

In such markets and given the positive results achieved in the marketing campaign of the last Index World Cup product - from May 12, 2008 and for a placement period which finished on June 25, 2008, the company launched a new Index-Linked product called World Cup which provides the same structure and characteristics of the previous product.

From April 7, the company made a new annual premium product called Open Più available to customers.

Open Più, in tandem with the Financial and Life Management strategy, aims to increase the amount of annual premium product policies.

This product represents a new instrument, characterised by technical simplicity, contained costs and advantageous commission remuneration typical of annual premium products.

Open Più joins the products already available in the Savings Area and is a further solid savings instrument for the Client, offering an easily understood product for its insurance content and containing a bonus at maturity.

OPEN PIU' is principally aimed at employees or persons with fixed income, with low/medium income and with modest annual savings:
the ideal Client for Open Più is prudent, prefers the security of the results over high performance and accepts the long-term perspective of the investment.

In relation to the corresponding products in the Open Line in the Savings Area – Open Protetto and Open Risparmio - Open Più is a simpler product in terms of insurance content and is much cheaper than the Open Protetto product, although with lower flexibility on the premium compared to Open Risparmio.

Open Più is an instrument that engenders loyalty among Clients through the choice of an annual provision plan on the average length (from 10 to 25 years), awarding the recognition of a bonus.

The advantages of Open Più:

- may not be subject to seizure or sequestration under article 1923 of the Civil Code (within the limits of law);
- guarantee of an annual consolidation on revaluation - definitive gain of relative annual increases;
- the guarantee of a minimum value for the insured product through recognition in advance of the insured initial capital with a minimum annual interest of 2% in the form of a technical rate.

From September 22, 2008 and for a placement period concluded on November 7, 2008, a new product called Valore Certo was available to Customers (only for individuals).

The positioning of this new product was based within a context of high turbulence on the financial markets, reduced short/medium term economic growth and the demand from customers, of savings and investment solutions based on low risk and guaranteed yield.

Certain Value (Valore Certo), on the payment of an advanced single premium, guarantees the Clients a certain capital on maturity and a secured interest yield.

The new Certain Value policy is a product with three key aspects:

- SIMPLICITY:
  - three fixed premium levels;
  - fixed loading on the premium based on premium size;
  - certain life insurance capital paid on maturity of the contract, made explicit on the signing of the policy;
  - payment in case of death.

- ECONOMY:
  If compared with other products currently on the market, Certain Value has the advantages of:
  - a highly competitive effective yield;
  - greatly reduced costs

- SECURITY:
  It is important to underline that with Certain Value the Company guarantees the payment on maturity. In this context, Certain Value is a non-risk product, suitable for whomever has liquidity to invest.

In light of the ongoing crisis and instability in the financial markets, the Client is more disposed towards investments with certain yields and guarantees of solidity, and that the entire plafond of Certain Value available is based in a short-term period, from November 10, 2008 and for a placement period terminating on December 10, 2008, a version of a product which is single premium called Certain Value was made available to Clients (only for individuals).

Individual Insurance

In 2008, the underwriting of individual contracts was orientated largely towards products related to the Separated Management, better regarded by the clientele in the current market turbulences of providing minimum guaranteed returns and investment protection. From April, a greater number of annual premium products were in evidence, better capable of adding value to the portfolio in the long-term period while at the same time ensuring client loyalty.
Commercial initiatives were also undertaken in the Index-Linked policies - the March WORLD CUP edition and the June WORLD CUP 2 edition were well received by the clientele, with very satisfactory results.
In the first quarter, the new Term-Life insurance tariff DEDICATA was launched which introduced the differentiation of the policyholders according to their smoking behaviour and the marketing began in the second quarter – which was met with success - of a new revaluable constant single premium product OPEN PIU', featuring a bonus related to the loyalty of clients.
In the final quarter of the year, policies with fixed yields with coverage of contractual commitments for specific activities were launched, provided through two distinct versions of the product called CERTAIN VALUE, and achieved high levels of business.
As in the past, particular attention was placed on maintaining the capital on maturity, proposing to clients the renewed range of products available.

Collective Insurance

During the year, the corporate segment continued its activity in the “pre-existing” pension funds with insurance management.
In consideration of the fact that the employee has the right to confer the employee leaving indemnity to a complementary pension even if he/she had initially decided to place it with the employer, we maintained contacts with our clients which, together with targeted actions on the cost structure applied on the renewal of single conventions, allowed us to achieve strong improvements quantitatively in terms of premiums written in this sector.
In relation to products connected to employee leaving indemnity (ELI VALUE), the forecasted contraction in distribution from the impact of the new regulation continued, which not only incentivises the allocation of the annual portion of the indemnity to the complementary pension, but also affects the ELI insurance coverage in businesses with at least 50 employees. The drop however has been largely contained due to the success in marketing the product to small businesses, which has allowed a good performance in this sector to be maintained.

New issues of securitisation products were also contracted, mainly in relation to institutional clients.

The risk coverage segment recorded good results in the institutional sector of insurance deriving from collective negotiations as well as from the accessory coverage typical of the Pension Funds, which reports an increased interest among subscribers to complete pension programmes with this type of coverage.

Open Pension funds

In 2008, premiums written for new subscribers continued in a contained manner in the respective Open Pension Funds of Fondiaria-SAI and Milano Assicurazioni, consolidating the progress made in 2007.
From January 1, 2008, a further investment sector became operative called respectively “ELI Premium” for the Parent Company and “Milano – ELI Premium” for Milano Assicurazioni, which represents an entirely innovative product in the sector in terms of characteristics, objectives and relative economic conditions.
This segment contractually provides, on the occurrence of determined events, the payment of a minimum yield of 1.25%, not linked to management results and has the objective of achieving annual yields above the annual change in ELI.
The innovative aspect lies not only in the very small management commission (0.10%) but the meeting of interests of the subscribing party with that of the Company: an incentive commission was introduced, thanks to which only if the performance of this sector is superior than the annual yield of ELI, the effective remuneration of the Company will be paid and the subscribing party can benefit by a revaluation higher than that forecast by the regulation on ELI.
For greater detail on the respective Open Pension Funds of the two major companies of the Group, reference should be made to the respective financial statements in the Life insurance segment.

The performance in 2008 of the subsidiaries is summarised in the table below:

(Euro thousand)	PREMIUMS WRITTEN	CGE.%	INVESTMENTS	RESERVES	RESULT
LIFE INSURANCE SECTOR					
BIM VITA	29,789	n.a.	111,847	61,971	(886)
BPM VITA	606,794	35.21	3,468,277	2,006,047	10,194
DDOR NOVI SAD (*)	4,081	-	7,911	8,850	(225)
LIGURIA VITA	25,068	10.30	98,712	96,064	432
MILANO ASSICURAZIONI (**)	454,616	(6.98)	7,685,371	5,821,790	15,599
POPOLARE VITA	1,878,681	7.16	6,178,418	4,793,754	(89,039)
SYSTEMA VITA (ex EFFE VITA)	4,062	(13.04)	75,654	64,905	422
THE LAWRENCE LIFE ASSURANCE CO LTD	868	n.a.	413,637	1,164	1,676

(*) consolidated data for the life sector and including the impairment test carried out on Metals Bank
(**) 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 2008, the net result was a loss of Euro 1,545 thousand (loss of Euro 152 thousand in 2007).
The premiums written in 2008 amounted to Euro 37,459 thousand (Euro 15,331 thousand in 2007). Premiums written in Class I grew strongly from Euro 2,441 thousand in 2007 to Euro 21,762 thousand in 2008. The return from the BIM Vita Separated Management at the close of the financial year (September 30, 2008) was certified at 4.02% with a payment payout to policyholders of 90%. The product 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 105,405 thousand of which Euro 57,252 thousand is in the C Class and Euro 48,133 thousand in the D class (Euro 90,297 thousand in 2007). The reinsurer reserves amount to Euro 5 thousand.

The sums paid and the charges relating to the year amounted to Euro 13,759 thousand (Euro 18,193 thousand in the previous year). In 2008, the most frequent form of payments (over 78% of cases) was for redemptions.

The amount of investments at December 31, 2008 amounted to Euro 65,290 thousand compared to Euro 50,438 thousand at December 31, 2007, with the fixed income securities being the largest segment, amounting to 92.9%.

The consolidation of the results achieved by the Insurance Company in previous years will continue in 2009. In the present year, the issue of a new Index-Linked policy and the creation of a new portfolio of Multifund Unit-Linked policies are planed.

BIPIEMME VITA S.p.A.
Share Capital Euro 103,500,000.
(Indirect Holding 51%)

In 2008, Bipiemme Vita continued to focus its activity on the rationalisation of the product portfolio, renewed and simplified to better meet the needs of the customers, while maintaining particular attention on the guaranteed capital and annuity policies. In relation to this, the average return in the last five years of the principal separated management funds of the Company BPM Sicurgest was 5.05%.

The premiums written in 2008 amounted to Euro 620.9 million (Euro 618.3 million in 2007).

The sums paid and related charges amounted to Euro 634.4 million in the Life Division (Euro 569.1 million in 2007) and Euro 2.7 million in the Non-Life Division. The increase is principally due to redemptions on securitisation contracts, mainly following the current financial market crisis and the uncertainties for the future outlook of the principal economic variables.

Gross technical reserves at December 31 amounted to Euro 1,742.2 million (Euro 1,466.8 million at December 31, 2007).

The total investments amounted to Euro 3,428 million, compared to Euro 3,605 million at December 31, 2007. The decrease follows the sales carried out on maturity and the requests for redemptions on contracts, adjustments made on the portfolio due to falls in equity prices, as well as the adjustments in relation to financial instruments issued by the Icelandic banks (Euro 99.8 million) to cover two index-linked products issued by the company.
These adjustments were made following the noted financial difficulties which the Icelandic banks are currently experiencing and following a heavy downgrading in the ratings assigned to these banks by the principal International Rating Agencies.
However, the index-linked policies issued do not guarantee minimum returns or capital guaranteed by the Company and therefore, as the investment risk connected to the solvency of the issuers is contractually borne by the policyholder; similar adjustments were made to the related liabilities.

The income statement for 2008 which was affected by the most turbulent financial market situation since 1929, recorded a net loss of Euro 15.7 million (net profit of Euro 10.5 million in 2007). The loss is attributed prevalently to adjustments on the investment portfolio (Euro 46.3 million) as well as the calculation method on the redemption value of Index Linked insurance products, which are particularly sensitive to credits default swap rates, rendering it necessary to constitute additional technical reserves.

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

For the year 2008 the Company reported the following results: premiums written of Euro 25,067 thousand, compared to Euro 22,729 thousand in 2007, an increase of 10.2% and a net profit, taking account of the heavy losses on the financial markets in the latter part of 2008, of Euro 34 thousand from Euro 243 thousand in 2007.

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 clientele, and with regard to the quality and the timing of the service offered.
Specifically, in 2008, initiatives began to limit the redemptions, in addition to targeting the distribution of high quality products to the clientele.
The sums paid in 2008 amounted to Euro 10,225 thousand compared to Euro 8,104 thousand in 2007, an increase of 26.3%.
At December 31, 2008 the gross technical reserves of the classes I and V amounted to Euro 91,891 thousand compared to Euro 81,604 thousand in the previous year; of this amount Euro 78,066 thousand refers to individual policies of the Class I and Euro 13,825 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 4,731 thousand.

Financial management continued to be prudent in the year. The investment policies in the year limited exposure to interest rate risk in the very short-term yield curve, with an increase in the 2 to 3 year category.

The sales activities are prevalently undertaken through the agency network, which already operates for the parent company Liguria Società di Assicurazioni S.p.A. and comprises 288 agencies (273 in the previous year), throughout the national territory. In 2008, there were 30 new agencies and 15 agency contracts were resolved.

The Company will continue with the growth and the consolidation of the portfolio and to support and provide incentives for the distribution networks. Particular attention will be placed on the growth in profit margins, the consolidation of the portfolio and the re-balancing of the portfolio mix between annual premiums and single premiums.

The data for the first months of 2009 is encouraging and indicates a satisfactory trend which should consolidate in the coming year.
However, issues related to the protraction of the financial market crisis could negatively influence the performance in 2009.

POPOLARE VITA S.p.A.
Share Capital Euro 179,600,005.
(Direct Holding 24.39%, Group Holding 50%)

2008 was marked by two extraordinary events, described in greater detail in the following pages:

- merger by incorporation of Novara Vita S.p.A.;
- initiative to protect customers with index-linked policies issued by Novara Vita with underlying securities issued by the companies of the Lehman Group.

The result in 2008 was a loss of Euro 113 million (profit of Euro 5 million in 2008). The result was significantly impacted by the net write-down of the securities portfolio of Euro 40 million, of which Euro 11 million related to the Lehman Brothers Group securities as well as the provision to risk funds connected to the restructuring operations of the index-linked policies with underlying Lehman securities (Euro 150 million).

The gross premiums recorded amounted to Euro 2,106 thousand (approx. Euro 74 thousand in 2007) and 83% comprised of linked products. The gross technical reserves amounted to Euro 6,174 million (Euro 2,487 million in 2007) and were composed of approx. Euro 4,735 million (Euro 1,880 million in 2007) of class D reserves and the remaining Euro 1,319 million (Euro 558 million in 2007) of actuarial reserves; the volume of total investments amounted to Euro 6,390 million.

The distribution network of the company consists of 1,778 bank branches belonging to the Banco Popolare Group and, in relation to post-sales alone, 33 branches of Credito Emiliano.

THE LAWRENCE LIFE ASSURANCE CO. LTD
Share Capital Euro 802,886.
(Indirect Holding 100%)

In 2008, the Company reported a profit of Euro 749 thousand compared to a profit of Euro 341 thousand in the previous year.
The improvements include the technical management result of the portfolio, positive for Euro 167 thousand (Euro 35 thousand in 2007) and the unrealised gains of Euro 226 thousand relating to assets in which company equity was invested.
In particular the technical management benefited from the extension of the outsourcing contract which generated a discount of Euro 125 thousand and an annual reduction in costs of approx. Euro 50 thousand.
The value of managed assets increased to Euro 413 million (Euro 434 million in 2007) substantially due to the unfavourable performance of all financial markets (losses realised of Euro 1.4 million and losses of approx. Euro 27 million against revenues of approx. Euro 11.6 million) and the decrease in net premiums written of approx. Euro 4 million.
The premiums in 2008 amounted to Euro 868 thousand of premiums with contracts classified as insurance (2007: Euro 66 thousand) and Euro 1,232 thousand classified as financial contracts (2007: Euro 36,736 thousand). The significant decrease in financial contracts written is principally due to the reduction in good new business opportunities.

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 the buyer of the investment as Crédit Agrigole Assurance Italia Holding S.p.A..
The sale became effective on March 31 after obtaining all the authorisations from the buyer: the transfer of the shares took place at the beginning of April.

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 dividend approved 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 realised a significant gain before taxes of Euro 29 million.

Merger by incorporation of Novara Vita S.p.A. into Popolare Vita S.p.A.

On December 16, 2008, the merger by incorporation of Novara Vita S.p.A. into Popolare Vita S.p.A., companies owned by the Fondiaria-SAI Group and Banco Popolare Group was approved.
Within the agreements with Banco Popolare for the implementation of a partnership for the placement of Life Class insurance products, in fact, Popolare Vita S.p.A. (formerly BPV Vita S.p.A.) was appointed as the sole vehicle for the undertaking of this partnership.

The merger was approved in October 2008 by the extraordinary shareholders' meeting of the participating Companies before authorisation by Isvap.

As relating to operations between parties under common control, there were no balance sheet and/or income statement effects on the Group financial statements.

Updating on the protection initiative for index-linked policyholders holding underlying securities issued by the companies of the Lehman Brothers Group.

The subsidiary Novara Vita (subsequently incorporated into Popolare Vita from December 31, 2008 - both companies belonging to the Banco Popolare Group) carried out a total restructuring operation on the index-linked policies with underlying Lehman Brothers Group securities for a total nominal value of approx. Euro 290 million.

The operation was carried out through the redemption of the original contract by the holder and the simultaneous signing of a new contract comprising the residual duration of the index-linked contract increased by over 2 years. The clients could subscribe to the new policy between January 7 and January 22, 2009. The market was informed through a press release jointly issued by Fondiaria-SAI and Banco Popolare, as well as directly informing the clients.

In particular, in order to fully eliminate the risk of non payment of the nominal value of the policies, it was proposed to clients to redeem in advance the index-linked policy at a value of 40 (the estimated original recovery rate value) without any additional charges. This amount represented the best estimate possible, at that date, of the recoverable value of the Lehman Brothers non-subordinated assets, based on an internal analysis and a study carried out by the Fitch rating agency (the only external study available) dated September 23, 2008.

It was also proposed to clients to sign, simultaneous to the redemption of the current policy, a new policy with a maturity increased by over 2 years - to December 2015 at a price of 72.11%, equal to the forward purchase value, by Novara Vita, of the Zero Coupon with value of January 22, 2009.

This Zero Coupon would underlie the new index-linked policy which will repay the insured 100% with maturity in 2015. This price was added to the value of the existing options of the old redeemed index-linked policies, transferred at the value of the new index and brought forward to the original maturity date, maintaining the payouts unaltered.

The price of 72.11%, compared to the recovery rate, resulted in a pre-tax loss of approx. Euro 149.8 million for Novara Vita. Considering also the recovery of taxes by the subsidiary Popolare Vita, a loss, net of the fiscal effect of approx. Euro 108.6 million was recorded.

The net loss resulted in a reduction in the net equity following the share swap agreements relating to the merger by incorporation of Novara Vita into Popolare Vita. In this regard, Novara Vita requested its shareholders to make capital payments in order to cover this loss up to the ex-ante situation, which therefore would not require any adjustments to the share swap agreements.

For the purposes of the purchase of the zero coupon underlying the new index-linked policies, Popolare Vita obtained the necessary funds, for the amount exceeding that already paid in December by the shareholders of Novara Vita to cover the losses incurred by this latter by the default of Lehman Brothers, through a capital payment of a total amount of approx. Euro 112 million, pro quota by the shareholders of Popolare Vita on January 22.

The operation was subscribed to by 99% of the policyholders, with a total redemption of Euro 287.5 million against a nominal amount of Euro 289.7 million.

Reinsurance

Non-Life Reinsurance

In line with previous years, the placement of all the automatic cessions of the companies of the Fondiaria-SAI Group in the international market takes place through the 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 underwriting companies in international markets;
- 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 Bonds the structure is based on proportional agreements and covering excess claims for the protection of the relative retained.

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 agreements and excess claims coverage. 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 jointly with Fondiaria-SAI and Milano Assicurazioni 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 inward reinsurance includes at 31/12/2008 all the optional business and the acceptances by the insurance companies of the Group and at 31/12/2007 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 contained for the participating insurance companies, especially when compared to the total capacity provided.

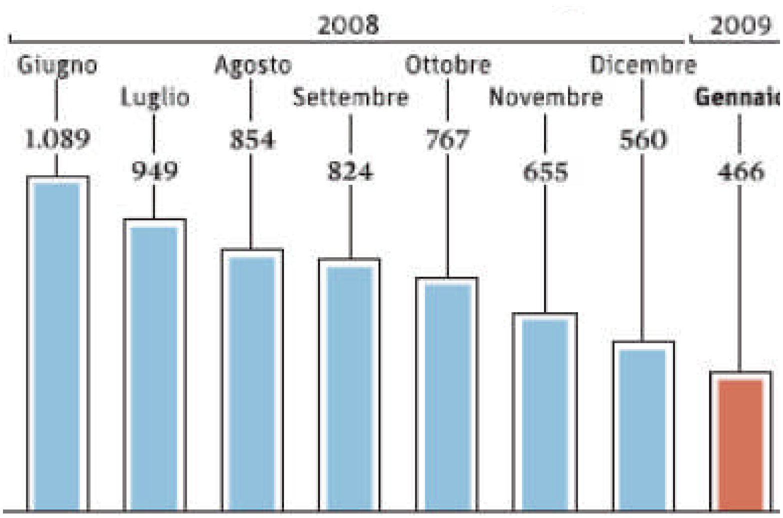
Real Estate Sector

The fourth quarter of 2008 saw a more marked reduction than in the previous quarters, with all indicators deteriorating in the European property markets, although the decreases were less negative than the United States. This trend has hit all property types but particularly the service sector.
Property revenues in the five principal European countries decreased by 1.7% on 2007 - amounting to less than Euro 700 billion. At a European Union level (27 countries), the annual change was an increase of 0.5%.
The market affected to the largest extent was the residential market, also owing to the very constrictive policies currently being undertaken in relation to mortgages. This principally affected low income households: to confront this situation many countries (for example Great Britain, Spain and France) allocated significant resources for the building of social housing.
Sales/purchases dropped almost everywhere, while the medium to high range market was stable. In Europe, the most significant reductions were in England (-8%) and Spain (-10%). It is recalled that in the previous market crisis, at the beginning of the 1990s, sales prices dropped by an average of 40% in two years.

Also in the offices sector, there was a drop in transactions as a result of the economic situation. Only the top locations are holding up in terms of rental and sales/purchase prices. There are however positive signs in the London and Frankfurt markets for large scale international investors, who are increasingly moving their assets from the eastern countries (China, Russia and India) to the traditionally more solid areas such as continental Europe.
In relation to the Italian property market, the services sector dropped by 11.8% in the first quarter of 2008 up to 20.9% in the fourth quarter.

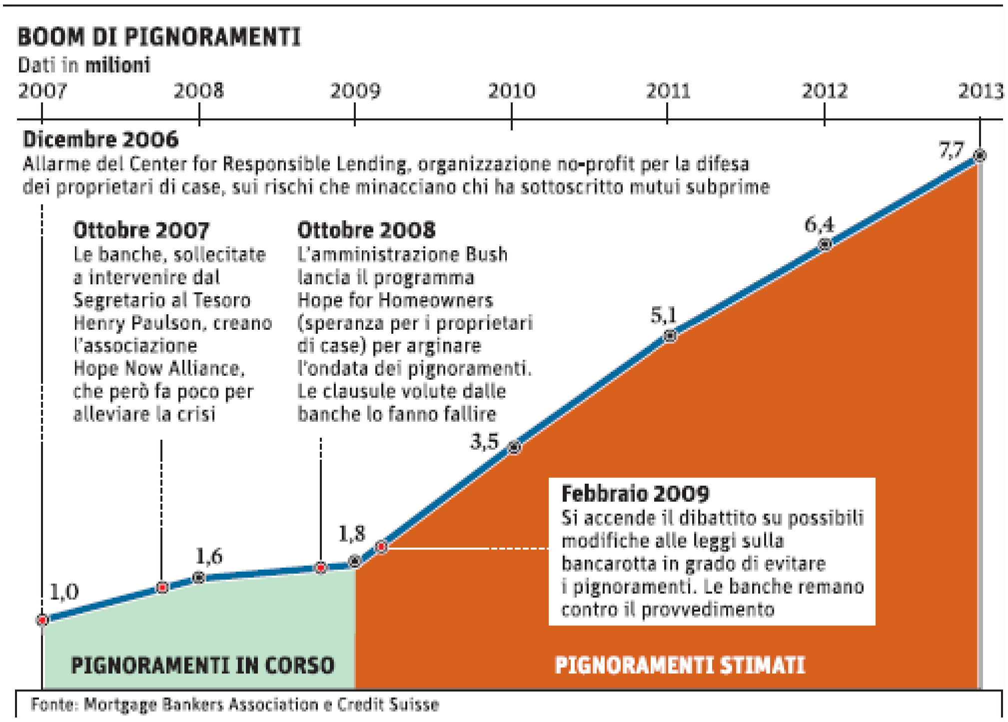
The latest data available from the Trade Department in the US highlights in January 2009 a drop of 16.8% (the seventh consecutive month) of new constructions, decreasing to 466,000 on an annual basis, the worst data since 1959.

Graph. 1: decline in construction sites (new sites: data in thousands)

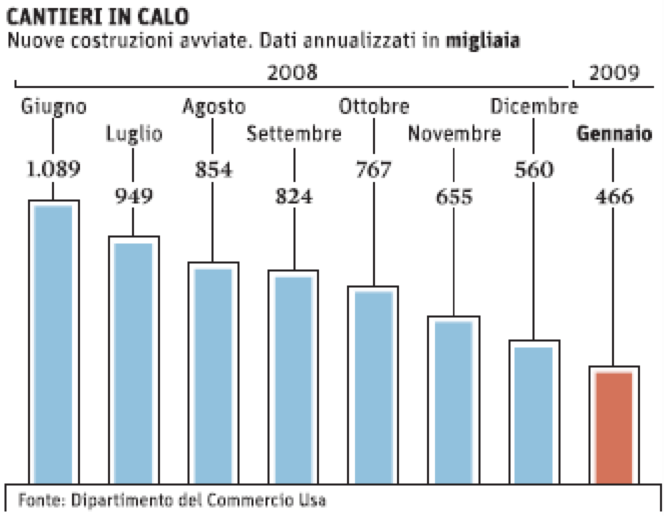


Source: IlSole24Ore valuations from Mortgage Bankers Associationande Credit Suisse

United States constructors also must confront the boom in foreclosures following the subprime mortgage crisis which stood at 1.8 million at the end of 2008, with this amount expected to increase to nearly 6 million by the end of 2013.



Dati allarmanti
Non dà segnali di ripresa il settore immobiliare negli Stati Uniti. Gli ultimi dati, diffusi ieri dal Dipartimento del Commercio, segnalano in gennaio un calo del 16,8% (il settimo consecutivo) dei nuovi cantieri, scesi a 466mila su base annua: il peggior dato dal 1959. In flessione anche i nuovi permessi edilizi, scesi del 4,8% a 521mila unità. I costruttori devono fare i conti con il boom di pignoramenti seguiti alla crisi innescata dai mutui subprime: 1,8 milioni a fine 2008, con una previsione di incremento di quasi altri sei milioni da qui al 2013



The high quality logistics sectors and the latest generation shopping malls are countering this trend. These two sectors, closely linked, are experiencing growth as there is a fundamental change in the distribution and sale of products in Europe.
In the current economic climate with low inflation and falling lending rates, high income investment properties (such as offices and those for commercial use) remain in strong demand. Meanwhile, the “used” industrial segment and the commercial retail segments are in crisis.

European property funds have held firm, while Reits (Real Estate Investment Trust, the American vehicle which invests in properties) has been affected by the Stock Market fluctuations.

With regard to the future outlook, for the first half of 2009 a negative trend for the western European countries is expected while the eastern countries will begin to experience difficulties. In particular, at a European level in the first quarter of 2009, results will be largely negative, in particular in the residential sector, while in the second quarter (despite low inflation and an economy in the initial stages of recovery) the indicators should improve.
The real recovery of the markets however is expected in 2010 and 2011, depending on sector and location.

The Italian situation
In Italy, the fourth quarter was particularly negative, after a period of relative stability. The market achieved revenues of just under Euro 122 billion, a decrease of 3.6% on the previous year.
The residential market (in absolute terms) recorded the most significant drop. This situation was caused by the progressive tightening of lending in relation to mortgages, and the contraction of demand among the average to low income bracket within an outlook of recession and unemployment. An analysis by geographic areas carried out by the Regional Agency reported that in 2008 the drop in purchases/sales in the sector was greater in the North and Centre (both at -16.4%) and more contained in the South (-11.6%).

There was also a strong fall off in the tourist sector, where a dramatic decrease in the purchase/sales of second homes occurred, while the hotel sector remained stable, for which strong growth is expected in 2009.
The service sector remained positive, due to the presence of numerous institutional investors. Absolute demand contracted but businesses in the course of moving are seeking class A constructions and well located in terms of infrastructure.
The industrial sector reports performances in line with the rest of Europe. Industrial logistics are in a period of massive transformation with demand for particularly specialised property products.

The commercial sector at an aggregate level report positive results; the retail sector reported an increase in empty space in the areas located outside the main commercial zones. There is increased competition among the major retailers for commercial space and within a contracting market of consumers. The outlets are undergoing strong development, as are the integrated shopping centres.

OPERATIONAL PERFORMANCE

In order to avail of the real estate market opportunities, the Fondiaria-SAI Group in the 2006-2008 industrial plan presented three investment methods, based on the different levels of risk:

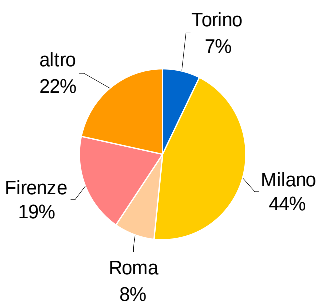
- investments in buildings already developed and rented with significant returns (excluding joint ventures), to be made through the utilisation of the technical reserves of the Group;
- investments in buildings to be restructured or in new developments (held 100%), utilising the Group vehicle represented by the private closed real estate investment fund Tikal R.E. Fund;
- investments in buildings and/or joint venture real estate initiatives (including new developments), through the companies of the Immobiliare Lombarda Group.

The results of the real estate sector include the **Immobiliare Lombarda Group**, the subsidiary **Nit S.r.l.** and other minor companies, as well as the **Tikal R.E.** Closed Real Estate Fund.

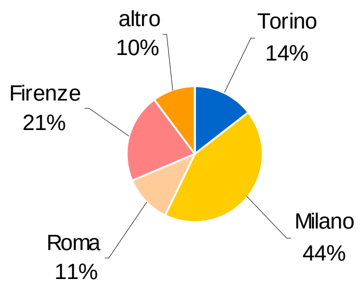
For information purposes, the breakdown of Group real estate by geographic area is shown below.

% Breakdown of Group real estate by Geographic area

Year 2008



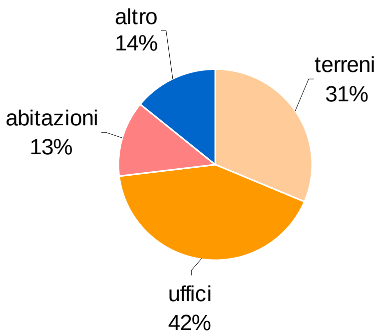
Year 2007



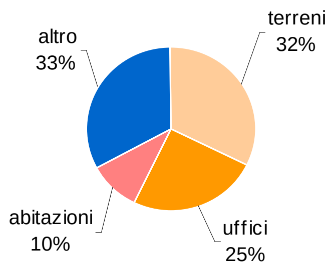
The breakdown of the Group real estate by use is shown in the table below:

% Breakdown of Group real estate by use

Year 2008



Year 2007



The financial results reflect the reduced operations in the sector during the year, due to the current economic crisis.
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 key data of the real estate sector is summarised below:

(Euro thousand)	**2008**	**2007**
Profits realised	45	61,109
Total revenues	184,757	205,221
Interest expense	22,827	22,391
Total costs	254,841	160,946
Profit before taxes	(70,084)	36,276
Investment property	1,271,595	973,317
Financial liabilities	451,068	396,215

The result before taxes was a loss of Euro 70 million compared to a profit of Euro 36 million in the previous year. The results include depreciation of Euro 21 million (Euro 12 million in 2007) and the reduction in values on some properties owned by the Tikal Fund.
The absence of significant sales opportunities and therefore of consequent gains has not allowed an offset on financial charges and management costs.
In addition, charges were incurred by the associated company IGLI, through Immobiliare Lombarda, for an equity swap on shares of Impregilo signed in the year.
The charge to the sector income statement in the valuation of IGLI at equity amounted to Euro 8.7 million.

The year 2008 saw the completion of important real estate operations and confirmed the commitment to several important projects. The most important projects undertaken were as follows:

- the Tikal R.E. Fund in April signed the preliminary purchase from the related party Sinergia Seconda Srl of the following buildings: entirely owned for office use, situated in Milan, via dei Missaglia 97, (for further details reference should be made to the most significant investments by the subsidiary company Immobiliare Lombarda) and parts of a building (the entire first floor of approx. 500 sq.m. for commercial use) of a building for office use, situated in Rome, via Vincenzo Bellini, 14 at a price of Euro 4 million;
- the subsidiary Auto Presto & Bene acquired an industrial building at Grugliasco (Turin) for Euro 5.3 million. This purchase represents the first stage in the strategy of the company, aimed at the creation of a network structure which will be dedicated to the total and direct management of the repair of vehicles deriving from damages incurred on vehicles of policyholders with companies of the Group;
- the subsidiary Milano Assicurazioni signed an addition to the future purchase contract referring to the building in Milan, via Lancetti with the related party IM.CO, with higher costs of Euro 3.5 million;
- the subsidiary Villa Donatello purchased a building – situated near the Villa Donatello Health Clinic, in V.le Matteotti 12 for Euro 2.9 million – in view of the potential for development of healthcare activities in the same health clinic. It relates to a three storey building with mezzanine level and a small garden linked to the ground floor with a total surface space of 703 sq.m.;
- the subsidiary Meridiano Risparmio acquired from the related party IM.CO. Costruzioni Spa the building for hotel use located at Varese, via Albani, 41 at a price of Euro 62 million. This relates to a new greenfield site, for the construction of a Four Star hotel and congress centre which will be developed on 2 levels underground and 4 levels above ground. It consists of three connected buildings consisting of four floors each. The complex situated next to the race track, has access to a park; there are 228 rooms.

For completeness, we list the following inter-group operations which did not have significant effects on the consolidated result:

- Fondiaria-SAI purchased from the subsidiary Immobiliare Lombarda construction land of approx. 51,000 sq.m. situated in Giardini Naxos in the Pietrenere area for a total price of Euro 6.3 million; for which a petition for the project has been presented to the current P.R.G. for the creation of a complex destined for accommodation – a hotel with 195 rooms and a linked wellness centre of approx. 400 sq.m., as well as a sports centre which together with the land bordering the "Naxos Beach Hotel", would guarantee common management;
- the subsidiary Immobiliare Lombarda Spa sold to the subsidiary Meridiano Quinto S.r.l. the following office buildings owned:
    - Turin, corso Svizzera 185, at a price of Euro 2.8 million;
    - Milan, viale Restelli 3, at a price of Euro 2.15 million;

- the Tikal R.E. mutual closed investment fund purchased a building for accommodation and commercial use called the Residence Arcobaleno (in which 156 one room and two room apartments, residence suites and a restaurant, units on the ground floor for commercial use and an underground car park with 126 spaces are located) situated in Milan via Fraschini 3 owned by the subsidiary Immobiliare Lombarda for Euro 30 million and a site for residential and commercial use in Rome in the Dragoncello locality, owned by the indirect subsidiary Niem for Euro 17 million.

GROUP REAL ESTATE INVESTMENT HOLDINGS

Meridiano Secondo S.r.l.

In July, the subsidiary Meridiano Secondo obtained authorisation for the construction of a high standard hotel at Milan in the Garibaldi-Repubblica area. The construction work is expected to commence within one year while completion is expected within 3 years.

Castello Area

Following an investigation from the Public Prosecutors Office of Florence in relation to the alleged offence of corruption, which has been widely reported in the newspapers, on November 26, 2008, on request by the same Public Prosecutor, a sequestration was issued for the entire Area of Castello, which was verified by the Police Authorities. Following the sequestration, all building activities in this area – as noted - by the Executive Urban Plan ceased.

Based on an independent experts' opinion, it is noted that, based on the supposition of the sequestration remaining, the building capacity of the area and the validity of the convention signed with the Municipality of Florence reports higher values than those reported in the financial statements.
It is believed that there are no risks to the asset values as the documentation available does affect the legitimacy of the Convention of 2005 or future construction in the area.

Purchase, by MILANO ASSICURAZIONI, of a real estate complex to be constructed on lands owned in Milan, Via Confalonieri – Via De Castillia.

It is recalled that on December 22, 2005, the subsidiary MILANO ASSICURAZIONI sold to the company IM.CO. S.p.A. at a price of Euro 28,800,000 including VAT, land in Milan, based in the three streets Confalonieri, De Castillia and Sassetti, of an area of 8,891 sq.m., included entirely in section A/2 of the Integrated Intervention Programme called "Isola de Castillia". Subsequently on November 15, 2006 MILANO ASSICURAZIONI purchased from IM.CO. at the price of Euro 93,700,000 including VAT, full property rights for the complex to be completed on the site in question and specifically, a building for service sector use, consisting of a tower building with the development of twelve floors as well as a ground floor and a mezzanine level and three underground levels, with the ground floor containing a gallery with related commercial space, while the underground floors will include parking and storage. On the higher floors, the first three will be given over to office and covered parking usage, accessible through a ramp, the fourth is reserved in part for parking and partly for plant and offices, while the next six are exclusively for office use while the remaining two will contain a fitness centre and a restaurant.

In the execution of the works, the parties by common agreement and in order to ensure the highest quality of the building, agreed to some changes which regard the qualitative aspects of the complex to ensure the best utilisation of the structure.

In order to carry out the refurbishment, it was therefore necessary to agree with the selling party an extension to the deadline, which takes account also of the suspension of work order issued by the Municipality of Milan following the judgment of the Lombardy Regional Administrative Court No. 5438 of July 26, 2007, in a parallel judgment to that against MILANO ASSICURAZIONI for a breach of the convention signed by the same MILANO ASSICURAZIONI. Both of the judgments of the Regional Administrative Court were nullified by the Council of State, which did not enter into the merits of the case, but were limited to avoid private claims of a legitimate interest.

On January 29, 2009, in execution of the sequestration decree filed by the GIP, the deeds to the building of via De Castillia were turned over. The motivations of the GIP were based on a “consultancy” with the Prosecutor, according to which the building convention was not legal as adopted by the Administration by a simplified procedure under article 7, paragraph 10 of Law 23/1997, held not applicable to the facts, and according to the prosecuting party’s file, an increase in the s.l.p. of the complex and a reduction in the standard.

The Company and the IM.CO. believes that the conclusions reached were unfounded and therefore believe that the procedure adopted by the Municipality Administration was correct in relation to the granting of permission to build. In consideration of this, recourse to the Re-Examination Court was proposed for the desequestration, which however was rejected. The case is currently been presented to the appeals court in accordance with law.
The measure by GIP brought about the suspension of work, with a consequent effect on the expected completion date, which will have to be renegotiated with changes to the agreement with MILANO ASSICURAZIONI, as soon as the site becomes accessible again.

Sales operations of property by the Company and by the subsidiaries Milano Assicurazioni and SAI Investimenti SGR and successive operations of purchase of other property, with companies of the Generali Group.

In December 2008, agreements were signed with Generali Group companies, regarding a property operation.

The operation in question relates primarily to the sale to the companies of the Generali Group of a property complex, as described in more detail elsewhere and the successive acquisition by Fondiaria-SAI and Milano Assicurazioni through the respective subsidiaries held 100% Meridiano Risparmio S.r.l. and Meridiano Eur S.r.l., of various property complexes, belonging to the Generali Group, as described in greater detail elsewhere.

The property subject to the sale and purchase are as follows:

<u>Property sold to companies of the Generali Group</u>

- Property located in Florence, Viale Matteotti 44/-via Valori 1, owned by Fondiaria-SAI: an entire building located in Viale Matteotti 44, at the corner of Via Valori 1, 1/A, for residential, office, covered parking spaces, storage and basement, places on the ground floor, first, second, third, fourth, fifth, sixth, seventh and a basement for a total surface area of 4,657 sq.m.. The price agreed was Euro 17 million.

- Property located in Milan, Via Piccinni 5, owned by Fondiaria-SAI: an entire building composed of eight floors with the principal access at Via Piccinni 5, principally for residential, office, car/motorcycle space on the ground floor and a basement used for service and storehouse, with a total surface area of 8,190 sq.m.. The price paid was Euro 25 million.
- Property located in Milan, Via Filzi 25/b, owned by Fondiaria-SAI: an entire building and annexes, located in Via Fabio Filzi 25/b (previously Via Fara 26/a), for hotel and parking use with pedestrian access also from Via Fabio Filzi and vehicle access for public use and internal areas including the commonly owned areas called "Comunione terreni Filzi, Fara, Pirelli". The building consists of eighteen floors and two underground floors for a total surface area of 13,852 sq.m.. The floors above the ground floor are for hotel, restaurant and related use. The underground floors are allocated to accessory rooms for the hotel and parking. The price paid was Euro 44 million. In relation to this, it is stated that the price of Euro 44 million refers for Euro 38.6 million to the hotel and Euro 5.4 million to the parking facilities.
- Property located in Milan, Via Broletto 44/46, owned by Milano Assicurazioni: relating to an entire building, comprising six floors with frontal access from via Broletto 44/46, and a second adjacent building, on the corner of via del Lauro, this latter part of the building has separate origins from number 9 and has two floor levels, allocated for office, shops, banks and parking space use for a total surface area of 9,005 sq.m.. The price agreed was Euro 64 million.
- Property located in Milan, Via Copernico34/42, owned by the Tikal R.E. Fund: a property complex with frontal access on viale Lunigiana and via Copernico (from which access can be gained), consisting of three connected buildings, of which, one on viale Lunigiana of nine floors and two at via Copernico of seven floors, as well as another small building also on via Copernico of four floors and two underground floors for general use related to the buildings. All are allocated for office, storage and parking use, with a surface area of 21,573 sq.m.. The price agreed was Euro 72 million.

Property purchased from the companies of the Generali Group

- Building located in Milan, Via Melzi d'Eril 34, acquired by Meridiano Risparmio S.r.l. (100% Fondiaria-SAI S.p.A.): a building located in the semi central zone near the Sempione Park and very close to the Peace Arch. It consists of 4 floors and one underground floor for office use, covering a surface area of 6,537 sq.m.. The price agreed was Euro 27 million.
- Property located in Milan, Via Caldera 21, acquired by Meridiano Eur S.r.l. (100% held by Milano Assicurazioni S.p.A.): a building located near the Meazza stadium, on Via Novara, in a residential and business complex. It consists of 7 floors and three underground floors. Allocated for hotel use, hosting the Hotel Brun (a 4 star hotel) with a total of 313 rooms, 2 restaurants as well as a banqueting room, a wellness centre and 14 meeting rooms and underground parking for a total of 114 vehicles, with a total surface area of 34,093 sq.m.. The price agreed was Euro 64 million.
- Property located in Milan, Via Crespi 57, acquired by Meridiano Eur S.r.l.: a property located in the north zone of Milan, near piazzale Maciachini. It consists of an underground floor and six floors, prevalently for office use for a total surface area of 27,139 sq.m..The price agreed was Euro 55.8 million.

- Property located in Bologna, Via Ugo Bassi 4, acquired by Meridiano Eur S.r.l.: located in the historic centre of Bologna, in the architectural prestige of Piazza Maggiore. It consists of 7 floors and one underground floor, destined for residential, accommodation, commercial and office use, for a total surface area of 7,979 sq.m.. The price agreed was Euro 46.7 million.
- Property located in Rome, Via in Arcione 98, acquired by Meridiano Eur S.r.l.: the building is located in the centre of the city, close to piazza Barberini. It consists of 4 floors and one underground floor for office sue and car parking spaces, covering a surface area of 3,219 sq.m.. The price agreed was Euro 17.5 million.

In relation to the operations stated above the pre-emptive right was not exercised by those possessing such right.

For all of the buildings subject to purchase/sale, expert opinions on the prices agreed were obtained.

The sales price of the buildings is much higher than the carrying value in the accounts. The purchase of the new property has allowed a better allocation territorially and the optimisation of the destination of use of the properties.

Acquisition of the property portfolio of the company A7 S.r.l.

The Fondiaria-SAI Group, through Milano Assicurazioni, and the Generali Group in December 2008 incorporated, with equal shareholdings of 49%, a new corporate vehicle called Value Immobiliare S.r.l. which purchased property from the company A7 S.r.l., incorporated in turn in equal shareholdings between Immobiliare Lombarda, Generali Properties, Alleanza Assicurazioni, Barclays and IM.CO. – as an acquisition vehicle, in December 2005, by the property portfolio of Alleanza Assicurazioni.

The company A7 in fact, in order to fulfil its economic objectives and in the time period for the sale of its property portfolio, stated the intention to sell in block all unsold properties.

The above-mentioned vehicle company purchased three buildings – located in Milan, Piazza Firenze No. 6 – Via Caracciolo No. 16 and Via Cagliero No. 3 and in Rozzano (MI), Via Montepenice No. 6-8-10 – at a total price of Euro 25.2 million, which was confirmed by expert opinions.

THE “EX VARESINE” REAL ESTATE PROJECT

The Company, whose holding was purchased in 2006 together with Fondiaria-SAI S.p.A. and Premafin HP S.p.A., is involved, through the indirect control of the real estate company Varesine S.r.l., in the completion of property projects called “Le Varesine” situated in the centre of Milan and adjacent areas to the project “Garibaldi Repubblica”, subject to a similar investment by Milano Assicurazioni S.p.A.
The project will undertake the development of approx. 32 thousand sq. m. of building surface, of which approx. 42 thousand sq. m. is for office use, approx. 7 thousand sq. m. for commercial use, approx. 33 thousand sq. m. for residential use and approx. 15 thousand sq. m. for parking and activities of general interest.

In 2008, the preliminary works were concluded (excavation) and the site construction is expected from March 2009 with estimation for the end of work in 2013.

THE “GARIBALDI REPUBBLICA” REAL ESTATE PROJECT

In 2008, the excavation work was completed, the walls outlined and part of the foundations finished, as well as important urbanisation works for viability regarding the underpass between the areas of Varesine and Viale Luigi Sturzo.

The development encompasses, initially the building of a podium, around which the building will be constructed, whose outline is similar to that of a question mark.

In the first half of 2009, the sub-contracting tenders will be awarded. The completion of the project, according to the latest update, is expected in 2012.

CITYLIFE PROJECT

The company Citylife S.r.l., whose shareholders include, as well as Immobiliare Lombarda, Generali Properties S.p.A., Allianz (ex Ras S.p.A.) and Lamaro Appalti S.p.A., was awarded the international prize by the Fiera Milano Foundation for the improvements of the historic area of ex-Fiera.
The project by Citylife which won the award was of a value of Euro 523 million and was completed with the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora
The investment is for approx. Euro 1.7 billion with a total value of production equal to Euro 2.3 billion.

The restoration work is almost completed, however in order to recover part of the delay, CityLife awarded the residential construction to a General Contractor. The advanced design phase has been completed and the preliminary works have begun (excavation and foundations) relating to the residential part by the architects Libeskind and Hadid for a total of approx. 631 apartments, whose completion is expected in the first half of 2012. At the end of November, the updating and modifying act of the convention of December 2006 (Planning Model PII) which introduced amendments to the project was signed with the Municipality of Milan.

Principal design changes
The Design Museum, originally planned for the North zone, adjacent to the Vigorelli, was moved to the Cerniera Area (which in the meantime became an integral part of the project) was renamed the Museum for Contemporary Art (MCA).
The structure in a triangular shape, as the Design Centre was originally envisaged (exposition/show room), was removed from the Project.
In the space originally occupied by the Design Museum and the related Design Centre, is now the Residenze Maggiora (concentrated in one building of three parts instead of four blocks originally envisaged for the south-east of the canal inserted in the original Project).

Pavilion 3 was originally allocated for the Children's Museum and was considered Work in Direct execution by Citylife; in the current Project its possible use is under consideration (Palazzo delle Scintille against other alternative uses; also in light of the assignment to the city of World Expo 2015 which will provide visibility for the tradition, creativity and innovation in the food sector, it was seen opportune to widen the functions of Pavilion 3 to allow the greater viability of this structure in relation to the above-mentioned use) - in the meantime it was included among the Secondary Urbanisation Works as part of the Model approved in October 2008.

The area in front of the three towers – Piazza Tre Torri - was redefined and redesigned to take account of the introduction of the MM5 Metro line; the Three Towers (Isozaki, Libeskind and Hadid) and the respective platforms were opportunely placed around the square and the relative metro stop Tre Torri.
Under the Towers – at the level of the metro – a commercial centre was included (underground shops) and the original Entertainment Maggiora area (retail units + Multiplex cinema) in the new master plan was replaced by a commercial area closs to the Hadid Tower.
The Residenze Hadid – South-east of the Area – was designed differently and will be divided by a tree lined street which finishes under the Piazza Tre Torri.
The Residenze Libeskind was divided into two principal complexes (composed of 5 and 3 buildings respectively) and was also broken by a tree lined street which meets the Residenze Hadid; it was concentrated to a greater degree towards the West (in proximity of the Residenze Maggiora Ovest), instead of towards the South as originally planned.

The Residenze Maggiora Ovest became a single building (extended upwards) composed of three blocks, in a T shape.
The water supply originally planned to conform with the guidelines of the public tender relating to the New Urban Plan (recalling the original canal concept which historically characterised Milan) was cancelled and a more functional "artificial lake" located in the crossover of the tree lined streets above the residential blocks Isozaki and Libeskind, adjacent to the Piazza Tre Torri was put in its place; others are planned within the Libeskind and Hadid blocks as well as near the other residential complexes in the north and near the design museum.

In relation to the presence of the water supply, the original project planned for an underground co-generation plant capable of producing electricity. Its construction is not envisaged in the current project.
All the buildings for residential use have incurred substantial modifications to the projects which will also mean a redefinition of the outline (less angular) to allow greater efficiency in the distribution and use of spaces both internally and externally.
The completion of the construction and the commercialisation phase is expected for 2015.
During the year, Immobiliare Lombarda S.p.A. paid an amount of Euro 9.2 million for a share capital increase and relative share premium.

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 of IGLI S.p.A. in the share capital of Impregilo S.p.A.

The effectiveness of the renewal of the agreement was subject to the European Commission by June 12, 2008 informing 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 alternatively, having informed the parties that the agreement is a concentration pursuant to EU Regulation No. 139/2004, adopting an authorisation measure.

On May 6, 2008, the European Commission informed Autostrade per l'Italia S.p.A., Immobiliare Lombarda S.p.A. and Argo Finanziaria S.p.A. that this agreement does not constitute a concentration under EU Regulation No. 139/2004. Consequently, having complied with the suspensive conditions to the renewal of the agreement, the shareholder agreement was renewed until June 12, 2009.

The key results in 2008 of the principal companies of the Group operating in the real estate sector are summarised below:

(Euro thousand)	REVENUES	CGE.%	COSTS OF PRODUCTION	RESULT
IMMOBILIARE LOMBARDA (*)	145,854	28.16	119,317	(19,336)
NUOVE INIZIATIVE TOSCANE	1,033	n.s.	2,498	(1,465)
TIKAL R.E. FUND	38,225	(63.12)	80,807	(28,805)

(*) consolidated data as per IAS/IFRS

IMMOBILIARE LOMBARDA S.p.A.
Share Capital Euro 697,907,754
(Direct Holding 60.98%, Group Holding 85.45%)

The consolidated financial statements in 2008 report a loss of Euro 19.3 million compared to a loss of approx. Euro 1.8 million in 2007.

In 2008, the value of production was Euro 132,945 thousand (Euro 177,020 thousand in 2007). In particular, revenues amounted to Euro 86,322 thousand and include Euro 27,822 thousand relating to sales and marketing of the residential units belonging to the real estate projects of the subsidiary Progetto Bicocca La Piazza S.r.l., Euro 41,500 thousand to the sales of the Parent Company and Euro 17,000 thousand to the sale of property by the subsidiary Niem S.p.A. This includes consultancy for the management of property for third parties of Euro 21,501 thousand.

Production costs in 2008 amounted to Euro 119,317 thousand (Euro 87,888 thousand in 2007) and prevalently consist of:

- service costs amounted to Euro 83,492 thousand;
- other operating charges amounted to Euro 1,011 thousand;
- costs for purchases of raw materials and consumables of Euro 18.515 thousand, principally include the completion of the purchase of the property complex called "Gran Hotel Terme di Petriolo" for hotel-spa use and a wellness centre by the Parent Company.

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. In particular, the account decreased for property sales in the year amounting to Euro 75,020 thousand and generating total revenues of Euro 86,322 thousand and relate principally to sales of the Parent Company.
The incremental works and expenses capitalised in the year totalling Euro 64,418 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 on extension work on the port and on property still under construction.

The Group net debt at December 31, 2008 totalled Euro 298,264 thousand (Euro 300,818 thousand at December 31, 2007), of which Euro 123,906 thousand relates to short-term debt and Euro 174,358 thousand to medium/long term debt.

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.
In fact the year 2008 saw important real estate operations and confirmed the Group's commitment to several important projects. The most important projects undertaken by the subsidiary companies were as follows:

- the project of Progetto Bicocca La Piazza S.r.l. relating to a residential complex in Milan, which in 2008 undertook important commercial activities with revenues of approx. Euro 27.8 million;

- 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 2008 of approx. Euro 28 million;
- the subsidiary Niem sold the building for residential and commercial use in Rome, in the Dragoncello area for Euro 17 million to the Tikal Fund;
- the activities related to the completion of the building owned by the subsidiary Crivelli Srl which incurred costs of approx. Euro 3.4 million was completed;
- the subsidiary Meridiano Secondo obtained authorisation for the construction of a luxury hotel in the Garibaldi-Repubblica area of Milan. The construction work is expected to commence within one year while completion is expected within 3 years.

The Group is a major player in the real estate sector, with real estate assets of approx. Euro 744.8 million (book value) held directly or through subsidiary companies, and is also involved in the management of significant real estate properties. The Public Purchase and Exchange Offer of the Parent Company - an objective outlined by the Company in the Industrial Plan presented in 2006 - was completed.
Improving the value of the existing property, both through sales on the market and rental of buildings and the completion of project and initiatives in course, jointly or independently, remains a central objective.

The Parent Company reports a loss of approx. Euro 18.4 million compared to approx. Euro 5.4 million in 2007. The Company holds a property portfolio of a book value of approx. Euro 425 million, as well as the management of properties of a significant value.

In 2008, the Company concentrated its activities in improving the value of its property portfolio both through important commercial operations and significant improvement investments.
The Public Purchase and Exchange Offer by the Parent Company Fondiaria-SAI on the share capital of the Company did not have a significant affect on activities.

Among the principal real estate operations undertaken were:
- sale to the Tikal R.E. closed real estate investment fund of the building for accommodation use called Residence Arcobaleno in Milan for Euro 30.25 million;
- signing, also with the Tikal R.E. Fund, of a preliminary sales contract of the property situated in Milan via dei Missaglia 97 building B2 with the related payment on account of Euro 10 million. The signing of the deed, for a total amount of Euro 27.5 million, will occur before 31/10/09;
- sale to Fondiaria-SAI of building land situated at Giardini Naxos for the price of Euro 6.3 million and to the company of the Fondiaria-SAI Group, Meridiano Quinto S.r.l., the portion of the building for office use of the following buildings: Turin – corso Svizzera, 185 – at a price of Euro 2.8 million; Milan – viale Restelli, 3 – at a price of Euro 2,15 million;
- purchase of parts of the property complex named “Grand Hotel Terme di Petriolo” allocated for hotel-spa use and a wellness centre forming part of the structure already owned for a total amount of approx. Euro 17.8 million.

The Company has continued its activities of seeking opportunities in the property sector through acquiring significant shareholdings in other operators in the sector and continued the management and financing of the principal operators in which the Group has a shareholding in partnership with other large operators in the sector for the re-development of some important urban areas.

The Public Purchase and Exchange Offer of the Parent Company - an objective outlined by the Company in the Industrial Plan presented in 2006 - was completed.
Improving the value of the existing property, both through sales on the market and rental of buildings and the completion of projects in course and the development of new initiatives, will remain a central objective.
In addition to the role of Property Company, Immobiliare Lombarda aims to further develop the activities of Global Service Provider optimising important internal expertise, which already sees the company as an important operator in the sector.

NUOVE INIZIATIVE TOSCANE SRL
Share Capital Euro 26,000,000.
(Direct Holding 96.88%, Group Holding 98.84%)

The result in 2008 was a loss of Euro 1,465 thousand.
Revenues amounted to Euro 1,033 thousand, principally comprising of interest income on bank deposits and the grants from the Castello Consortium capitalised. Costs in the year amount to Euro 2,498 thousand and principally refer to operating grants to the Castello Consortium for Euro 1,191 thousand and property investment charges for Euro 948 thousand and various expenses for Euro 359 thousand.
The assets of the company at December 31, 2008 amount to Euro 118,966 thousand and consists of property investments of Euro 110,199 thousand, principally referring to the real estate complex located at Castello - Florence, receivables of Euro 8,601 thousand, including VAT receivables transferred to the parent company for Euro 8,141 thousand, cash and cash equivalents of Euro 120 thousand and other assets of Euro 46 thousand.
Liabilities essentially consist of net equity of Euro 112,934 thousand and other payables of Euro 6,032 thousand, of which Euro 3,641 thousand relates to the Municipality of Florence for grants on construction costs.

TIKAL R.E.
Total net value of the fund Euro 484,873,913
(Direct Holding 53.18%, Total Group Holding 81.08%)

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, at the end of 2008 the Net Equity decreased by Euro 41.2 million, to Euro 484.9 million (Euro 302,831 per Unit).
The NAV in 2008 decreased by 7.8% on 2007 and amounted to Euro 22.0 million (Euro 13,750 per Unit): the decrease is prevalently related to losses on property. Dividends were distributed relating to 2007 for Euro 13,750/Unit, amounting to a total of Euro 22.0 million.
Net of this distribution, the annual decrease in the value of the NAV and of the Unit was 3.8% (3.78% with the modified Dietz method).

2008 reported a loss of Euro 19.2 million, principally due to:

- the non-realised loss on property remaining in portfolio for Euro 20.1 million (Euro 1.4 million in 2007), deriving from Euro 1.8 million of write downs on the portfolio at year-end (-0.3% in 2007) and Euro 18.3 million of works capitalised in the year but not recognised by the independent expert;
- the loss recorded on the sale of the property in Milan – via Copernico, equal to Euro 4.9 million, as the property was sold at a price lower than market valuation at December 31, 2007. The sale for a value lower than the expert's valuation was approved by the Board of Directors of Sai Investimenti SGR S.p.A. on December 15, 2008 in that from a close analysis of the Business Plan of the Fund the possibility emerged that, following the notice to cancel the rental agreement by the Lombardy Region expected in 2010-2011, the Fund would not be able to fulfil the financial covenants. Following the exit of the Region, it would become totally vacant and considering the current market situation, it will be relatively difficult in the short-term to rent the entire building or parts of it to gain a sufficient income to guarantee compliance with the financial commitments. The offer price however, was approx. 22% above that paid and the sale of the building generated net income of approx. Euro 17 million.

The management results of 2008 and 2007 are only partially comparable, as the management activities were affected by movements in the property portfolio following sales and purchases. In particular, the property management result recorded a decrease of Euro 49.3 million on 2007 from a profit of Euro 37.6 million to a loss of Euro 11.8 million.
The significant decrease is due to various effects, such as lower revenues from rental and other income (Euro 1.8 million), the greater degree of taxes (Euro 1.8 million) due principally to taxes on new purchases and the increase in the "guarantee provision on property sold" (Euro 2.6 million).

In relation to the initial 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.
Total rental income in the year amounted to Euro 26.2 million, a decrease of 4% on Euro 27.4 million in 2007. The decrease is principally due to the following factors: lower income related to property sold in 2007 (approx. Euro 4.3 million) in part off-set by rental income from the buildings purchased in 2008 (approx. Euro 2 million); greater rental income from the properties in Milan - De Cristoforis/Rosales following the renewal of the contract with Atahotels (approx. Euro 1 million).

In relation to capital appreciation of the assets in portfolio in order to improve profitability, capitalisation work was undertaken (improvements and compliance with law) totalling Euro 18.3 million including verification of stage of completion and Project Management commissions.

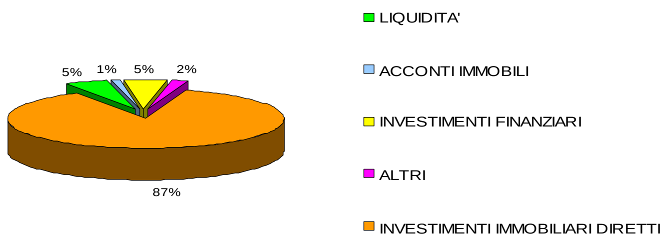
In 2008, new works of Euro 23.1 million were approved, of which Euro 1.5 million were for extraordinary maintenance, tenant rotation, repairs and Euro 21.6 million for improvements.
This latter principally relates to: higher costs for the expansion project of the property in Milan Via Tucidide (Euro 12.6 million); the restoration of the building in Rome in Via DiDono (Euro 2.7 million); the expansion of the residence in Milan in via De Cristoforis/Rosales (Euro 2 million); higher costs for the renovation of the building in Milan Via Pisani (Euro 1.2 million); higher costs for the completion of the restructuring of the Galleria San Federico in Turin (Euro 1 million).

At the end of 2008, the debt position of the Fund increased by Euro 56.3 million on 2007 - from Euro 97.4 million to Euro 153.7 million with an increase of 57.8%. Following the First Utilisation of the 2007 Loan, the Fund agreed to a first grade mortgage on the properties in Milan - Via Tucidide and in Turin – Galleria San Federico.

In relation to that established by the investment policies of the Fund, the liquidity generated from the sale of property and income from rental, net of the purchase of property and ordinary and extraordinary expenses in 2008 was prudently invested in instruments which favour a ready and secure liquidity and good yields. In particular Italian Government bonds were purchased for a nominal value of Euro 48.5 million, while sales amounted to a nominal amount of Euro 30.7 million.
In 2008, BOT's amounting to Euro 38 million were repaid, while no "time deposit" operations were undertaken.

The assets of the Fund at December 31, 2008 represented by financial instruments totalled Euro 36.3 million and were made up of Italian Government Bonds for 97.6% with a marginal amount (2.4%) of private bonds with a high rating.
The average return on this security portfolio is 2.35% net, with an average duration of 0.13. There were no significant events in relation to the financial investments of the Fund.
At the end of the year, the composition of the assets of the Fund can be broken down as follows:

Graph 2 – Composition of the fund assets



Other Sectors

The savings of Italian households

Principally due to the negative performance in the stock markets, which suffered heavy losses, the financial position of the Italian households in 2008 reported a decrease of approx. 4.3%.

The credit market crisis, with effects on the property market, saw a reduction of approx. one percentage point in household debt in relation to gross disposable income. Specifically, debt decreased from 50% at the end of 2007 to 49% at the end of 2008. This data is against the growth trend in recent years: in 2001, debt accounted for 32% of disposable income.

The financial crisis and the deterioration in consumer confidence affected Italian households and caused them to adopt more conservative choices in terms of financial investments. Although the definitive data is not available, 2008 should see an increase in the percentage of liquid assets held, amounting to slightly under 30% of the total. Also as a consequence of the new regulatory developments, whose effect were seen during the year, the amount held in mutual investment funds decreased to 7.2% in 2007 from 5.7%.

Table 2 – Household financial assets (investments as a total proportion of assets)

	2007	2008
Liquid assets	26.7	29.3
Total securities	20.0	23.5
Mutual fund units	7.2	5.7
Shares and investments	26.5	21.3
Technical reserves	16.5	16.8
Other	3.1	3.5
Total financial assets (Euro billion)	**3,697**	3,540
Change (%)	**0.6**	**(4.3)**

With reference to mortgages, according to the data provided by Bank of Italy (Economic Bulletin No. 55) in the first nine months of the year Euro 41.9 billion was issued. The decrease on the 2007 figures amounted to 6.9%. At a regional level, the increase in issues recorded in central Italy (+1%) is noted, while the other regions recorded decreases: mortgages in the North decreased by 9%, while the decreases were more marked in the Centre (-16%) and in the Islands (-18%).
The data related to mortgages in the third quarter (Euro 12.6 million) shows a decrease of more than 10% and would suggest greater prudency by Italian households in relation to important decisions such as the purchase of a home. The average amount issued was in line with 2007, which in the first nine months of 2008 amounted to Euro 123 thousand.
The percentage of mortgages by the indirect sales channels should be noted (agents, brokers and financial promoters): according to the data provided by Assofin, in the first six months of the year, this percentage increased to 43.5%, a two percentage points increase on 2007.
During this unfavourable environment for the property market and the worsening in household creditworthiness, the banks have adopted more restrictive lending conditions. According to the Bank of Italy, Italian credit institutions have reduced the ratio between the value of loans and guarantees.
In relation to the rates applicable to new loans, following the movements in fixed rates and variable rates, a significant decrease is evident: from 5.72% at the end of 2007 to 5.08%.

Asset Management

The mutual investment and asset management funds industry was heavily affected by the change in the risk profile of investors, both private and institutional.
In 2008, approx. Euro 140 billion of net redemptions were made from mutual funds, more than double those of 2007 (source:Assogestioni). Large scale divestment was seen across the board, from Italian funds (Euro -82.7 billion), to the so-called roundtrip funds, the foreign products issued by Italian brokers (Euro -33.8 billion) to foreign products (Euro -23.5 billion).
The combined effect of redemptions and the performance of financial markets caused a significant decrease in the amounts invested in funds - to Euro 409 billion from approx. Euro 570 billion at the end of 2007. If securities are also to be considered, also hit by significant redemptions, the insurance sector and the pension sector, the total amount of assets managed within the industry decreased from Euro 1,060 billion to approx. Euro 900 billion.
For the third consecutive year, the worst result was that of the bonds sector. For this category, the outflow net of new subscriptions amounted to Euro 65.7 billion, bringing the total amount to Euro 159.7 billion.
Equity products also reported a negative performance, in 2008 losing Euro 29.5 billion, while liquidity funds also reported outflows in the year (Euro -11.1 billion).
In 2008 the positive performance of the flexible funds came to an end, with net outflows of Euro 16.9 billion. A similar result was reported by the balanced products (Euro -8.7 billion), whose value decreased to Euro 18.9 billion.
The total value of hedge funds amounted to Euro 21.5 billion, a drop of over Euro 8 billion.
The poor performance of the amount invested in mutual investment funds also contributed, among others, to the growth in the Exchange Traded Fund (ETF), which at the end of the year posted records on the Italian Stock Exchange.
In relation to the activities carried out by the Financial Promoters' networks, the data at the end of November shows significant net outflows in the first eleven months of 2008 in the assets managed sector (Euro 10.6 billion) after the slight increase in 2007.
The decrease on 2007 is primarily due to the wealth management, which in 2007 decreased by approx. Euro 9 billion. The investment funds also reported negative outflows (Euro -3.7 billion). Insurance products and pension products however recorded an increase (Euro 2 billion).

Loans and bank inflows

In 2008, there was a significant reduction in the growth rate of bank loans in Italy. While in 2007, a growth rate of 10% of loans including those expressed in values other than the Euro was reported, at the end of December 2008 the same indicator showed growth of only 4.5% on an annual basis (source: Abi). New loans issued for 2008 are estimated at approx. Euro 64 billion.
Bank loans, which in the first quarter grew in line with 2007, then saw a deceleration initially of a gradual nature, but more accentuated in the final months of the year. Securitisation operations contributed to the loan performance, which allowed banks to present guarantees for refinancing through the BCE.

The fall off in loans issued by the banks is largely due to the lower demand for credit not just by households (which has been weak for the past two years) but also by business, with an ever increasing slowdown from October. The factors affecting the amount of loans issued is not only demand but also offer and the increase in interest rates (compared with those of 2007), the tightening of the lending criteria and particularly the worsening in the macroeconomic situation.

Considering the loans to households and non-financial businesses, the available data, updated at the end of November shows an increase on an annual basis of 3.6%, a strong deceleration on 12.3%, recorded 12 months previously. The comparison with the Euro Zone average is negative, which increased by 7% in the same period. The breakdown shows a much greater deceleration in the case of households, which decreased from +8.8% to -0.7%. The loans to non-financial businesses showed a decreased rate of slowdown: to November 2008, the growth amounted to 6% on an annual basis (+8.4% 12 months previously).

Analysing the breakdown by maturity, the estimated flow of new loans for 2008 favours the medium-long term segment (nearly Euro 63 billion) while in the case of maturity in less than 18 months, the estimates show an inflow lower than Euro one billion. In percentage terms, the growth on an annual basis was 6.7% in the case of medium-long term loans - 0.40% for the short-term segment.

In relation to inflows, the updated data to the end of November saw an acceleration in internal inflows, growth of 14.6% on an annual basis. The estimates for December show a sustained trend (+13.1%). The result was particularly significant if it is considered that at the end of 2007 the growth rate was 6.3%. In terms of volume, bank inflows increased by approx. Euro 166 billion. In particular, in the case of deposits from clients, which include savings deposits, current accounts and deposit certificates, the growth rate estimated at the end of 2008 was 6.3%. The issue of bonds was positive, increasing by approx. Euro 120 billion (Euro 110 billion in the first eleven months of 2008). Also in the case of time deposit operations with clients, an uptake was reported. at the end of October, the increase on an annual basis was 18.3%. In relation to overseas, the available data (updated to the end of October) shows a decrease of approx. 5%.

Consumer credit

The utilisation of credit by consumers in Italy is less widespread than in the principal industrialised countries, in that in Italy for cultural reasons there is a lesser propensity to acquire debt. However, consumer credit may sustain some of the principal productive and commercial sectors relating to durable goods, which may assist in the recovery of the economy.
The weakness in the financial and economic situation, which operators have to confront, has caused an increase both in the cost of funding and of risks, with the consequent restrictive revision of the acceptance criteria for loan applications. Consequently, due to the increase in rates, households have shown a more cautious approach to obtaining credit, postponing purchases.
Consumer credit in 2008 (source Assofin) shows a large reduction in growth in the total value of finance on the previous year (+1.4% compared to +9.5% in 2007).

The sector most affected was that of loans, in particular in the motor sector, with a drop of approx. 13%. The increase in non secured loans, which grew by 11.7% with salary deducted loans increasing by 39.3%, is noted. Loans through revolving cards also showed a positive result (+7.2%). The most significant task for the companies of the Group in relation to consumer credit will be the monitoring of the performance of the markets, still in a turbulent phase, in order to reposition the products and services offered from a credit viewpoint in order to protect profitability.

Operational performance

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

(Euro thousand)	BROKERAGE MARGIN	CGE.%	RESULT
BANCA GESFID S.A.	20,938	(3.28)	5,783
BANCASAI S.p.A.	26,527	12.19	(2,255)
SAI A.M. SGR	5,176	(25.66)	(747)
SAINVESTIMENTI SGR S.p.A.	3,910	(2.31)	1,406
SAI MERCATI MOBILIARI SIM S.p.A.	987	(60.41	(3,122)

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

The year ended with a net profit of CHF 9,469 thousand, a reduction of 27% compared to the previous year (CHF 13,006 thousand in 2007). The principal accounts which contributed to the result were interest operations amounting to CHF 5,598 thousand (-10%) and commission operations of CHF 24,859 thousand (-16%).

Management costs amounted to CHF 19,581 thousand, broken down into CHF 13,688 thousand of personnel expenses, substantially in line with the previous year and CHF 5,893 thousand of material expenses - a slight decrease on the previous year.

Assets managed amounted to CHF 2,353,026 thousand, within a particularly difficult scenario, with a net inflow of CHF 117,075 thousand. In relation to assets managed, the consistent growth in the collective managed instruments is to be noted, which in 2008 amounted to CHF 379,540 thousand.

From 1.10.2008, the subsidiary Saint George Capital Management which is involved in the management and consultancy of collective investments became operative. The company held 100% by Banca Gesfid has headquarters at Lugano with a workforce of 12 and reported a profit of CHF 52 thousand.

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

In 2008, a loss of Euro 2,255 thousand was reported, in comparison to a loss of Euro 3,766 thousand in 2007. The principal factors in the result were as follows:

- the net financial management result, a profit of Euro 17,713 thousand, increased by 6% on the previous year. This amount was negatively affected for Euro 4,548 thousand by the impairment resulting from the default in Lehman Brothers securities in portfolio.
- the account adjustments/recoveries for the deterioration in financial assets shows an increase of Euro 5,917 thousand on the previous year of Euro 8,814 thousand. This movement is due to:
  - the increase in the volume of loans issued to clients and including also the discounting effect, calculated based on the internal yield rate of the re-entry plan of each deteriorated position.
  - from the write-downs of loans overdue more than 180 days as well as the write-down of receivables in bonis which, compared to the previous year, resulted in greater provisions of Euro 1,003 thousand and of deteriorated receivables with provisions of Euro 3,223 thousand. This amount was also affected in a significant manner by the recording of losses deriving from the default of Lehman Brothers, amounting to Euro 4,548 thousand.
- operating costs amounted to Euro 21,654 thousand compared to Euro 20,091 thousand in the previous year, an increase of 8%. Personnel costs increased by 3% due to the increase in the number of employees. Other administration expenses increased by 5% on the previous year. The stability in costs is due to the containment initiative put in place, despite expenses incurred in the opening of new branches and a greater use of IT systems and all corporate resources.

The number of current accounts increased by 630 from 14,261 at December 2007 to 14,891 at the end of 2008, with current accounts amounting in total to Euro 535.0 million compared to Euro 410.6 million at the end of 2007 (+30.3%). Corporate clients contributed to this increase, increasing by Euro 86 million, while retail current accounts and of the companies of the Group increased respectively by Euro 27 million and Euro 12 million.

Time deposits reduced from Euro 42.7 million to Euro 24.8 million: this decrease was more than offset by the BancaSai bond loans which closed the year at Euro 33.9 million. In 2008 BancaSai issued for the first time a fixed term variable rate bond with the objective to stabilise the direct inflows and to balance the duration of the sources in comparison with commitments.
Due to the effects described, direct inflows grew in 2008 by Euro 140.4 million (+30.9%), increasing from Euro 453.3 million in December 2007 to Euro 593.7 million at the end of 2008.
Savings administered increased substantially reaching Euro 196.9 million at December 31, 2008 (+27.5%) compared to Euro 154.4 million in the previous year.

The results recorded in terms of assets managed were of a contradictory nature however. In 2008 the assets managed by the Bank decreased to Euro 371.4 million compared to Euro 588.3 million in the previous year, a percentage reduction of 36.9%. The decrease in the assets managed was due almost equally to the portion attributable to the negative performance of the financial markets and to the net outflows of Euro 119.3 million (Euro -70.7 million in 2007). The lower amounts of asserts managed was caused, as well as from the financial market situation and the crisis in the Italian asset management industry, from the extensive restructuring of the Financial Promoters' Networks which decreased from 1,279 agencies to 522 agencies at the end of the year, which affected the amount of customers retained.

The introduction of the MIFID regulation in 2008 brought about a review in the distribution strategy through financial promoters, giving a boost to consultancy services not just as accessory services to the placement but as an investment service with all its associated spin-off services. In fact financial promotion services should only be exercised by those who intend to focus solely on this business in a continuous manner investing time, resources and professionalism in order to provide clients with a high quality service fully adhering to the regulatory framework.

In the second half of the year, the restructuring of the sales network was central to activities according to the guidelines of empowering "active" financial promoters with assets managed above Euro 500 thousand.
The restructuring began at the beginning of June 2008 when the Company counted 1,240 financial promoters, and ended at the end of January 2009 with 346 consultants based in Italy.

Credit based assets (mortgage, utilisations and lines of credit) have grown constantly in 2008, standing at the end of the year at Euro 582.3 million (+39% on 2007), of which Euro 434.7 million was from third parties (76.8%) and Euro 147.6 million (23.2%) within the Banking Group through credit lines provided to Finitalia.

Bank capital requirements amounted to Euro 117,867 thousand, 8% higher on the previous year. The total solvency coefficient, that is to say the ratio between capital requirements and the total assets weighted based on the level of risk, derives prevalently from the credit risk, amounting to 20.97%. The ratio between primary capital (tier 1) and the total of weighted assets amounted to approximately the same percentage.

For greater detail on the management of risks by BancaSai, reference should be made to the section "Part E: Financial risk management".

In 2008, 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).

Among the principal projects are:

- PROGETTO I-POS. The Banking Services offer dedicated to the Agencies of the Fondiaria-SAI Group called I-POS (Insurance Point of Sale) was launched in October 2008. The offer has the objective to provide a simple and efficient response to the operational and management need of every agency operating dedicated current accounts and a series of services for the management of payments using the latest technology, generating therefore operational synergies between the Bank and the Companies of the Group. In order to promote and create awareness around the banking services of I-POS, a “communication kit” was created and distributed to all of the Group Agencies.

- MORTGAGES. During the year, the conditions of the offer for mortgage loans were adjusted to the financial markets but principally the range was increased through new products and in view of the adjustments in the Regulatory framework (Bersani Law). In fact following the issue of the Bersani Decree in May, a Subrogation loan at fixed rate was introduced. During July and August, BancaSai adhered to the ABI convention and that of the Ministry for Economy and Finance for the renegotiation of variable rate loans signed before May 29, 2008. The Substitution + Liquidity mortgage was introduced in December. All of the adjustments in the offer to retail clients were then applied also to the offer reserved for Bank Employees, Group, Agencies and Sales Networks.

- ASSETS MANAGED. In relation to the assets managed products in 2008, the Sicav of UBS Global Asset Management and of Neutral Sicav respectively in the months of August and December were launched. From May, the distribution networks of BancaSai, branches and financial promoters were involved in the placement of bonds issued by the same bank, in different technical forms: fixed or variable rate, with medium term duration (2 and 3 years).

- INTERNET SITE. Important actions were taken in the publicity area in the site www.bancasai.it through improvement in the graphics and updating of the content in all of the sections.

SAI ASSET MANAGEMENT SGR S.p.A.
Share capital Euro 5,000,000
(Direct Holdings 100%)

The year ended December 31, 2008 reports a net loss of Euro 747 thousand compared to a net profit of Euro 157 thousand in 2007. Both results are obtained applying IAS/IFRS accounting principles.

The results in 2008 report a decrease in the brokerage margin (from Euro 6,959 thousand to Euro 5,176 thousand) due to continued redemptions by clients and the poor performance by the markets in the year. A large saving in administrative expenses and the increase in other management income due to the signing of consultancy contracts with Group companies is noted. Capital Requirements throughout the year were significantly higher than the minimum required.

There was a decrease in balance sheet accounts compared to the previous year. The assets of the company at December 31, 2008 amount to Euro 8,751 thousand (Euro 10,687 thousand at December 31, 2007) and principally consists of available-for-sale financial assets of Euro 6,357 thousand (Euro 6,644 thousand at December 31, 2007) and receivables of Euro 1,764 thousand (Euro 3,203 thousand at December 31, 2007). Liabilities principally consist of net equity of Euro 5,683 thousand (Euro 6,512 thousand at December 31, 2007) and payables of Euro 1,810 thousand (Euro 2,739 thousand at December 31, 2007).

Total assets managed decreased strongly (-35.5%) and amounts to Euro 571,446 thousand (Euro 885,572 thousand at December 31, 2007). The mutual investment funds amounted to Euro 460,089 thousand (Euro 657,777 thousand at December 31, 2007) while the assets under management amounted to Euro 111,357 thousand (Euro 227,795 thousand at December 31, 2007). There has been a significant slowdown in the amount of new funds (-73.3%). This decrease was principally due to the general market which negatively impacted the entire asset management sector.

The asset management market deteriorated further in the first months of 2009, also for the company SAI A.M. The first months of the year were characterised by a net outflow both for funds and for the individual managed savings. In consideration of that illustrated previously, it is expected that the placement activities will not reverse the trend seen in 2008. In 2008, a request for the extension of operations in relation to the institution of the mutual speculative open investment fund was presented to the Bank of Italy. The Company is awaiting an authorisation in relation to this request.

The Company plans a rationalisation of the product range in 2009 which will see a reduction both in the number of mutual investment funds (through the merging of funds) and the number of individually managed investment lines. In fact it is about to be appointed by the Parent Company to manage the funds of some financial products/insurance products of the company (Unit-Linked policies). These initiatives will not have any significant effects in 2009 but will produce greater effects in the following years.

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

The result for the year 2008 reports a loss of Euro 3,122 thousand (loss of Euro 2,189 thousand in 2007). This loss was due to the provision for risks and charges of Euro 3,528 thousand, necessary to cover risks deriving from activates on interest rates and exchange rates in 2006. The Company considered it necessary to be prudent to provide adequately against this.

The brokerage margin, amounting to Euro 9,661 thousand, represents the profitability of the operational activities and record a significant increase on the previous year (Euro 4,861 thousand in 2007).
Analysing the detail of the total amounts, the net results of brokerage activities carried out by the Company on its own account amounted to Euro 7,435 thousand, a strong increase on 2007 (Euro 1,073 thousand) and contributed to 77% of the brokerage margin; within this, a significant amount is due to the arbitrage on government bonds which benefited from the increased volatility on the markets.

Brokerage income, the difference between commission income and expenses, amounted to Euro 1,080 thousand, a decrease of 62% on the previous year (Euro 2,875 thousand in 2007). The services margin was affected by the decrease in commissions from brokerage of securities and commissions from the placement of products and financial services due to the financial crisis which significantly reduced private and institutional clients' asset base.
The interest margin in 2008 (the difference between interest income and interest expense, matured and recorded based on the time period), stood at Euro 648 thousand, an increase of 23% on 2007 (Euro 528 thousand in 2007).

The contribution to dividends and similar income of Euro 497 thousand, an increase of 29% on 2007 (Euro 385 thousand) is a mitigating element and is even more positive in consideration that it does not consider extemporary profits but represents an astute operating strategy.

Operating costs in 2008 totalled Euro 12,306 thousand (Euro 8,933 thousand in 2007) after provisions for risks and charges of Euro 3,528 thousand (Euro 7.4 thousand in 2007); excluding net provision for risks and charges, operating costs in 2008 amounted to Euro 8,778 thousand, a decrease on the previous year (Euro 8,926 thousand).

The net adjustments on tangible and intangible assets decreased from Euro 226 thousand in 2007 to Euro 154 thousand in 2008: this decrease is related to the completion of the depreciation on some of the Company's assets.

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.

(Euro thousand)	REVENUES	CGE %	COSTS	RESULT
FINITALIA S.p.A.	26,592	19.23	23,092	1,868
FINSAI INTERNATIONAL S.A.	10,244	127.81	1,455	8,789
FONDIARIA NEDERLAND B.V.	18,155	32.12	940	16,922
SAI HOLDING ITALIA S.p.A.	47,561	119.09	906	44,543
SAIFIN-SAIFINANZIARIA S.p.A.	13,063	n.a.	11,382	1,184
SAINTERNATIONAL S.A.	22,452	(47.23)	58,320	(35,956)

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

A net profit of Euro 1,868 thousand was recorded in 2008 compared to Euro 1,203 thousand in 2007. This result was achieved thanks mainly to the financing from insurance premiums and employees of the conventioned Agencies, as well as the policies adopted for the containment of risks and costs.
The result for the year 2007 was 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%. This adjustment resulted in an increase in the tax charge for the year of Euro 795 thousand.

At the end of 2008, receivables amounted to Euro 208,808 thousand, compared to Euro 82,221 thousand in 2007, an increase of 14.6%. Total loans granted were 190,948 compared to 149,229 in 2007, growth of 28%, for an amount of Euro 207,871 thousand compared to Euro 184,171 thousand in 2007, an increase of 12.9%.

Net debt amounted to Euro 170,010 thousand compared to Euro 141,577 thousand in 2007, an increase of 20%.
The capital requirements were maintained well above the minimum requirements of current regulations.
The brokerage margin increased from Euro 14,923 thousand to Euro 17,042 thousand. The company in 2008 became more specialised in financing premiums of the Companies of the Fondiaria-SAI Group, through credit cards, called My Cash Card, a "virtual" revolving card on private networks, which accounted for 58% of total financing (+35% on the previous year). Personal loans decreased on average by 7% in the year. It is underlined that the company has prioritised financing vehicles through cards to maintain commercial relationships, continuing the strengthening and implementation of the management procedures in relation to the integration of the Companies and their Agency Networks.

The company distributes its products principally through the Agency Networks of the companies of the Fondiaria-SAI Group. In relation to loans issued to employees of Companies, the conventions were signed directly by the Company.
The Agencies who signed up to the distribution mandate with the Company numbered 2,562 at the end of 2008 compared to 2,333 in 2007, out of a total of over 3,600 Agencies in the entire Group. In relation to the Companies and the industrial and commercial conventioned Groups, the amount is approx. 1,400.

In 2008 the company followed its strategic, organisational and commercial programme, taking account also of the new regulatory changes in the market, in relation to which in order to be competitive, it was necessary to implement an innovation and improvement process which produced greater efficiency and organisational flexibility in the service of the clients, the Agency Networks, the Companies of the Group and the Holding Company BancaSai.
An element strongly characterised by commercial actions was the training of the networks through actions carried out throughout the national territory.
A comprehensive advertising campaign was also conducted by the Group Marketing Departments and External Communications Department of the Company.

Investments and actions were carried out in 2008 to put into place improvements in the operating efficiency of the company, in particular to make it more efficient in the provision of loans, to support the commercial actions and synergies with the Networks of the Companies of the Fondiaria-SAI Group and with BancaSai.
Further improvements will come from the introduction of the new Web application, specifically for the “employee lines”, and the product destined for the BancaSai current account holders expected in the first half of 2009.

Following the results obtained, a new product was developed which will be marketed, by the end of the first half of 2009 by all of the agencies of the Company, through a My Cash Card credit card and called “liquid cash” and which will allow the attainment of profits with contained costs as well as the possibility for further growth, as part of the Monetica project (introduction of the POS in the Network Agencies with the support of BancaSai).

The activities described above reasonably forecast a good performance for the company, and are confirmed by the commercial initiatives put in place by the Companies of the Group and the first results of 2009, despite the increasing competitive pressures from the main players in the market through the reduction of rates and the difficult economic situation for households and businesses.

FINSAI INTERNATIONAL S.A.
Share Capital Euro 44,131,900.
(Direct Holding 19.92%, Group Holding 99.99%)

The profit for the year amounted to Euro 8,789 thousand, resulting from revenues of Euro 10,244 thousand, essentially comprising interest on loans, dividends and financial income deriving from liquidity management and costs of Euro 1,455 thousand, principally comprising administration and general expenses.
The assets of the company at December 31, 2008 amount to Euro 199,521 thousand and comprise the holding in Mediobanca (0.35%), amounting to Euro 19,775 thousand, subject to the agreement relating to the holding in the share capital, foreign investment funds of Euro 22,836 thousand, loans granted to the Group company Sailux and Immobiliare Lombarda of Euro 154,163 thousand and liquidity and other assets of Euro 2,747 thousand. The liabilities of the company at the year-end were principally comprised of net equity of Euro 198,664 thousand (of which valuation reserve for Euro 12 million).

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

The net profit for the year was Euro 16,922 thousand.
Revenues amount to Euro 18,155 thousand and consist of income from loan operations on 5,966,866 Milano Assicurazioni shares in the year for Euro 2,283 thousand, dividends of Euro 12,813 thousand, as well as interest income on loans provided of Euro 2,759 thousand and other income of Euro 300 thousand. The company received tax reimbursements for taxes paid in previous years of Euro 846 thousand.
The costs amounted to Euro 2,079 thousand and principally refer to general expenses of Euro 236 thousand, interest expenses of Euro 704 thousand and current taxes estimated at Euro 1,139 thousand.
The assets of the company at December 31, 2008 amounted to Euro 145,575 thousand and comprised of investments in Group companies for Euro 52,038 thousand, loans granted to the parent company Fondiaria-SAI of Euro 91,760 thousand and cash and cash equivalents and other assets of Euro 1,777 thousand.
The liabilities comprised net equity of the company of Euro 96,015 thousand (of which negative valuation reserve of Euro 23,453 thousand), loans received from the subsidiary The Lawrence Re Ireland for Euro 48,704 thousand and other liabilities of Euro 856 thousand.

SAI HOLDING ITALIA S.p.A.
Share Capital Euro 50,000,000.
(Direct Holding 100%)

The net profit for the year was Euro 44,543 thousand.
Revenues amounted to Euro 47,561 thousand, constituting principally of dividends of Euro 3,260 thousand, of which Euro 1,320 thousand from the parent company Fondiaria-SAI, from Po Vita of Euro 1,040 thousand and from Siat Assicurazioni of Euro 900 thousand, of income deriving from loans to the parent company Fondiaria-SAI for Euro 1,561 thousand and to the group company Immobiliare Lombarda for Euro 1,165 thousand, from other financial income for Euro 1,739 thousand relating to interest income on bank deposits, on loan operations on securities for Euro 1,081 thousand and from extraordinary income for Euro 38,755 thousand, of which Euro 38,490 thousand relate to the gain realised from the sale of the shareholding in Po Vita; the costs amount to Euro 3,018 thousand and principally refer to services and various expenses for Euro 906 thousand and income taxes for Euro 2,112 thousand.

The assets of the company at December 31, 2008 amounted to Euro 147,673 thousand and comprised of investments in non quoted Group companies for Euro 128,344 thousand, listed securities for Euro 8,256 thousand, loans granted during the year to the parent company Fondiaria-SAI and related interest matured of Euro 7,735 thousand and cash and cash equivalents and other assets of Euro 3,338 thousand. At the same date, the liabilities are composed of Net Equity of the company for Euro 145,588 thousand, of which a negative shadow accounting reserve of Euro 3,621 thousand, a positive AFS reserve for Euro 2,810 thousand, a negative reserve for shares of the parent company of Euro 28,306 thousand, tax liabilities of Euro 1,864 thousand and other liabilities for Euro 221 thousand.
The shares listed consist of 2,844,000 ordinary shares of the group company Milano Assicurazioni.

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

The net profit for the year was Euro 1,184 thousand.
Income in the year amounted to Euro 13,063 thousand, principally comprising of interest income on loans to clients and bank deposits for Euro 10,396 thousand, dividends received of Euro 2,266 thousand, of which Finadin Euro 800 thousand, Banca Leonardo Group Euro 1,389 thousand and RCS Mediagroup Euro 76 thousand and gains from the sale of a shareholding in Pronto Assistance Servizi for Euro 391 thousand. The costs for the year, amounting to Euro 11,879 thousand, principally comprise interest expense on the loan received from Sailux of Euro 8,963 thousand, the impairment of the RCS holding for Euro 1,912 thousand, administration expenses of Euro 506 thousand and income taxes of Euro 497 thousand.

The assets of the company at December 31, 2008 amount to Euro 266,093 thousand and comprise investments in Group companies of Euro 73,139 thousand, other investments of Euro 45,307 thousand, financial receivables of Euro 141,940 thousand, liquidity of Euro 4,652 thousand and other assets of Euro 1,055 thousand. The liabilities principally comprise net equity of Euro 143,566 thousand and loans received from the subsidiary Sailux of Euro 122,261 thousand.

SAINTERNATIONAL S.A.
Share Capital Euro 154,000,000.
(Direct Holding 99.99%)

The net loss for the year was Euro 30,018 thousand. Revenues amounted to Euro 22,452 thousand, comprising income deriving from loans granted to the parent company Fondiaria-SAI of Euro 28,706 thousand, interest on the loans granted to the group company Immobiliare Lombarda of Euro 308 thousand, dividends of Euro 2,389 thousand, net income on assets valued at fair value of Euro 9,335 thousand and other financial and general income of Euro 384 thousand. Costs amounted to Euro 52,470 thousand, of which administrative and general expenses of Euro 801 thousand, interest expense and charges on bond loans of Euro 28,487 thousand, reduction in value of AFS assets, entirely relating to the investment held in RCS of Euro 28,409 thousand, other financial charges of Euro 624 thousand and income taxes of Euro 88 thousand.

The assets of the company at December 31, 2008 amounted to Euro 337,494 thousand and comprised loans to the parent company Fondiaria-SAI and to the group company Immobiliare Lombarda and related interest of Euro 186,692 thousand, of investments in non-listed companies of Euro 101,277 thousand, of listed equity securities of Euro 18,465 thousand, of other investments held for trading of Euro 21,302 thousand and cash and cash equivalents and other assets of Euro 9,758 thousand. The liabilities comprise net equity of the company of Euro 152,792 thousand (of which negative valuation reserve of Euro 3,436 thousand), payables to bondholders of Euro 181,791 thousand, tax liabilities of Euro 2,418 thousand and other liabilities of Euro 493 thousand.
The listed equity securities comprise 10,302,000 RCS Mediagroup shares, of which 10,100,100 shares restricted to the shareholder agreement and 1,110,000 shares of the group company Milano Assicurazioni.

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

(Euro thousand)	REVENUES	CGE %	COSTS	RESULT
SAIAGRICOLA S.p.A.	11,659	3.95	14,186	(2,582)

SAIAGRICOLA S.p.A.
Share Capital Euro 50,000,000.
(Direct Holding 92.01%, Total Group Holding 97.47%)

In 2008, the company recorded a loss of Euro 2,582 thousand (loss of Euro 2,095 thousand in 2007), after amortisation on intangible fixed assets of Euro 392 thousand (Euro 391 thousand in 2007) and depreciation on tangible fixed assets of Euro 1,813 thousand (Euro 1,708 thousand in 2007), interest expense on loans of Euro 868 thousand (Euro 680 thousand in 2007) and Irap taxes of Euro 60 thousand (Euro 65 thousand in 2007).

The production of grapes amounted to 12,508 quintals (10,944 quintals in 2007) with a growth of 14% and an average return of 54 quintal per hectare. 9,672 hl. of wine were produced in the year (hl. 8,713 hl in 2007).
Grapes were purchased amounting to 1,296 quintals (1,341 quintals in 2007) producing a total of 881 hl of wine.
The total amount of wine stored amounted to 10,612 hl compared to 9,671 hl in 2007, an increase of 10%.
1,415 million bottles of 750 ml capacity were produced compared to 1,277 million in 2007.

The wine produced was of a not particularly high alcoholic content, of high acidity and with a low level of dryness and high level of polyphenol and an average intensity of colour.
The average cost of wine was approx. Euro 224 per hl compared to approx. Euro 230 in the previous year.

The production of olives was above the average in terms of quantity, despite the problems caused by the autumn rains. The oil yield was average with a high quality level, spicy and low acidity.

In relation to rice production, as a consequence of the heavy damage caused by the hailstorms in the production of Veneria, a significant reduction in production of approx. 40% was recorded on the previous year. The total yield therefore amounted to 37 quintals per hectare (62 quintals in 2007) and the average cost of production was Euro 55 per quintal (Euro 33 in 2007).
Relating to the other cereal harvests, the production results were average.
Sales of rice amounted to 20,261 quintals for a total value of Euro 495 thousand (32,331 quintals for Euro 686 thousand in 2007), a decrease in quantity terms of 37% and in value by 28% compared to 2007. The average sales price was around Euro 24.5 (Euro 21 in 2007).
This price was aided by EU assistance for Euro 504 thousand (amounting to Euro 25 per quintal) to make up the difference between the cost of production and the sales price.
Compared to the previous year, sales decreased by approx. Euro 12 thousand on a similar quantity of approx. 206 thousand kg to 2007 with an average price of Euro 2.45 per kg.

The sale of bottled wine amounted to Euro 5,395 thousand (Euro 5,467 thousand in 2007) with an average price per bottle at around Euro 6.00. The quantity decreased also by 4% producing approx. 880 thousand bottles (approx. 915 thousand in 2007).
For the various packaged wine, olives and grapes, the sales abroad amounted to 38% of turnover for a total value of Euro 2.4 million - a reduction of 10% compared to the previous year. A remaining 33% for approx. Euro 2.1 million (decrease of 8.5%) relates to sales in Italy through commercial agents, while the residual 29% for Euro 1.8 million (increase of 46%) refers to commercial channels of the clients of the group - direct and correspondence.

Compared to the previous year the value of wine inventory increased by Euro 1,554 thousand from Euro 7,653 thousand in 2007 to Euro 9,207 thousand in 2008. The increase is principally due to the revaluation of the aged wine, higher costs of production and a larger amount of bottled wine stock.

Investments in fixed assets in the year, net of the European Community grants, amounted to Euro 1.267 million (Euro 3.080 million in 2007) and regard essentially the purchase of plant and equipment for the cellars and the restructuring or construction of buildings.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At December 31, 2008, the volume of investments amounted to Euro 33,438 thousand, compared to Euro 38,021 thousand in the previous year, a decrease of 12.1%.

The reduction in investments was principally due to the deconsolidation of the subsidiary Po Vita, which contributed investments of Euro 2,027 million in 2007.

The residual decrease is principally due to the negative performance of the financial markets in the second half of 2008, with consequent reduction of the book value of the financial instruments valued at fair value, which contributed significantly to the reduction.

The investments, tangible fixed assets and liquidity at December 31, 2008 compared to the previous year are shown below.

(Euro thousand)	**31/12/2008**	**Percent. %**	**31/12/2007**	**Percent. %**	**Cge. %**
INVESTMENTS					
Investment property	2,459,751	6.94	2,142,923	5.37	14.78
Investments in subsidiaries, associates and joint ventures	292,879	0.83	270,025	0.68	8.46
Loans and receivables	1,776,024	5.01	1,333,262	3.34	33.21
Investments held to maturity	845,789	2.39	-	-	-
Financial assets available-for-sale	19,982,715	56.38	23,335,001	58.45	(14.37)
Financial assets at fair value through profit or loss	8,080,675	22.80	10,939,541	27.40	(26.13)
Total investments	**33,437,833**	**94.35**	**38,020,752**	**95.24**	**(12.05)**
Tangible fixed assets: buildings and other fixed assets	1,244,217	3.51	1,201,862	3.01	3.52
Total non-current assets	**34,682,050**	**97.86**	**39,222,614**	**98.25**	**(11.58)**
Cash and cash equivalents	760,072	2.14	701,195	1.75	8.40
Total non-current assets and cash equivalents	**35,442,122**	**100.00**	**39,923,809**	**100.00**	**(11.23)**

In relation to the financial assets at fair value through the profit and loss, they include Euro 7,646 thousand (Euro 9,509 thousand in 2007) relating to investments where the risk is borne by the policyholder and from the management of pension funds, while the residual refers to positions held for trading by smaller Group companies. It is noted that, due to the effect of the already mentioned amendment to IAS 39, in October the Group reclassified the shares held in the non-life sector to the AFS category and a large part of the corporate securities belonging to the Life sector.
In line with the policy of creating value in the real estate portfolio, the real estate investments includes the assets in the closed Tikal R.E Fund . This fund is fully consolidated and the relative property is valued at cost with a total contribution of over Euro 551 million (Euro 529 million at December 31, 2007).

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

(Euro thousand)	**31/12/2008**	**31/12/2007**	**Cge. %**
Financial assets available-for-sale	**19,982,715**	**23,335,001**	**(14.37)**
Equity securities	1,541,909	3,096,783	(50.21)
Fund units	859,797	842,180	2.09
Debt securities	17,578,144	19,393,263	(9.36)
Other financial investments	2,865	2,775	3.24
Financial assets at fair value through profit or loss	**8,080,675**	**10,939,541**	**(26.13)**
Equity securities	74,888	286,123	(73.83)
Fund units	954,632	1,793,540	(46.77)
Debt securities	6,600,853	8,323,615	(20.70)
Other financial investments	450,302	536,263	(16.03)

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 72.7% of the total investments of the Group (73% at December 31, 2007).

During 2008 the financial management of the Fondiaria-SAI Group undertook, through a close analysis of the macroeconomic events, a careful and targeted approach to increasing the total Corporate component, indicated as the asset class which best satisfies the diverse needs of the Portfolios.

The choice to lengthen, taking also into consideration the requirements of A.L.M., some Life Portfolio, mainly in the first part of the year, permitted an ordinary return better than that recorded in 2007. The Corporate component also contributes to this objective which through a careful selection policy on the quality and average maturity, significantly increased yields.

In the Non-Life Division, the profitability of the portfolio decreased on 2007 due to the significant presence of variable rate products, whose yields are related to the performance of markets, which is in a negative cycle.
The under performance was partly compensated by the strong presence of short-term fixed rate assets which provided better yields than the long-term components. The increase in the risk premium related to the financial crisis caused a strong increase in the curve rates, in particular in those with short-term maturity within three years, which is seen as ready liquidity in a time of great uncertainty.

The Corporate component, which increased principally in the Life Portfolios in consideration of the good balance between risk and additional yield at parity of duration compared to the other asset classes, reported constant growth throughout the year, from a particularly low quota even in comparison to the competition, at a level that could be held to be fair based on the profitability of the single separated management in comparison to the insurance system.

In relation to the equity components, in 2008 there was a significant drop in the international markets with average losses of around 40% which hit all sectors, but principally in the financial, industrial and cyclical sectors.

The downward trend from the beginning of the year unfortunately characterised also the second half of the year, with October probably one of the worst months on record for the international stock markets. In Europe, the losses were significant, from 44% on the Eurostoxx50 to 49% on the S&P MIB. The US stock exchanges also performed poorly, which as well as hitting the financial sector, also hit the most resistant sectors traditionally - the primary assets and utilities.

In relation to the non strategic equities portfolio, from the beginning of the year the best choice was underweight equity in the financial segments. At an operating level, the activity undertaken by the Company in terms of Equity was characterised by a reduction of the equity holdings by approx. 20% from the beginning of January and by a shift from areas related more to economic performance (cyclicals and industrials) to more defensive sectors.

Considering the continued uncertainties on the markets, it was decided to seek benefits from the high levels of volatility through a strategic management policy of investments, through the sale of call options on securities in portfolio, thus supporting ordinary yields of separated management. These operations concerned approx. 15-20% of the portfolio.

In relation to the strategic portfolio, in the second half of 2008 the partial release from favourable hedges in previous years and the simultaneous reduction of underlying securities was carried out.

Currently the overall view on Equity still remains prudent in the short-term period given the recent downward trend and the strongly negative outlook of investors, but with a view to the progressive increase of the investment in the medium-long term period.

With particular reference to the Parent Company, excluding the assets covering contracts where the investment risk is borne by the policyholders as well as the non-listed shares, the bond sector at the year-end represented 67.8% of the total portfolio, with a total duration of approx. 5.08 years. The Non-Life Division is composed of 61.5% of fixed income bonds, with the remaining 32.3% at variable rate. There is also a residual component of approx. 6.2% in time deposit monetary assets. The total duration of the Portfolio is 1.79.

The Life Division has an asset allocation based primarily on fixed rates (87.6%) while the variable portion amounts to approx. 11.2%, with a residual quota of time deposit monetary assets (1.2%). The total duration of the Portfolio is 5.98.

At strategic level, preference was given to investments in Supranational and Individual Government Securities in the Euro Area and which represent 69% of the portfolio, while during the year the Corporate segment increased from 18% since the beginning of the year to 31% at the year-end.

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

In relation to the company Milano Assicurazioni, excluding the assets covering contracts where the investment risk is borne by the policyholders as well as the non-listed shares, the bond sector at the year-end represented 77.9% of the total portfolio, with a total duration of approx. 3.66 years. The Non-Life Division is composed of 70.1% of fixed income bonds and the remaining 27.2% at variable rate. There is also a residual component of approx. 2.1% in time deposit monetary assets. The total duration of the Portfolio is 1.88.

The Life Division has a significant fixed rate asset allocation (83.6%) while the variable portion amounts to approx. 14.3%, with a residual quota of time deposit monetary assets (2.1%). The total duration of the Portfolio is 5.11.

At strategic level, preference was given to investments in Government Securities in the Euro Area and International which represent 76.9% of the portfolio, while during the year the Corporate segment increased from 16.1% since the beginning of the year to 23.1% 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:

(Euro thousand)	**31/12/2008**	**31/12/2007**	**Changes**
Net income from financial instruments recorded at fair value through profit or loss	**(341,548)**	**(255,725)**	**(85,823)**
Income from investments in subsidiaries, associates and joint ventures	40,049	29,056	10,993
Income from other financial instruments and property investments of which:			
Interest income	924,990	865,404	59,586
Other income	262,623	247,389	15,234
Profits realised	225,710	352,852	(127,142)
Valuation gains	449	210	239
Total income	**1,112,273**	**1,239,186**	**(126,913)**
Charges from investments in subsidiaries, associates and joint ventures	**11,810**	**5,537**	**6,273**
Charges from other financial instruments and property investments of which:			
Interest expense	144,866	118,036	26,830
Other charges	71,354	63,630	7,724
Losses realised	193,203	129,333	63,870
Valuation losses	267,953	40,482	227,471
Total interest expense and charges	**689,186**	**357,018**	**332,168**
TOTAL NET INCOME	**423,087**	**882,168**	**(459,081)**

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 518,554 thousand (net charges of Euro 200,654 thousand in 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

In recent months, with a tightening of liquidity in the principal monetary and banking systems, various measures were adopted by the ECB, by the Federal Reserve and by the major Central Banks to shore up credit in the banking system, essentially in terms of adjustments to operating monetary policy, in order to ease refinancing conditions.

Among the principal events that affected the financial markets in 2008, we note:

G7

On October 10, 2008, the Ministries of Finance of the G7 Countries met and approved a strategic plan to stabilise the financial markets and to re-open credit flows in order to stimulate global economic growth. In relation to this, a commitment was undertaken by the individual governments to take the necessary actions and utilise all of the available instruments to sustain the financial institutions of systemic importance, ensuring the banks and the other financial institutions sufficient access to liquidity. These actions must also consider the tax-payer and the avoidance of potentially damaging effects on other countries.

UNITED STATES

The following major public interventions in the American economy in 2008 are listed below. The capital injections seen thus far have been the largest in US history, excluding the world wars.

Bear Stearns

On March 17, 2008, the bank JP Morgan Chase, in an agreement with the Federal Reserve and the American Treasury, presented an offer to purchase Bear Stearns (the first of the five investment banks on Wall Street - heavily hit by the subprime mortgage crisis) at a price of USD 2 per share for a total of USD 236 million.

Fannie Mae and Freddie Mac

In the first weeks of September, the total nationalisation of the mortgage companies Fannie Mae and Freddie Mac (for a total value of USD 200 billion) took place, a clear signal that the market would no longer accept the toxic debt from mortgages.

Lehman Brothers

On September 14, 2008, in conjunction with the public manifestation of the Lehman Brothers difficulties (among the largest investment banks globally), 10 primary US banks constituted a private fund in order to increase liquidity, to create stability and to offset the difficulties in the international financial markets. However, the following day, the parent company and some of the US companies of the Group were subject to Chapter 11 Bankruptcy.

The inquiry immediately undertaken by Isvap reported a moderate exposure of the insurance companies to the above-mentioned bank, amounting to approx. 0.4% of the technical reserves, for a total amount of approx. Euro 1.1 billion (of which Euro 0.2 billion in Non-Life management and Euro 0.9 billion in the Life management).
Some bonds issued by this bank (for an amount of approx. 0.2% of all national insurance reserves) represent the underlying securities for index-linked policies, for which the credit risk is contractually borne by the policyholder. The amount in question is limited when compared with the total assets managed by the insurance sector, although the impact on the individual portfolios of the policyholders is not a negligible one.
Once again, although in adverse circumstances, the Italian insurance companies demonstrated that the underwriting policies and prices adapted to the risk, ensure the stability of the policyholders and the entire system.

In relation to the details on the Group policies and of the Parent Company, reference should be made to the paragraph "Lehman Brothers Holdings Inc." within this section.

Merrill Lynch
On September 14, 2008, Bank of America agreed to purchase Merrill Lynch for approx. USD 33 billion in shares, in order to avoid the bankruptcy of the investment bank. On January 1, 2009, the US giant boasting a history stretching over 95 years, was officially purchased.

A.I.G.
On September 16, 2008, the Federal Reserve announced the authorisation of a two year loan amounting to USD 85 billion to the insurance Group American International Group. The loan was subsequently increased to USD 122.8 billion. Consequently, the US government purchased the rights to 80% ownership of the share capital and the faculty, among others, to block the payment of dividends.

E.E.S.A.
On October 3, Congress approved the Emergency Economic Stabilisation Act (EESA), developed by the Treasury Secretary Hank Paulson, in order to stabilise liquidity and the US financial system, earmarking approx. USD 700 billion to finance the purchase by the US government of illiquid securities related to the performance of mortgages of the financial institutions, an amount which reached USD 800 billion on November 25.

Citigroup
In November 2008, a public intervention in relation to the Citigroup bank's liquidity for USD 20 billion and asset guarantees for USD 300 billion was signed. Following the losses suffered in the fourth quarter of 2008, greater than expected by the market, the bank announced the breaking up into two divisions - Citicorp (global bank) and Citi Holdings (brokerage and asset management - activities considered "non core").
Citigroup and Morgan Stanley announced the merger of the respective investment banking divisions.

At the reporting date, the Federal Reserve extended by six months to October 30, 2009 on the previous expiry of April 30, 2009 for the aid programmes created to guarantee liquidity for operators. The duration of swap lines between the Fed and the other Central Banks were also extended at the same date. These decisions were taken following the continued tensions on the financial markets in the first months of 2009.

UNITED KINGDOM

Hbos
On September 18, 2008, Lloyds TSB acquired Halifax Bank of Scotland, the largest provider of mortgage loans in the United Kingdom for GBP 12.2 billion. The crisis within the Scottish bank was caused by considerable exposure to the property market, strong dependency on the interbank market for its financing, as well as the crisis of confidence on the market. The two entities together make up 28% of the English mortgage market.

Rbos
In January 2009, following the announcement of record losses of GBP 28 billion by the Royal Bank of Scotland, the British Government launched a new "savings bank" plan, putting GBP 50 billion at the disposition of the Bank of England in order to allow the credit institutions to "insure" against the "toxic" debts held on their books. The State also extended until the end of the year the guarantee on GBP 250 billion of new or expired credit lines.

IRELAND
On September 30, 2008, the Irish Government communicated the issue of a guarantee with immediate effect to cover all deposits, including institutional and interbank deposits, covered bonds and some subordinated debts of 6 banks.

ICELAND
On October 8, 2008, the Icelandic Bank Glitnir Banki Hf (formerly Islandbanki Hf) was placed in administration under the control of the Icelandic State financial authorities, following the serious crisis within the international banking system.

EURO AREA

Benelux – Fortis
On September 28, 2008, the Belgium, Dutch and Luxembourg Governments agreed an aid package in favour of Fortis, one of the twenty largest European financial institutions.

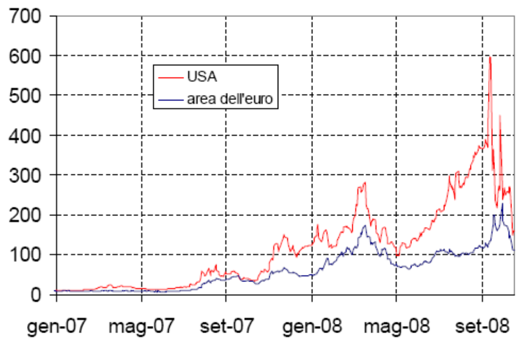
Dexia
On September 29, 2008, the Governments of France, Belgium and Luxembourg provided an aid package to the Dexia bank, specialised in loans to the public sector.

France
On October 12, 2008, the French Government presented a plan aimed at restoring trust in the banking system and ensuring the flow of credit within the economic system. The plan is part of the measures agreed in Europe and has two principal objectives: assure refinancing of the medium-long term debt of the French banks and their recapitalisation.

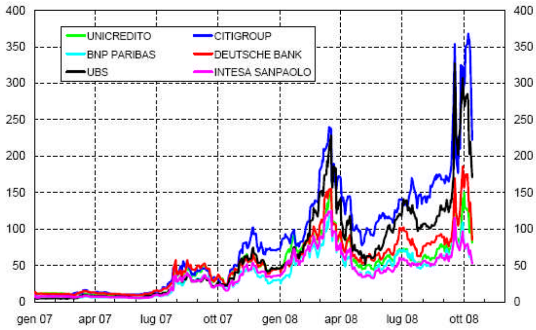
Germany - Hypo Real Estate
On September 29, 2008, the Government and a pool of German banks agreed a short and medium term credit line of Euro 35 billion, subsequently increased to Euro 50 billion, to the Hypo Real Estate Group, the second largest lender on the German market for commercial sector construction.

For example purposes, the probability of insolvency within the banking sector, measured in terms of premiums on Credit Default Swaps (CDS), securities which have the function to transfer the exposure of credit risk of products at fixed income between parties (a sort of insurance against default) are reported below. It should be noted that the highest increase in the indices and in the premiums stated above occurred in the third quarter, a period in which the major events affecting the financial markets in 2008 occurred.

Graph. 3: insolvency probability in the banking sector
(CDS indexes in hundredths of percentage points)



Graph. 4: insolvency probability of some of the major banks
(premiums on CDS at 5 years in hundredths of percentage points)

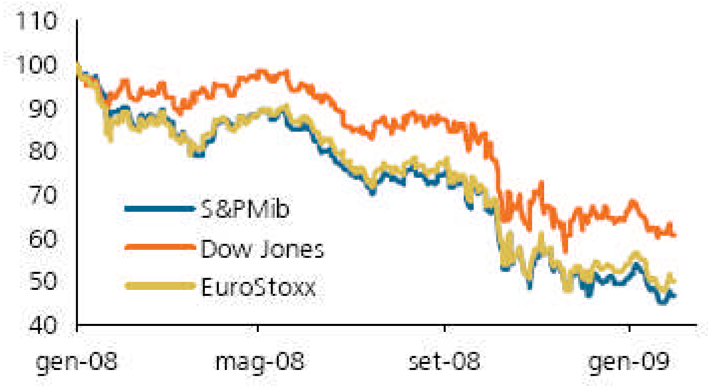


Source: Thomson Financial

Equity market performances

After the large-scale autumn drops, the financial markets still operate at levels of historic volatility, recording huge losses in value in all of the world Stock Markets.

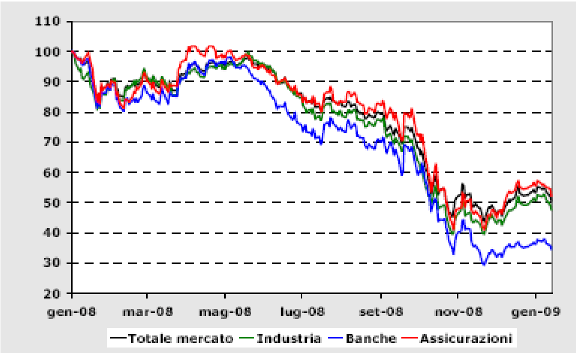
Graph. 5: Euro Stoxx, Dow Jones and S&P/MIB



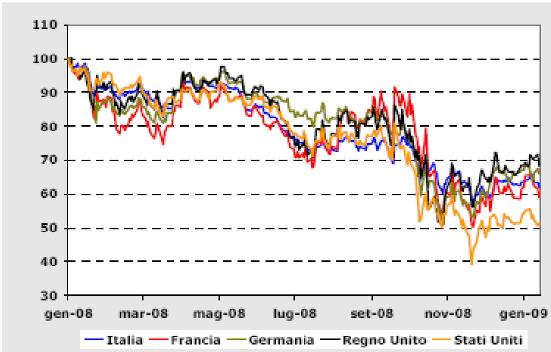
Source: Bloomberg

The drop in the share prices of the insurance companies in the Euro Zone in 2008 amounted to 42%, while the banking shares lost a total of 60%. From December 2008, until the middle of January, the overall indices and the individual sectors themselves entered a period of stability with a tentative recovery.
From the beginning of December to January 14, the indices of the insurance companies increased by 11.3% with the banks increasing by 1.8%, while together the gain was of approx. 6%.
In 2008, overall Italian insurance company share prices dropped by approx. 37% - slightly less than the principal countries average. The reduction is slightly less than the United Kingdom (-32%), while in the United States the decrease was in the order of 50%.

Graph. 6: sector indices of the Euro Zone



Graph. 7: listed European companies



Source: Thomson Financial, Datastream (January 2008-2009)

In relation to the bond markets, in the first six months bonds suffered heavily due to inflationary fears, following high levels of price growth in raw materials in general and by the weakening of the Dollar, offset however in the second half year by significant lowering of official interest rates from the summer months onward.

Lehman Brothers Holdings Inc.

As widely reported, Lehman Brothers Holdings Inc. filed for “Chapter 11” bankruptcy on September 15, 2008 at the New York Bankruptcy Court.
The Chapter 11 procedure, also known as the reorganisation procedure, permits the debtor to continue the ordinary exercise of their activities and to restructure the business, where permitted, with the prospect of implementing a company restructuring, through the approval of a plan by the creditors and guaranteed by the US judicial authorities.
The procedure also allows for the automatic freezing of assets as protection from creditor judicial actions in the reorganisation attempt.
Similar administration procedures - in accordance with current national legislation where Lehman Brothers operates - were undertaken for locally registered companies.

In September, the financial crisis relating to Lehman Brothers particularly affected:

- two Index-Linked policies marketed in 2002 and 2005 by both Fondiaria-SAI and Milano Assicurazioni:
    - WORLD TITANS 50, expiry in December, to which the Group will make the payments in accordance with the policy as it directly guarantees the amounts assured;
    - 5 STELLE, expiry in 2011, has Lehman's as the underlying security, exclusively for the optional part, to cover the yield;

- three Index-Linked policies sold in 2007 by Popolare Vita:
    - ADESSO INDEX GIUGNO 2007, with maturity in 2013, had a Lehman zero coupon as underlying security and is subject to restructuring by the Group;
    - ADESSO INDEX AGOSTO 2007, with maturity in 2013, had a Lehman zero coupon as underlying security and is subject to restructuring by the Group;
    - CREBERG POLAR INDEX LUGLIO 2007, with maturity in 2013, had a Lehman zero coupon as underlying security and is subject to restructuring by the Group.

In relation to this, it is noted that the Group at December 31, 2008 held debt financial instruments issued by Lehman Brothers for a total book value of Euro 67.2 million, of which Euro 58.4 million classified as class D investments.
These amounts include value adjustments for Euro 203.2 million, of which Euro 175.4 million relating to class D. Therefore, the effect on the income statement amounted in total to Euro 203 million gross of the tax effect and can be broken down as follows:

(in Euro millions)

Group investments	27.8
Investments in which risk is borne by the policyholders, but guaranteed capital	19.1
Provisions by Fondiaria-SAI and Milano Ass. for full write-down	6.3
Popolare Vita – restructuring charges for Index Linked products	150.0
Total	**203.2**

These adjustments take into account the best possible estimates currently available of the recoverable value of the Lehman assets in portfolio which do not have subordination clauses (for these latter, the entire carrying value was written down). The unitary value of the Lehman bonds, non subordinated, equal to 20% of the original value was determined with reference to an average between the Credit Default Swap values – those issued by Isda on 10/10/2008 (corresponding to approx. 8.6%) and the estimate of Fitch's Recovery Rate (34-44% of senior payables) of the report dated 23/09/2008. It is noted that this is based on entirely provisional estimates and that, even considering the recent articles appearing in the specialised press, where recovery by creditors could amount to 50%, this choice appears most likely considering the fact that the issuer is subject to judicial procedures with the related extended time period for any possible repayment.
In an attempt to reconcile the needs of the policyholders, in particular for the positions where the investment risk is borne by the policyholder, a project was developed, together with banking partners, capable of responding to three fundamental elements: not to create precedents which invalidate the nature and the classification of the investment, not to penalise the shareholders and to protect, at the same time, the investments of the policyholders.

The Banco Popolare and Fondiaria-SAI Groups, which jointly own Novara Vita S.p.A., have agreed an exceptional intervention on behalf of Clients that have subscribed to index linked policies, issued by Novara Vita S.p.A. and with underlying investments in Lehman Brothers securities, called ADESSO INDEX GIUGNO '07, ADESSO INDEX AGOSTO '07, and CREBERG POLAR INDEX LUGLIO 2007. This intervention has the objective to guarantee all the above-mentioned Clients the return of the nominal capital as per the original contract.
The Clients will therefore not lose any capital, while continuing to benefit from the same returns contained in the original contracts.
The intervention will result in the advance resolution of the original policy and the subscription of a new index linked policy with underlying investment in Italian bank securities. The new contract, with substantially similar returns to the original contract, will also provide for guaranteed capital on maturity by the insurance company. The policyholders will also have the possibility to extend the original maturity by approx. 2 years, when the initial nominal capital will be repaid.

We also report that Ania is preparing a coordinated legal action against Lehman Brothers, to protect clients of the Italian insurance companies which subscribed to index-linked policies with these underlying securities. The Italian insurance companies therefore will take the appropriate legal action to recover the receivable due to their clients to the greatest extent possible.

Icelandic Banks/Bernard L. Madoff

At the end of 2008, the collapse of hedge funds valued at USD 50 billion managed by Bernie Madoff also affected the European market.
In this regard, at 31/12/2008 Fondiaria-SAI does not hold in portfolio any investments, directly or indirectly, as issuer, guarantor or underlying funds, related to Bernard L. Madoff and to Bernard L. Madoff Investment Securities LLC.

On October 8, 2008, the Icelandic Bank Glitnir Banki Hf (formerly Islandbanki Hf) was placed in administration under the control of the Icelandic State financial authorities, following the serious crisis within the international banking system.
In relation to this, at 31/12/2008, Fondiaria-SAI does not hold in portfolio investments which, name directly or indirectly, as issuer, guarantor or underlying security Icelandic banks as well as agreements for repurchasing or of pricing with the same.
In relation to the financial difficulties of the Icelandic Banks, we report that **Bipiemme Vita S.p.A.** has the following index-linked products in portfolio:

- Single Best issued on July 26, 2005 with expiry on July 26, 2012 having, as underlying assets, financial instruments issued by Glitnir Bank hf;
- Crescita Più Minimo issued on November 30, 2005 with expiry on November 30, 2010 and having, as underlying assets, financial instruments issued by Kaupthing Bank hf.

It is recalled that on July 26, 2005 the rating attributed to Islandbanki hf (subsequently Glitnir Bank hf) by Moody's and by Fitch were respectively A1 and A and at November 30, 2005 the ratings attributable to Kaupthing Bank hf by Moody's and by Fitch were respectively A1 and A.

Recently, the ratings attributable to the above-mentioned Icelandic banks by the principal agencies worsened considerably and, currently, are as follows:

	Moody's	S&P	Fitch
Glitnir Bank hf	Caa1	CC	D
Kaupthing Bank hf	Baa3	- -	D

In relation to SASA VITA, it is stated that the company issued an index-linked type insurance-financial product, with a bond issued by Glitnir HF called "Metal & Oil" with expiry on November 28, 2011 as underlying security. The "index-linked" policy having as underlying asset the bond Metal & Oil does not provide contractually any minimum yield guarantee or repayment of the nominal capital on expiry or during the contract period. SASA VITA is monitoring closely the development of the Bank's situation, and also through its own legal advisors, is awaiting clarification from the Supervision Authority on the effective legal position of the issuer.

Finally, the Company will also evaluate whether and what actions to undertake to minimise the contractual risks placed on the policyholders, once the situation is definitively clarified, also in relation to the occurrence or otherwise of the insolvency of the issuer.

As these policies do not guarantee minimum yields or repayment of the capital by Bipiemme Virta, the investment risk connected to the solvency of the issuers is contractually borne by the policyholder. The payment of the services by Bipiemme Vita is in fact subordinated to the capital solidity of the issuers and the repayment capacity of the underlying debt securities by the entities. The Company therefore wrote down the values of the assets and liabilities related to these policies, which at June 30, 2008 offset each other for approx. Euro 92 million, while continuing to attentively follow the situation relating to Glitnir Bank hf and Kaupthing Bank hf in order to constantly monitor the impact on the positions of the policyholders as well as evaluate possible solutions.

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.

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.

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 the 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.

On March 14, 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, 2008 and terminated on April 17, 2008.

On the completion of the Public Offer and Exchange, on April 17, 2008, Fondiaria-SAI communicated to the market to have a shareholding of above 90%, but below 95%, of the share capital of Immobiliare Lombarda. However, Fondiaria-SAI did not reconstitute the floating capital and is obliged to acquire the remaining shares from the shareholders of Immobiliare Lombarda who make a request, at a price determined by Consob in accordance with law, as outlined in greater detail below.

Through a notice published in the newspaper "Il Sole 24 Ore" on April 23, 2008, Fondiaria-SAI announced the definitive data relating to the number of Immobiliare Lombarda ordinary shares subscribing to the Offer and the number of residual shares, the date and procedure for publication of further notices which provided information on the terms and conditions with which the Bidder will comply with the compulsory purchase as well as, where applicable, the exercise of the purchase right pursuant to article 111 of the Consolidated Finance Act.

Therefore, taking account of the definitive data relating to the subscription of the Offer and of the Immobiliare Lombarda shares already held, Fondiaria-SAI held as a result of the same Offer, directly and indirectly, a total of 3,695,830,683 ordinary shares of Immobiliare Lombarda, equal to 90.02% of the share capital.

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 recognised 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 the official price at January 29, 2008 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 at 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 recognised therefore, on the completion of the Offer by the holders of the shares within the terms outlined above, a payment as follows:
(i) 25,665,598 Milano Assicurazioni ordinary shares equal to a share of 5.7% of the ordinary share capital
(ii) Euro 44.9 million 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 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.

The successful bid allowed Fondiaria-SAI to acquire the minority shareholdings in Immobiliare Lombarda at reasonable 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 prospective valuations of the assets and real estate development initiatives undertaken by Immobiliare Lombarda.

Moreover, the delisting of Immobiliare Lombarda will allow Fondiaria-SAI to 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 supplemented 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 and just for Immobiliare Lombarda from a financial viewpoint.
However, for completeness of analysis, in order to provide the Board of Directors with all the relevant matters 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.*

- *The 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 the estimates of the performance of the share price at the end of the offer period uncertain;*

- *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."*

Following the reaching, on the completion of the Bid, of the threshold of 90% of the share capital of Immobiliare Lombarda, on July 21, 2008, Consob issued the resolution concerning the determination of the consideration for compliance with the compulsory purchase on the ordinary shares of Immobiliare Lombarda, pursuant to article 108 of Legislative Decree No. 58/98.

The contents of the resolution were published to the market by Consob on July 21 and the Company issued a press release on July 22 before the opening of the markets.

In particular, Consob determined the following consideration:
for every 28 Immobiliare Lombarda shares sold:

- 1 ordinary share of Milano Assicurazioni and
- Euro 1.3392 in cash;
  or rather, where the holder of the securities requires payment in cash in full:
- Euro 0.1659 in cash.

The price is substantially in line with the net equity per share of Immobiliare Lombarda at December 31, 2007, date of the last financial statements approved by the company.

In particular, Consob determined the price defining first the value, in monetary terms, of each Immobiliare Lombarda share as the weighted average of three parameters (offer price, adjusted net equity adjusted to current value, average price of the last half year) and converting, subsequently, this value into the same form of the consideration of the Offer (Milano shares and cash) on the basis of the average official price recorded of the Milano Assicurazioni shares in the month preceding the determination of the consideration for the compulsory purchase (Euro 3.3).

Consob firstly considered application of article 50 (old) of the Issuers' Regulations in relation to "provisions to be implemented concerning the offer, which are not incompatible with article 108 of the CFA (as subsequently modified) also with reference to the parameters to be taken into account for the determination of the consideration".

Based on the literal meaning of article 108, paragraph 4 of the CFA, which provides that Consob in the determination of the consideration must take into account "also the market price of the last half year or of any consideration previously offered", the Commission identified "in addition to the two elements directly determined by law, other elements, such as those indicated in article 50 (old) of the Issuers' Regulations, and that the weight of these elements can be from time to time, determined in relation to the specifics of the situation to be valued".

After having ascertained that the subscriptions to the voluntary bid were above 70% of the shares subject to the offer, a threshold above which article 50, paragraph 5 (old) of the Issuers' Regulations provides that "Consob determines the price equal to the consideration of this offer, except where justified reasons render necessary recourse to the further elements indicated in paragraph 3", the Commission considered the existence of the "justified reasons" as the following elements:

1) opinion of non appropriateness of the consideration offered, made by Banca Leonardo, on behalf of Immobiliare Lombarda;
2) the fact that the above-mentioned threshold of 70% was exceeded also due to the subscription to the Bid by Premafin, Raggruppamento Finanziario and IM.CO., which contributed 5.09% of the share capital of Immobiliare Lombarda.

The verification of the "justified reasons" therefore permitted Consob not to apply the principal determination criteria of the indicated price in the (old) Issuers' Regulations, comprising the consideration of the voluntary offer and to make recourse to "further elements", with the weighting, for the determination of the consideration of the residual offer of the elements as follows:

- 50% to the monetary value of the consideration proposed in the Bid (Euro 0.1357) "based on the level and quality of the subscriptions";
- 45% to net equity adjusted to the current value of Immobiliare Lombarda (Euro 2.027) "based on the quality of the valuation elements provided";
- 5% to the parameter comprising the weighted average market price of the Immobiliare Lombarda shares in the last six months (Euro 0.1362), "in consideration of the reduced trading on the residual share float";
- 0% to the parameter comprising the performance and earnings prospects of Immobiliare Lombarda in that "the strategic plans of Immobiliare Lombarda are not representative of the future developments of the activities of the company, in view of the delisting of the company and of the programmes contained within the reorganisational plan of the Fondiaria-SAI Group".

For comparative purposes, Consob also utilised the most recent valuations of the Immobiliare Lombarda share price.

The presentation period of the requests commenced on July 28, 2008 and was concluded following successive extensions by Consob and the Regional Administrative Court of Lazio, on September 29, 2008.

On July 24, 2008, the relevant Supplementary Document to the Offer Document was filed at Consob, containing the procedures for compliance, by the Company, of the compulsory purchase of the remaining shares of Immobiliare Lombarda and for the exercise of any successive purchase right ("squeeze-out"), where necessary.

In August, the Committee for the Protection of Minority Shareholders of Immobiliare Lombarda ("Codamil") petitioned the Regional Administration Court of Lazio to cancel, with prior suspension of the effectiveness, the above-mentioned Consob resolution fixing the price for the compulsory purchase of Immobiliare Lombarda shares by Fondiaria-SAI.

The Regional Administrative Court of Lazio's decision of September 17 rejected the suspension petition of the Consob resolution.

As at September 29, 2008, last date for the presentation of the requests for sale by the shareholders of Immobiliare Lombarda, Fondiaria-SAI had received sales requests of 356,777,583 Immobiliare Lombarda shares, equal to 87.12% of the shares subject to the compulsory purchase procedure and equal to 8.69% of the share capital of the issuer.

Taking account of the definitive data relating to the sales requests received and of the Immobiliare Lombarda shares already held, Fondiaria-SAI therefore holds, directly and indirectly, a total of 4,052,608,266 ordinary shares of Immobiliare Lombarda, equal to 98.72% of the share capital.

In view of the above, and in accordance with law, Fondiaria-SAI has the right to purchase, within the so-called sell out/squeeze out procedure, all 52,731,461 Immobiliare Lombarda shares still held by the market, corresponding to 1.28% of the share capital.
With regard to this purchase right, as agreed between Fondiaria-SAI and Borsa Italiana, from October 7, 2008 and up to October 27, 2008, the shareholders of Immobiliare Lombarda exercised their right to choose between the full payment in cash or the part payment in cash and part in Milano Assicurazioni shares, in accordance with the measures determined by Consob in relation to the above-mentioned resolution to determine the compulsory purchase payment by Fondiaria-SAI.
The sell out/squeeze out procedure terminated on the fifth stock exchange trading day subsequent to October 27, 2008, or rather November 3, 2008, the date in which Fondiaria-SAI made the payment.

In particular, on this date Fondiaria-SAI made:
(i) the payment, through BancaSai S.p.A., of the full consideration in cash - Euro 0.1659 for each Immobiliare Lombarda share - relating to 32,111,634 Immobiliare Lombarda shares for which payment was expressly requested through cash, for a total amount of Euro 5,327,320.08;
(ii) the payment in exchange of 1 ordinary share of Milano Assicurazioni S.p.A. and Euro 1.3392 in cash for every 28 Immobiliare Lombarda shares held, for the residual 20,619,827 Immobiliare Lombarda shares for which the payment in cash was not expressly requested. For these purposes, Fondiaria-SAI deposited at BancaSai a total of Euro 986,216.87 as well as a total of 736,423 Milano Assicurazioni shares.

Consequently, on November 3, the transfer of the ownership of all 52,731,461 Immobiliare Lombarda shares to Fondiaria-SAI took place, with the relative registration in the Immobiliare Lombarda share register.

Finally, Borsa Italiana S.p.A., with resolution No. 6069 of October 27, 2008, revoked the quotation of the Immobiliare Lombarda shares effective as of November 3.

On the examination of the second phase of the project, as previously described, in the Board meeting of January 30, 2008 approving the Bid, 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:

1. 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;
2. 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;
3. 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 holding held by Fondiaria-SAI in Immobiliare Lombarda, from the Bid equal to 27.88%.

The above operations were approved by the Board of Directors of the companies concerned, on April 23, on the basis of the financial statements as at December 31, 2007 and therefore, approved by the relative extraordinary shareholders' meeting on October 8, 2008.

Isvap authorised the merger by incorporation into Milano Assicurazioni of SASA and SASA VITA and the purchase by Milano Assicurazioni of control of LIGURIA and LIGURIA VITA, as well as all of the by-law amendments following the share capital increase.

The Shareholders' Meeting of Milano Assicurazioni, held on October 8, 2008 resolved:

1) a paid-in share capital increase, without pre-emptive rights:
    - for a nominal value of Euro 13,151,493.16 through the issue of 25,291,333 ordinary shares of a nominal value of Euro 0.52 each, with a total share premium of Euro 137,901,231.84, reserved to Fondiaria-SAI S.p.A., to be paid through conferment in kind of 22,992,121 LIGURIA shares held, equal to 99.97% of the share capital;
    - for a nominal value of Euro 17,503,268.64 through the issue of 33,660,132 ordinary shares of a nominal value of Euro 0.52 each, with a total share premium of Euro 154,872,652.36, reserved to Fondiaria-SAI S.p.A., to be paid through conferment in kind of 1,144,444.487 Immobiliare Lombarda S.p.A. shares held, equal to 27.88% of the share capital;

2) approval of the merger by incorporation of SASA and SASA VITA into Milano Assicurazioni, through cancellation without share swap of all the shares of SASA VITA held by SASA and the share capital increase of Milano Assicurazioni for Euro 23,979,115.68, through the issue of 46,113,684 ordinary shares of a nominal value of Euro 0.52 each to be assigned to the shareholders of Sasa (99.99% subsidiary of Fondiaria-SAI) and to the only shareholder of SASA VITA other than SASA, that is Fondiaria-SAI.

The merger was also approved, on the same date, by the shareholders' meetings of SASA and SASA VITA.
The conferment deeds of the above-mentioned investments were signed on October 30, 2008.
The merger deed was signed on December 16, 2008.
All of the agreements have legal effect from December 31, 2008.

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 marketplace, also due to regulatory amendments introduced, with the final objective to more efficiently achieve 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 holder of the assets from the strong acquisition expansion 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. 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 approx. 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 from the Bid. The realisation of this operation, as well as the delisting of Immobiliare Lombarda following the successful takeover Bid launched, 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.

We recall that, on the completion of the Purchase and Exchange Offer, concluded on April 17, 2008, the holding in Immobiliare Lombarda subject to conferment amounted to 27.88%.

Furthermore, 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 Advisory S.p.A. and Mediobanca S.p.A 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 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, have a detailed exchange of opinion with their chosen advisor, including during the preparation of the opinion.

The Board of Directors of Fondiaria-SAI, SASA, and SASA VITA, on April 23, 2008, decided to share the results of the advisors KPMG Advisory S.p.A. and Mediobanca and, in particular, the conclusions made by these in relation to the estimate of the share swap ratios between the shares of Milano Assicurazioni and SASA and SASA VITA, expressing a favourable opinion of the following share swap ratios:

- 0.82 ordinary shares of Milano Assicurazioni for every SASA share;
- 0.42 ordinary shares of Milano Assicurazioni for every SASA VITA share,

which are within the ranges presented by the advisors from the application of the principal methods as set out by KPMG Advisory S.p.A.

The Board of Fondiaria-SAI also decided to share the results of the advisors KPMG and Mediobanca and, in particular, the conclusions made by these latter in relation to the estimate of the number of newly issued ordinary shares of Milano Assicurazioni for the conferment operations of the investments in LIGURIA and Immobiliare Lombarda:

- 1.10 ordinary shares of Milano Assicurazioni for every LIGURIA share, corresponding to 11 Milano Assicurazioni ordinary shares for every 10 LIGURIA shares;

- 34 Immobiliare Lombarda shares for every Milano Assicurazioni share,

which are within the ranges presented by the Advisors and corresponding to the central values from the application of the principal methods as set out by KPMG.

The Milano Assicurazioni Board of Directors' meeting of April 23, 2008 decided to share the results of the advisors Morgan Stanley and Credit Suisse and in particular the conclusions in relation to:

(i) the range of the share swap ratios between the shares of Milano Assicurazioni and SASA and SASA VITA shares, expressing therefore a favourable opinion on the following share swap ratio:

  - 0.82 ordinary shares of Milano Assicurazioni for every SASA share;
  - 0.42 ordinary shares of Milano Assicurazioni for every SASA VITA share,

which are within the ranges presented by the advisors;

(ii) the identification of the number of newly issued ordinary shares of Milano Assicurazioni for the conferment operation, in particular:

  - 25,291,333 Milano Assicurazioni ordinary shares for the conferment in kind of 22,992,121 LIGURIA shares (corresponding to 99.97% of the share capital);
  - 33,660,132 Milano Assicurazioni ordinary shares for the conferment in kind of 1,444,444,487 Immobiliare Lombarda shares (corresponding to 27.88% of the share capital), which are within the ranges presented by the advisors.

The share swap relating to the merger results in a share capital increase of Milano Assicurazioni for the merger of Euro 23,979,115.68.

The numbers, as reported above, of newly issued ordinary shares of Milano Assicurazioni for the conferment operation results in:

- A share capital increase of Milano Assicurazioni, without pre-emptive rights, to be paid through the conferment by Fondiaria-SAI of the above-mentioned holding in LIGURIA, for a nominal amount of Euro 13,151,493.16, in addition to a total share premium of Euro 137,901,231.84, and thus for a total amount of Euro 151,052,725;

- A share capital increase of Milano Assicurazioni, without pre-emptive rights, to be paid through the conferment by Fondiaria-SAI of the above-mentioned holding in Immobiliare Lombarda, for a nominal amount of Euro 17,503,268.64, in addition to a total share premium of Euro 154,872,652.36, and thus for a total amount of Euro 172,375,921.

All the valuations were communicated to the market on April 23, 2008.

The Milan Court appointed Reconta Ernst & Young as the common expert pursuant to article 2501 of the civil code for the preparation of the fairness report of the share swap as well as, where necessary, the appointment of an expert for the preparation of the estimate of the assets of the company incorporated as per article 2343 of the civil code in relation to the share capital increase for the share swap.

The Milan Court also appointed Reconta Ernst & Young as expert to prepare the sworn estimate of the investments conferred pursuant to articles 2440 and 2343 of the civil code.

Finally, in accordance with the combined provisions of article 2441, paragraph 6, of the civil code and article 158, paragraph 1, of Legislative Decree No. 58/98, the audit company Deloitte & Touche S.p.A. provided an opinion on the appropriateness of the issue price of the new shares of Milano Assicurazioni for the above-mentioned conferment.

On March 11, 2009, Consob communicated the authorisation of the publication of the information document relating to the admission on the Mercato Telematico Azionario of the ordinary shares of Milano Assicurazioni through two share capital increases through conferment of the shareholdings in Liguria Assicurazioni and Immobiliare Lombarda in order to facilitate the merger by incorporation of Sasa and Sasa Vita. The shares were listed from March 16, 2009.

Alitalia

Fondiaria-SAI participated, together with other major institutional investors, in a reorganisation, development and relaunch of Alitalia S.p.A.
This operation provides for the injection of capital by the investors through a newly incorporated corporate vehicle called CAI – Compagnia Aerea Italiana S.p.A., which will purchase 100% of AP Holding S.p.A. (subsidiary company of Air One S.p.A.) and of some business units owned by Alitalia and Alitalia Servizi S.p.A. and in particular the core activities of the two companies, with the objective to create a new company capable of competing as a market leader in the domestic airline industry, with international and intercontinental ambitions supported by a strategic partnership with one of the major global carriers.

The regulatory changes, together with the financial input of a selected pool of Italian investors, established a new and credible strategy for the refocusing on and consolidation of the natural market as well as the putting in place of new credible and reliable management with proven track records in the field of corporate restructuring, allowing the drawing up of a business plan and therefore a satisfactory return on the investment.

On December 12, 2008, CAI purchased from the extraordinary commissioner of Alitalia the core business of the various companies of the Alitalia Group, following the completion of the suspensive conditions which led to the subordinated execution of the sales/purchase contract signed previously on November 20, 2008.
The completion of these conditions fully implemented the commitment by Fondiaria-SAI and other partners to subscribe to the respective share capital increase amounts.
In particular, on December 10, 2008 Fondiaria-SAI:

- subscribed to newly issued CAI shares for a total amount of approx. Euro 50 million, of which approx. Euro 29.6 million for share capital and approx. Euro 20.4 million for share premium;
- paid, simultaneous to the subscription, 25% of the nominal value of the shares subscribed to and the entire relative share premium, for a total amount of approx. Euro 27.8 million.

The balance of the payment (amounting to 75% of the nominal value of the shares subscribed to) was due on January 9, 2009.
As noted, CAI directly undertook the management of activities from January 13, 2009 under the name of Alitalia, before the purchase of Air One.

FONDIARIA-SAI GROUP DEBT

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the 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)	**31/12/2008**	**31/12/2007**	**Changes**
Subordinated loans	1,050.5	820.0	230.5
Mandatory SAInternational	181.6	180.7	0.9
Banks and other lenders	644.2	346.6	297.6
Total debt	**1,876.3**	**1,347.3**	**529.0**

The account **Subordinated loans** include the following loans of the Parent Company with Mediobanca, with Isvap authorisation:

- A subordinated loan of Euro 400 million, agreed and issued on July 23, 2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin.
- A subordinated loan of Euro 100 million agreed on December 20, 2005 (received on December 31, 2005), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.

- A subordinated loan of Euro 300 million agreed on June 22, 2006 (received on July 14, 2006), 50% subscribed by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16^{th} anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On July 14, 2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million.
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on July 14, 2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.
- A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on July 14, 2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.
- Subordinated loans of BPM Vita received during 2003 for a nominal value of Euro 8 million divided 50% with Banco Popolare di Milano and 50% with Banca di Legnano. It is recalled that these loans have an indefinite expiry and interest rates of Euribor at 12 months increased by 2.50%. The change in the account "Subordinated loans" compared to December 31, 2007 is principally due to the fact that on June 27, 2008, BPM Vita repaid the two other subordinated loans on maturity totalling Euro 8 million.

With reference to the subordinated loan of Euro 400 million, it is recalled that the entire position is fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loan, stabilising on an annual basis the interest streams to be paid to the counterparty. On December 4, 2008, two IRS contracts were signed, one by Fondiaria-SAI to hedge the subordinated loan of Euro 150 million and the other by Milano Assicurazioni to hedge the subordinated loan of Euro 50 million. For further details, reference should be made to the section regarding derivative financial instruments.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. issued a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010 and listed on the Luxembourg Stock Exchange. The bonds, of a total nominal value of Euro 180.4 million, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, formally owned 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%.

With reference to **Bank and other lenders**, amounting to Euro 644.2 million, the most significant amounts are reported below:

- Euro 249.7 million refers to a senior loan signed on January 11, 2008 between Fondiaria-SAI S.p.A. and Mediobanca for a nominal amount of Euro 250 million in order to temporarily support the financial needs of the Parent Company, and following amendments in the final quarter of 2008, interest is paid half-yearly rather than quarterly while the maturity remains at 25/1/2010, the date on which the nominal amount will be paid in one lump sum. The loan was received in one single amount on January 25, 2008;

- Euro 197.6 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is December 31, 2012;
- Euro 151.6 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 29.3 million refers to the bonds issued in 2008 by BancaSai in part at a variable interest rate and in part at a fixed interest rate, with variable expiry from 2011 to 2014 and placed externally to the Group;
- Euro 15.8 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At December 31, 2008 and at December 31, 2007, 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:

(Euro thousand)	31/12/2008		31/12/2007	
	Number	**Book value**	**Number**	**Book value**
Treasury shares held by:				
Fondiaria-SAI	3,200,000	64,366	1,780,000	60,352
Milano Assicurazioni	8,382,557	209,900	8,382,557	209,900
Sai Holding	1,200,000	28,306	1,200,000	28,306
Total	**12,782,557**	**302,572**	**11,362,557**	**298,558**
Saving treasury shares held by:				
Fondiaria–SAI	-	-	568,051	12,403
Total	**-**	**-**	**568,051**	**12,403**
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	22,741	18,340,027	35,671
Milano Assicurazioni	9,157,710	11,356	9,157,710	17,812
Saifin – Saifinanziaria	66,588	89	66,588	130
Total	**27,564,325**	**34,186**	**27,564,325**	**53,613**

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, 2008 to Euro 165.3 million.

Treasury shares

On June 3, 2008 the buyback programme commenced which was approved by the shareholders' meeting on April 23, 2008.

During 2008, a total of 3,200,000 ordinary treasury shares were purchased for a total value of Euro 64,366 thousand and 231,949 savings treasury shares for a total value of Euro 4,335 thousand.

The above-mentioned shareholders' meeting resolution mandated the Directors to cancel the treasury shares held at the date of the same resolution. Therefore, on September 18, 2008, 1,780,000 ordinary shares and 800,000 saving shares held by the Parent Company were cancelled.

Therefore at the year end, the total treasury shares in portfolio amounted to 3,200,000 ordinary shares, comprising 2.571% of the ordinary share capital.

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, in addition to 1,600,000 shares purchased in the first quarter of 2009 (to 24/03/2009).

Shares of the holding company

During 2008 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A.
At December 31, 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 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 167,043,712, divided into an equivalent number of shares of a nominal value of Euro 1 (124,482,490 ordinary shares and 42,561,222 saving shares).

In 2008, the official price of the shares was between a minimum of Euro 12.655 (at December 10, 2008) and a maximum of Euro 29.69 (at February 28, 2008) for the ordinary shares and between a minimum of Euro 7.86 (at December 22, 2008) and a maximum of Euro 19.875 (at February 29, 2008) for the saving shares.

At the year-end, the stock exchange share prices were as follows:

(in Euro)	30/12/2008	28/12/2007	Change %
Fondiaria-SAI ord.	12.931	28.110	(54.00)
Fondiaria SAI sav.	8.118	19.224	(57.77)

The corresponding stock exchange capitalisation at the year-end was Euro 1,955 million (Euro 4,353 million at December 31, 2007).

The share prices of the other listed subsidiaries were as follows:

(in Euro)	30/12/2008	28/12/2007	Change %
Milano Assicurazioni S.p.A. ord.	2.217	5.312	(58.27)
Milano Assicurazioni S.p.A. sav.	2.250	5.313	(57.66)

At 31/12/2008, the subsidiary Milano's stock market capitalisation was Euro 1,305 million (Euro 2,566 million at 31/12/2007).

RATINGS, RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

On July 22, 2008, Standard & Poor’s improved its rating on the long-term financial stability of Fondiaria-SAI from “BBB+” to "A-". The outlook was confirmed as stable.

This improvement, according to the agency’s report, “takes into consideration the stronger competitive position of the Life division, the leadership and good operating performance in the Non-Life division, the strong capitalisation and the continued improvement in the Risk Management Enterprise”.

The stable outlook was based on the assumption that the competitive position of the Group and the Non-Life operating performance, currently recognised to the Fondiaria-SAI Group, is maintained although in a more competitive environment. A further improvement may occur in the near future if the Life division’s profitability increases and if the implementation of the ERM continues at a sustained pace.

A relatively high concentration of the equity portfolio remains in a small number of strategic investments, although an adequate reduction of the market risk is recognised through hedging operations on the most important holdings.

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 and takes a positive outlook on the market challenges ahead and the achieving of the objectives set for 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 resolved in advance the maturity of 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 before their date of 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 are exercisable from July 14, 2008 (24 months from 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.

In accordance with IFRS 2 “Share-based payments”, the recognition in the consolidated financial statements of the implicit costs relating to the above stock option plan were also re-determined. Through appropriate evaluation models, the fair value of the options was determined; consequently personnel costs in the consolidated financial statements of Fondiaria-SAI (net of the options assigned to subsidiaries) increased against a net equity reserve of Euro 7.2 million, of which Euro 5.3 million relating to the Parent Company.

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, of which Euro 33 million recorded in the consolidated financial statements at December 31, 2008.

(in Euro)	Number of options granted	Residual life	Option Value	Total cost	Cost at 31.12.08
Tranche A	5,173,360	0	2.792	14,445,940	-
Tranche B	3,880,020	0	2.708	10,506,003	3,592,527
Tranche C	3,880,020	1	2.809	10,897,715	3,613,989
Total Fondiaria-SAI Group	**12,933,400**			**35,849,658**	**7,206,516**
Options granted to the holding company	2,066,600				
Total	**15,000,000**				

IT Activities

2008 saw the completion and the consolidation of the migration activities of all of the Group networks into one shared IT system, for the aspects relating to the portfolio, the preparation of financial statements and reinsurance.

The system Online VITA, consolidated since 2007 and available to the traditional Companies as well as the agreements with Bancassurance, was further developed for the provision of services through the WEB channel.

With reference to the Broker channel, a WEB platform hosting the new models and commercial processes was completed. Also within the “alternative channels”, the development of the new Online platform dedicated to the direct channels is in the completion stage, while the IT activities in relation to the support of the non life Bancassurance channels continues.

In relation to the agency channel, the development of a new IT procedure from 2009 which will be distributed throughout the Group, in relation to production, management of the agencies and marketing was completed. At the same time, the investments on the online platforms of the intranet agencies, as direct support tools to the peripheral networks continued.

The consolidation of the Business Intelligence platform of the Group was completed through the adoption of the DataWareHouse system.

At a technological level, in 2008 the transformation plan aimed at setting out the new architecture for the containment of costs against increasing management commitments and the improvement of the level of service continued.

MANAGEMENT OF RISKS

In relation to the management of corporate risks, the Fondiaria-SAI Group has carried out activities in the Risk Management department constituted by the Parent Company in 2006. This department has the objective to develop and complete an internal Risk Capital model for the implementation of an efficient Enterprise Risk Management system (ERM).

Enterprise Risk Management Model (ERM)

Principles, objectives and policies of Risk Management

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

- aimed at generating a culture of risk management within the Group based on the different levels involved;
- based on an integrated vision of the Management of Risks at Group level, as a single entity and therefore considering to a greater degree the sectoral differences within the system;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and evaluating the impact that these risks can have on solvency and the reaching of objectives.

To pursue these “high level” objectives, the approach adopted takes into consideration the necessity to receive input from all of the stakeholders. In particular, the Model is intended to reflect:

- the need for security and solvency of clients;
- the needs of the market and those within the financial community;
- the needs of the ratings agencies;
- strategic needs based on the corporate governance process and the optimisation of the risk profile – shareholder return .

Based on these principles, and to achieve the objectives set out, the Model focuses on three fundamental elements which are strictly related:

1. the economic capital model or:
   - utilising consistent capital measurements and parameters for market evaluations;
   - considering the operating and strategic choices of the capital allocation absorbed by the risks assumed;
   - taking account of the Risk Tolerance restrictions, defined in terms of the Capital measurements (such as the solvency ratio in Solvency I regime, the Excess Capital based on the Risk Capital model and the S&P rating level), in terms of profitability measures (such as the outlook for shareholders in terms of dividends and the maximum tolerable level of the Combined ratio), as well as based on the parameters relating to liquidity requirements and the safeguarding of reputation;
2. Risk Adjusted profitability measures which consider the cost of the risk assumed and the repayments of the capital effectively absorbed;
3. the structure of operational limits.

The measurement model adopted for the evaluation of risk is based on the economic capital estimate (EC), or the capital necessary to guarantee the solvency of the Group against an unexpected loss within a certain timeframe and given a certain level of confidence (coherent with the risk appetite of the Group according to the actual or objective credit rating). The estimate of the economic capital is calculated through calculation on the successive aggregation of all of the maximum potential losses arising from the risks which the Group is exposed to.

The Risk Map

The risks considered in the Model adopted are shown in the Risk Map (table 1), which breaks down each risk by segment of business. As well as the assessment of maximum potential loss, the approach adopted in the monitoring of the total exposure considers also the risks which according to the cause – effect, can manifest themselves as a consequence of other risks, although not always generating a directly measurable economic impact.
These risks, called "Second level risks" are:

- The Reputational Risk, or rather the risk related to the deterioration of the corporate image and the increase of conflict with insured parties, related also to a drop in the quality of the products offered, the placing of unsuitable policies or the conduct of sales networks;
- Risks related to belonging to a group or "infection" risk, refers to the risk which arises due to the interlinked nature of the other companies of the group, a situation of difficulty if an entity of the same group has solvency issues; risks of conflict of interests.

Alongside these types of Risks, particular attention must be paid to Strategic Risk, or the current or future risk of a drop in profits or of capital deriving from a change in the operating context or from bad corporate decisions, inadequate decisions or a failure to react sufficiently to changes in the competitive environment.

The Risk Map, of Level I and II, is the basis for the Risk Management activity. This structure however is not a fixed element within the Model, in that the approach adopted, as set out above, must consider not only all of the current Risks, but also the possible future risks, with the objective to anticipate any possible threats originating from the context in which the Group operates.

Table 3 **Risk Map of the Fondiaria-SAI Group**

(*) The Credit Risk includes the Counterparty Default Risk and the Spread Risk , as per the risks included in the Technical Specifications of the Fourth Quantitative Impact Study (QIS4) in the standard formula calculation of SCR (Solvency Capital Requirement).

Definitions		Life	Non-Life	RE	Other
Financial Risks					
Market Risk	Risk of losses from changes in interest rates, in share prices, exchange rates and property prices.	x	x	x	x
Credit Risk (*)	Risk related to contractual breach by the issuer of financial instrum ents, of reinsurers, of brokers and of other counterparties.	x	x	x	x
Liquidity Risk	Risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses.	x	x	x	x
Life Technical Risks					
Longevity	Risk related to the impact on the valuation of the reserves of the uncertainty of the trend and parameters related to the duration of life.	x			
Mortality	Risk related to the impact on the valuation of the reserves of the uncertainty of the trend and parameters related to the mortality.	x			
Disability (**)	Risk related to the impact on the valuation of the reserves of the uncertainty of the trend and parameters related to disability.	x			
Expenses	Risk related to the changes in the value of the expenses related to the policies.	x			
Redemption	Risk related to the value of the insurance liabilities deriving from changes in the level or volatility of the redemption rates, resolution of contracts and non payment of premiums.	x			
Catastrophe	Risks deriving from external events (for example a pandemic), which is not sufficiently covered by the required capital levels.	x			
Non-Life Technical R isks					
Reserves	Risk related to insufficient provision of technical reserves for commitments underwritten and damages.		x		
Premiums	Risks deriving from the underwriting of insurance contracts, associated with the events covered, the tariff creation processes and the selection of risks and higher claims than that estimated.		x		
Catastrophe	Risk deriving from external events which is not sufficiently covered in the valuation of the risk premium and reserves.		x		
Operational and Other Risks					
Operating Risks	Risk of loss deriving from dysfunctional procedures, personnel or internal systems or from external events.	x	x	x	x
Risk of non compliance with regulations (***)	Risk of judicial or administrative sanctions, incur losses or reputational damage as a consequence of non compliance with law, regulations or provisions of the Supervision Authority or self-governance regulations, such as by-laws, conduct codes or self-governance codes; risk deriving from unfavourabl e changes in regulations or laws.	x	x	x	x
Reputational Risk	Risk related to the weakening of the corporate image and the increase of conflict with insured parties, related also to a drop in the quality of the products offere d, the placing of unsuitable policies or the conduct of sales networks.	x	x	x	x
Risk related to the Group or “of contagion”	Risk which arises due to the interlinked nature of the other companies of the group, a situation of difficulty if an entity of the same group has solvency issues; risks of conflict of interests.	x	x	x	x
Strategic Risk	Current or future risk of a drop in profits or of capital deriving from a change in the operating context or from bad corporate decisions, inadequate decisions or a failure to react sufficiently to changes in the competitive environment.	x	x	x	x

(**) The Disability Risk includes the Mortality Risk.
(***) The Non-Compliance Risk is considered in the estimate of the Economic Capital of the Operational Risks (Solvency II Directive proposal).

Guidelines issued by the Board of Directors of the Parent Company

In relation to the objectives and the management policies on financial risks as well as the hedging policies, the Board of Directors of the Parent Company issued guidelines in relation to the management of the equity portfolio and of the operations with regard to derivative financial instruments. These guidelines set out, among other issues, a structure of operating limits in relation to the level of exposure to:

- equity risk;
- interest rate risk;
- credit risk.

Limits are also set out in relation to the operations in derivative financial instruments, broken down between those for "efficient management" and those for "hedging". We highlight also that in February 2009, a Group level Risk Policy was approved by the Board of Directors of Fondiaria-SAI, which established the following principal objectives:

- to set out the principles and structures of the ERM model of the Group, in order to guarantee a homogeneous approach at Group level to risk;
- set out the guidelines and structure of the operating limits of the Group in line with the risk appetite and strategies of capital allocation of the parent company Fondiaria-SAI;
- formalise the decision making process for new investments in light of the introduction of criteria based on an Economic Capital approach and the measurement of Risk Adjusted profitability;
- support, in a general manner, the process to define the strategic choices in relation to risk.

This document should be viewed in the current regulatory context of transition from the Solvency I regime to the future Solvency II regime. In this regard, the policy was developed taking account of the provisions of Reg. ISVAP No. 20 of March 26, 2008 and the future changes to be implemented contained in the Framework Directive Solvency II document and the Issue Papers set out by CEIOPS.

With particular reference to Financial Risks, the policy adopted intends to guarantee:

- adequate diversification, avoiding excessive concentration of risk;
- a readily liquid portion of investments;
- structuring of liabilities through the utilisation of ALM policies;
- prudent management, focused prevalently on investments in plain vanilla instruments and residually in more complex assets, whose valuation is monitorable through an internal pricing model.

In line with these objectives, operating limits were defined for all types of Financial Risk:

- Market Risk:
  - Equities
  - Interest rate
  - Real Estate
  - Currency
- Credit Risk:
  - Counterparty Default Risk
  - Spread Risk
- Liquidity Risk.

In relation to these categories of risk, attention was paid also to possible exposures to a concentration of risk, considered separate from each definable individual type of risk.

The structure of the limits included all of the principal asset classes which make up the investments: In particular the limits were defined in terms of:

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

The Board of Directors of each of the Group companies will be requested to adopt the Group guidelines and to set out its operating limits accordingly, taking account of its own idiosyncrasies and possible restrictions in relation to Risk Tolerance.

Operating risk

The Fondiaria-SAI Group, following the issuance of circular 577/D (based on the current regulation No. 20 of March 26, 2008), in view of the changes to the European Solvency II Directive and the drive based on the strategic need to increase efficiency and the greater protection of clients, set out and is in the phase of implementing the identification, measuring and monitoring of the operating risks model, which relates to "the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services (outsourcing risk)" (Regulation No. 20 ISVAP Article 18 paragraph 2, letter f). Based on the internal Operating Risks Management model, the relationships and the reciprocal impacts between Operating risks and Risk Compliance, Reputational Risk and Strategic Risk are considered with the objective to evaluate the direct and indirect impacts of events relating to operating risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, the events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and attaining the objectives set.

For further details, reference should be made to the section "Risk Management" in the Financial Statements.

Activities carried out and objectives for 2009

In 2007 and 2008, various activities aimed at on the one hand implementing the internal phases of the model established in the design and on the other to begin the Risk Self Assessment and Loss Data Collection processes began.

Risk Self Assessment

In relation to the RSA, in 2007 the necessary methodological aspects for the management of the analysis for the identification of the reference models based on a comparison of the different approaches were established (Basilea II, S&P etc.). Also in 2007, the analysis of the Financial Process was completed. This activity, conducted through the compilation of questionnaires by the operators in the front office and in the back office, through a quantitative methodology established the areas of greatest exposure in terms of potential maximum loss. Following this, specific indicators were defined (Key Risk Indicators), which were considered appropriate in terms of mitigation plans.

Also in relation to the analysis, any impacts from compliance under law 262 in the determination of operating risks were included. The questionnaires, which included approx. 100 questions, were drawn up making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit department, with the support of the respondents and based on the preceding verifications carried out.

Also in 2007, the administrative and management processes of the investment fund Tikal RE of S.G.R. SAI Investimenti were subject to the RSA. In this case, in a divergence from the analyses conducted on the Group Finance process, the identification of risks were also applied to a catalogue drawn up by Assogestioni.

In 2008, the activities carried out in relation to RSA were:

1. the analysis cycle on the Finance process and on SAI Investimenti S.G.R. paid particular attention to the possible impacts related to a change in organisation and on the events considered significant in the previous year;
2. the analysis of the macro process of management of claims both at Management level and at territorial level (Settlement Networks, Claims Office, Specialists Claims and Legal and Claim Disputes);
3. the analysis of operating risks of the subsidiary BancaSai, whose results contribute to the formation of the reference documents for the ICAAP process required by the banking regulations. The analysis conducted with the RSA method was extended also to the "second pillar" risks of Basilea in relation to reputational and strategic risks. For 2009, the process will be repeated and widened in line with the regulatory notice;
4. the analysis of operating risks on SIM SAI Mercati Mobiliari with the objective of the identification of possible areas of elevated risk.

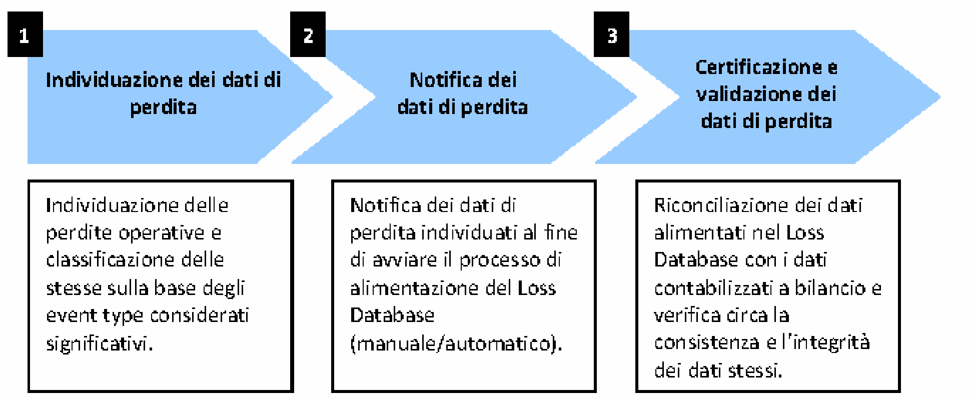
As set out in the process, the results from these analyses were brought to the attention of top management and were subject to specific reporting to the various supervisory boards in relation to their relative duties.

For 2009, the RSA plan sets out the updating of the analyses carried out and the extension of the areas of intervention within Reinsurance and some of the underwriting processes in the Non-Life Division (Technological Risks and Guarantees).

Loss Data Collection

In relation to the Loss Data Collection, a significant part of the activities were completed.

The macro activities that make up the Loss Data Collection process are set out in the following graph:



To implement these phases, the steps of the project carried out were:

1. the identification of an intervention perimeter or the various corporate areas which in the current organisational framework of the Group hold loss data generated by events of an operating nature. Following this analysis, 24 significant events were identified. The choice was carried out based on:
   - benchmarking with external experience;
   - analysis priorities based on the type of effect following on from events (direct/indirect);
   - possibility to collate more events in specific macro categories.

   After having identified the significant loss making events, with the support of the Board specific corporate areas were set out and meetings were carried out with the persons involved in order to set out the possible identification and notification of data processes for the loss based on the current operation of the relevant structures.
2. Based on the information made available in the workshops, the process of Loss Data Collection was drawn up.
3. In order to guarantee a correct and timely updating of the figures used in the Loss Data Base, in 2009 a functional analysis of the interfaces used for the realisation of IT processes for the Loss Data Collection was planned. In this manner, the operating procedures were identified for corrections and reconciliations periodically of the data included with the accounting data from the Administration department. In order to guarantee a correct and timely updating of the figures used in the Loss Data Base, in 2009 a functional analysis of the interfaces used for the realisation of IT processes for the Loss Data Collection was planned. In this manner, the operating procedures were identified for corrections and reconciliations periodically of the data included with the accounting data from the Administration department.

Other activities

Also in relation to the evaluation of operating risk, during the year an analysis on risks relating to the provision of outsourced services with the principal outsourcer (IT services) was carried out with particular attention to the control of risks with high impact on business. An analysis on the risks through Pronto Assistance Servizi (a company which provides assistance services for all of the companies of the Fondiaria-SAI Group) was conducted in order to verify the operational continuity of the Management of Assistance Claims. This project involved actions relating to the telephone and IT infrastructure in order to guarantee the continuity of the special operations of different critical levels; in particular, the activities included:

- revision of the infrastructure of the principal offices of PAS;
- the definition of a continuity business plan which requires a change in the application system supporting the PAS operations, within a simplified management of the emergency conditions;
- the revision of the service contracts with suppliers for PAS solutions.

The outcome of the analysis also indicated the need for the introduction of further control measures such as the introduction of a continual monitoring system of the software problems to improve the quality and the reliability of the system, the implementation of an automatic reporting system for a loss in power and the introduction of a new electricity continuity group to support the telephone centre.

The Risk Management department is also involved in the definition and valuation of the Disaster Recovery plans managed by the outsourcer of the technology information (FSST).

For further information on the analysis and the quantification of that outlined above, reference should be made to "Part E – Information on financial risks".

Management of risks for BancaSai and Finitalia

BancaSai

The risk management of the subsidiary BancaSai, in consideration of its operating activities, is principally concentrated on credit risk, which is the principal risk component to which the Bank is exposed. Therefore, in the offering of credit, the reduction of the average cost of each loan achieving a high level in the dispersion of risk and good quality credit are the guiding principles. Lending is in fact the central business activity of the bank: the bank aims to establish stable relations with its clients, based on reciprocal trust and transparency, within the more general principle of prudency which underlies the operations of the Institution. The lending activities of the Bank are carried out in line with the operational strategies within the industrial plan approved in 2008 and principally centred on the retail markets, small business (sole traders, family businesses, professional activities) and SMEs. To a lesser extent the bank targets the corporate market.

To private clients and small businesses, the bank principally offers loans and mortgages. The activities with medium and large enterprises on the other hand principally relates to unsecured loans and building and commercial loans.

The commercial policy is directed through differentiated distribution channels based on the target client and in particular:

- the direct and indirect agency networks of the Fondiaria-SAI Group, for the placement of products for households, typically mortgages;
- the Branches (Turin, Milan, Florence and Genoa) for the placement of financial services with businesses.

The lending activity is concentrated both in the geographical areas where the bank is traditionally present - in order to continuously consolidate its position - and in new markets with the objective to acquire new market share and achieve growth.

The breakdown of lending is as follows: mortgages for Euro 180.7 million (31.3%), syndicated loans Euro 89.7 million (15.4%) and unsecured loans Euro 63.8 million (10.9%) comprising 57.39% of the total; the remaining part refers to other types of lending.
The overall credit risk can be considered contained: 45.4% of the loans (unchanged compared to 2007) are secured loans, while of the 40.6% of the loans without guarantees only 40% refers to exposure to third parties. It is noted that 55.9% of the exposure of BancaSai is with counterparties with ratings equal or above class “BB”.

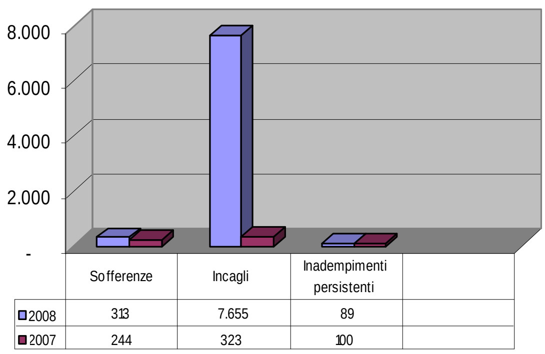
Due to the worsening economic climate, from August 2008 there was an overall increase in problem loans, in particular with reference to the positions being monitored and in spite of increased monitoring activities on clients. However, the quality of the loan book remains good: 94.2% of the loan portfolio is current, 86.3% of the portfolio has no anomalies or significant problems. The Non Performing and Overdue Loans are contained (1.4%); the individual positions are adequately managed and prudently provisioned (average write-down on non performing 72.2% and on overdue 20.54%).

Particular attention was placed in the granting of commercial credit lines, together with those relating to home loans which featured in the start-up phase of lending by the Institution, which are not only products which create greater loyalty with clientele with good margins, but also are good indicators of the activities exercised by the counterparty.

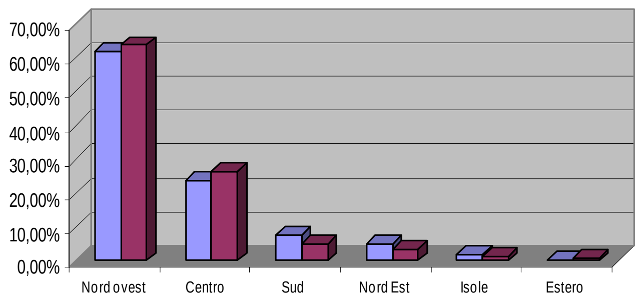
The profitability of each position was considered, which must generally be correlated to the risk. The activity of constant monitoring of the loan portfolio, as well as the prior examination of the solvency of the debtors continued during the year. From this viewpoint, the annual revision of the credit lines was particularly important, which concerned more than double the number of counterparties than the previous year following the greater number of loans and the reduction of the credit limit threshold for the revision of the credit limits. This activity is expected to expand further in 2009 through the involvement of the Bank Branches.

The increased deterioration of loans in 2008 on the previous year, comprising overdue and non-performing loans, or the persistent breaching of credit limits, illustrated in the table below, is caused by the current recession, and in particular the deterioration of the credit market for the SMEs, a segment in which BancaSai has a strong presence, in addition to the natural reaching of a first level of maturity of the loan portfolio acquired in previous years. Against these loans, whose risk levels determine the prompt instigation of necessary recovery actions, adequate provisions were made.

Graph 8 – BancaSai: Composition of receivables deteriorated

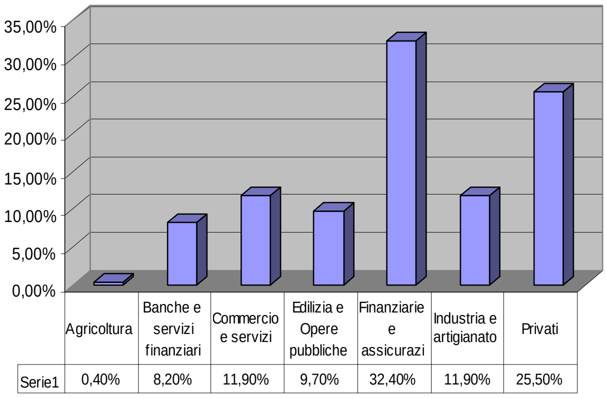


Graph 9 – BancaSai: Geographic distribution



In relation to risk policies, one of the principal pillars in the management and the formulation of the strategic choices of BancaSai is the territorial presence of the Institute through its branch network and, to a lesser extent, through the Agency and promoter networks of the Fondiaria-SAI Group.
Based on this principle, the loan portfolio of BancaSai is concentrated in Northwest and Central Italy while the bank covers the other areas to a lesser extent and principally in relation to home loans.

Graph 10 – BancaSai:Distribution of the Credit Portfolio by bank and economic activity



Within its lending process, BancaSai's operating guidelines are based on the dispersion of the risk among a multitude of clients operating in different economic activities and sectors.
The lending exposure is prevalently towards Private (26% of total), Building and Public Works (9.7%), Commercial and Services (11.9%), Banks and Financial Services (8.20%), Industry and Sole Traders (11.9%) and Finance and insurance (32.4%).

This latter sector include 23% of the credit line granted to the subsidiary Finitalia.

The Bank also utilises the Credit Rating System for the determination of internal ratings assigned to clients. The analysis compared to the previous year recorded upgrading for 21% of the portfolio, downgrading for 45% of the portfolio, while the remaining part remained unchanged or without rating.

It is also highlighted that the loan portfolio of BancaSai does not contain subprime or Alt-A mortgages (that is "alternative" mortgages which do not comply with the characteristics required by the American semi-government agencies which operate on the secondary mortgage markets), as they are not included in the credit policy of the Bank.

Finitalia

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.

Social Responsibility Report

For the Fondiaria-SAI Group, the concept of social responsibility is not confined to responsible behaviour towards Clients, but is an integral part of the company's philosophy, concerning an ethical code in which profit must be equally met with the respect of the citizen in mind and is borne out of the belief that an enterprise, in particular an insurance group, plays an active and fundamental role in the community in which it operates.

The insurance sector inherently has a particularly important social dimension. The core business of an insurance Company is fundamentally its mutual aspect – the sharing of risks, based on the criteria of division and redistribution of the savings within a collective group of policyholders, meeting the need for security and favouring the transfer of financial resources.

In addition, the insurance contract is based on trust between the Client and the Insurance Company which, in numerous cases, is over a very long time period: a bond which can only be enriched within an insurance culture and a relationship based on reciprocal correctness and transparency.

Considering that, in general, an enterprise never works in isolation, but in fact is strictly based on the interests and needs of citizenry, of the institutions, of its natural environment, it is tantamount that its development is sustainable and that its activities are transparent and ethically correct, in a worthy process which strengthens the authority and credibility of the enterprise.

We also report that, with reference to Legislative Decree No. 32/2007, through which the EU directive No. 51/2003 was partially implemented, together with the financial indicators, the civil code requires that the Report of the Financial Statements should also provide non financial indicators, where these can contribute to greater information on the company's situation. Article 94 of the Private Insurance Code, updated in January 2009, also requires that the Directors' Report contains non-financial indicators relating to the specific activities exercised, including information relating to the environment and personnel.

The Group initiatives in the social and environmental area are briefly detailed herein as a greater description of these activities are outlined in the Social Responsibility Report, which is the main instrument for communications with the various stakeholders.

HUMAN RESOURCES

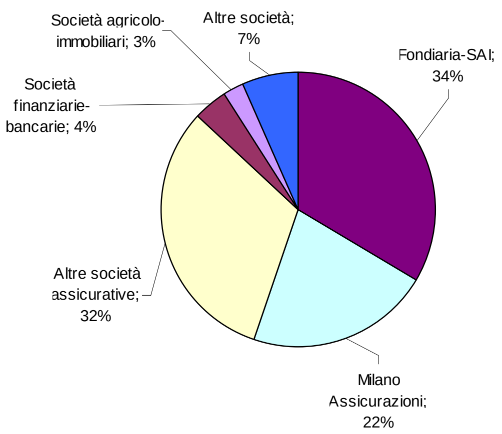
General Information

In 2008, the Fondiaria-SAI Group employed 7,932 people (6,191 at 31.12.07) of which 2,668 employees were in the Parent Company (2,623 in 2007) and 5,264 in the subsidiaries (3,568 in 2007) and is composed of:

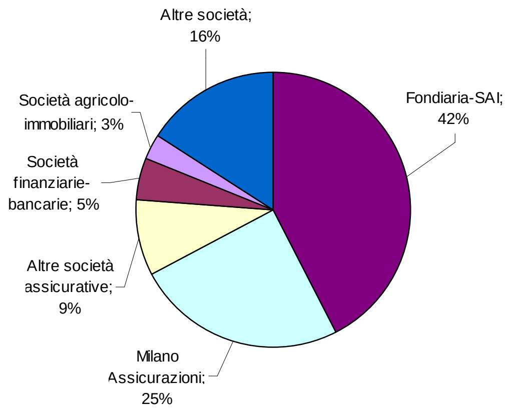
Number	30/06/2008	31/12/2007	Changes
Italian companies	5,696	6,101	(405)
Foreign entities	2,236	90	2,146
Fondiaria-SAI S.p.A. Group	**7,932**	**6,191**	**1,741**

The number of employees at the Italian companies decreased in the first half-year following the loss of control of the Scai Group. The significant increase in the number of employees in the first half of 2008 in the foreign companies is due to the acquisition of DDOR Novi Sad on January 31, 2008. In addition, the employees of the foreign companies include 556 brokers.

Balance at Dec. 31, 2008



Balance at Dec. 31, 2007



Development and selection processes

The Group considers the professional and managerial qualities of its personnel a primary asset of the business, in which it is necessary to invest, through the creation of a stimulating environment and the development of skills and knowledge necessary for innovation and the growth of the organisation.

For the past three years, the Group has used a performance evaluation model as a key instrument for the management and development of employees. The performance evaluation, based on a model inspired by the principal guidelines of the Group, in 2008 provided extremely positive results both under the heading of involvement and motivation of the employees, and in terms of knowledge of the values on which the model is based and which can now be considered a consolidated process. In 2008, over 2,000 employees were evaluated and the results analysed permitted:

- the drawing up of training plans and specific development for the varying professional development needs of employees;
- the creation of “replacement checklists” for managerial positions;
- the establishment of specific compensation policies for High Potential and Key Employees;
- the creation of inter-departmental career paths.

The selection process is based on a constant analysis and mapping of the needs of new skills and professional attributes which emerge from within the Group. The process is undertaken through a methodology which differentiates by type of profile required; the process includes the following steps: focused interview to evaluate capacity, quality and motivations, individual technical interviews to determine the level of technical/specialist know-how and an assessment centre to record potential.

In 2008, the Group promoted a constant and targeted internal mobility policy, aimed at promoting its personnel in taking up different professional opportunities in the different offices. This policy permitted target investments in the skills present within the Group and to offer significant individual growth opportunities to employees.
Particular attention was also dedicated to the promotion policies and recruitment to attract the best talent available in the marketplace. The participation at events organised at Universities and Business Schools and the offer of work experience permitted the Group to further consolidate its ties with the university system and achieve a good positioning on the job recruitment market.

Training at Fondiaria-SAI

2008 saw a renewal of Management training, about one year after the large investment in the "Cultural knowledge and transmission of Company Values" project undertaken between 2004 and 2006.

Compared to 2007, the following activities also took place:

- an intensification of the training activities for scalers or internal teachers, providing courses to employees and to the agency networks throughout the country;
- development of distance learning, in order to reduce costs, where possible, and time related to the transfer to courses.

The most important training courses in the year related to:

- the development of a two-stage course for Management, for a total duration of three days, centred on the Scenario and enterprise strategies and 2 meetings, one for Senior Management and another (on Risk Management) also extended to professional figures involved in the issue;
- the implementation of training plans in support of specific company projects (for example the PMI project and the detailed technical Motor Revision project);
- the continuation of the projects to develop skills on problem solving (Analysis and Summary Capacity) for Managers and Professional staff;
- the provision of advanced training initiatives, for example the seminar on Working for Projects, reserved to all employees involved in managing teams or collaborating within company projects, and those on legal developments;
- in relation to the Training portal, the completion of the library and the development of the online IT training, which permitted about 500 persons to undertake distance training programmes.

In 2008, 3,425 employees were involved in training with 5,346 training days and, following the training of the internal teachers, approx. 1,190 Agents were involved in classroom training.

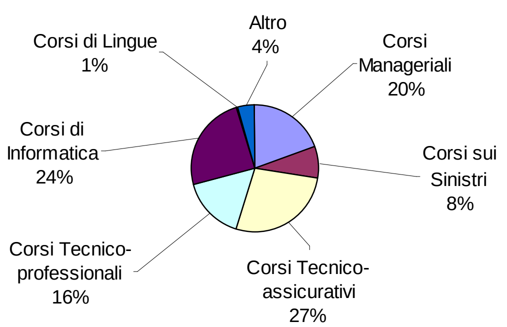
In line with the previous year, the number of pro capita training days increased although there was a decrease in the number of persons involved, consequent of a targeted training investment programme prevalently in relation to Management and Higher level staff (Managers and Professional staff).

The typical indices to measure training performance are represented by the concepts of number of attendances and training days.
For attendance, the number of participants at each individual initiative is taken: for example, if one individual participates at 2 different and separate initiatives, then 2 attendances are recorded.
For training day, the number of attendances by the number of days of the initiative is taken.

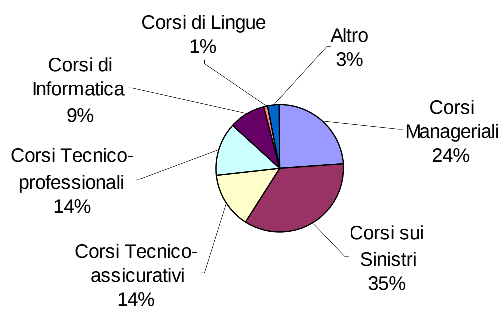
In 2008, the total number of training days was 5,396 and the total number of employee attendances was 3,426.
The following graphs highlight that a large part of these training activities have occurred within the Group (internal courses or through long-distance training: 4,977 training days, 92.2% of the total) with a marginal use of external courses.
Of the courses organised within the Company, those undertaken by internal teachers comprised approx. 77% of the training days.

Employees Involved by Type of Initiative

2008



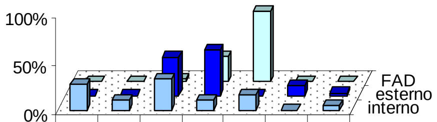
2007



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.

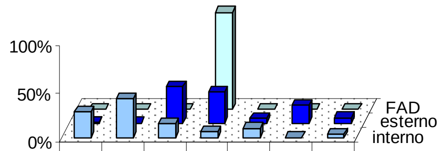
Personnel Involved by Type of Initiative and Course Method

2008



	Cors i	Cors i sui	Cors i T-	Cors i T-	Cors i di	Cors i di	Altro
interno	27%	10%	32%	10%	16%	0%	5%
esterno	0%	0%	40%	47%	0%	10%	3%
FAD	0%	0%	2%	26%	72%	0%	0%

2007



	Cors i	Cors i sui	Cors i T-	Cors i T-	Cors i di	Cors i di	Altro
interno	27%	40%	14%	6%	9%	0%	4%
esterno	1%	0%	38%	32%	5%	19%	6%
FAD	0%	0%	0%	100	0%	0%	0%

Industrial Relations Policy

Industrial relations within the Fondiaria-SAI Group were also carried out in 2008 according to the consolidated principles of information and dialogue on contractual negotiations.

In the year, in addition to integrated company contracts for the individual companies, 11 union agreements were signed, for a total of 64 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.) to December 31, 2008. These agreements refer to both companies in the insurance sector and those operating in other sectors in which the Group is active (finance, banking and services).

Beyond those of an ordinary nature, that is the implementation of the current agreements, those that are particularly important, within the objectives to rationalise and optimise the Group organisational structure, are the agreements signed on June 16, 2008, July 24, 2008 and October 27, 2008, reached in accordance with procedures set out in law in the case of mergers and significant company reorganisations.

The first agreement was signed on June 16, 2008 following the negotiations with the trade union in relation to the transfer, by Sistemi Sanitari S.p.A. (subsidiary of EDS Italia S.p.A.) to Sistemi Sanitari S.c.r.l. (company belonging to the Fondiaria-SAI Group), of the business unit undertaking the management of the claims in the Health division of the companies Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and SASA Assicurazioni e Riassicurazioni S.p.A., with the objective to create and develop a single centralised unit specialised in the management of claims in the Health division.

The second agreement mentioned was signed on July 24, 2008 following the trade union negotiations relating to the merger by incorporation of SASA Assicurazioni and Riassicurazioni S.p.A. and SASA Vita S.p.A. into Milano Assicurazioni S.p.A., made in order to create within this latter company a centre of excellence for the brands of the non listed company's distribution networks with a direct commercial presence on the market.

The third agreement was concluded on October 27, 2008 with reference to the merger by incorporation of Novara Vita S.p.A. into Popolare Vita S.p.A., which form part of the agreements between the Fondiaria-SAI Group and the Group of Banco Popolare Società Cooperativa, which will utilise Popolare Vita S.p.A. as the corporate vehicle for the continuation of their activities in the Life sector.

Trade union negotiations were centred on the contractual harmonisation of working hours for both full-time and part time employees within the Group rationalisation programme, similar to the previous year. In particular, the Agreement signed on July 1, 2008 modified the regulations applicable to full-time and part-time employees based in Turin, Milan and Florence.

On April 2, 2008, a supplementary Contract was also signed with the Company BIPIEMME VITA S.p.A. The introduction of the supplementary provisions, within a process of harmonisation, adds specific elements of the previous regulation within the ambit of the general current rules within the Group, representing for the company a concrete participation in the consolidated industrial relations model adopted by the Fondiaria-SAI Group.

In relation to the events after the end of the year, we highlight the continuation, after a critical phase between the end of 2008 and the beginning of 2009, of the trade union negotiations in relation to some particularly important issues, among which we report the merger by incorporation of Starvox S.p.A. into the Fondiaria-SAI Servizi S.c.r.l. Group, the transfer into this consortium company of company structures which provide intragroup services, and the operating procedures for the settlement of some type of claims in light of the provisions introduced by article 1 bis of the current CCNL regulations.

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 Assicurazioni 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 matters, 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 81/2008).

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 81/2008 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 260 employees in 2008.

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 offices, especially Turin, the provision of extraordinary maintenance, which will allow for significant improvements in terms of workplace safety and environmental comfort, have 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 2008.

AGENTS

In the final quarter of 2008 the Network Department was created, within a wider organisational restructuring which involves the setting up of a new first level structure aimed at managing the distribution activities by channel and of the technical and professional activities (product production, actuaries, marketing, etc.) by market segment. It is within this context that the Network Department was set up, centralising the management and the activities of the distribution channel formed by the General and city Agencies.

The new Network Department will be the centre for the management of mandates and monitoring and control of the channel staff reporting and the creation of three function lines: Fondiaria-SAI Agency Networks, Milano Agency Networks and Group Commercial Coordination.

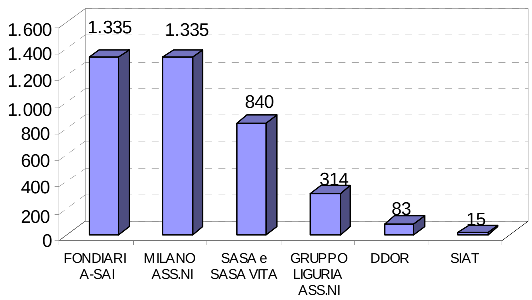
The first two structures ensure the carrying out of the commercial operations of the Group Agency Networks in terms of setting out and control of the commercial plans and budgets of the Agencies, creation and distribution of the national and local commercial initiatives, quantifying and distribution of the incentives to the Networks (commissions, rappel, contributions, etc.).

The Group Commercial Coordination involves all the service, support and assistance activities needed to maintain the business (technical assistance), territorial development and the Networks (selection and insertion of sales force) and the levels of professionalism of the Agents (training of sales force, develop consultation support to the market, etc.).

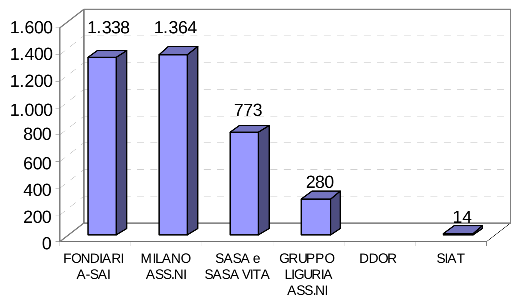
Within the Group Commercial Coordination, more significant organisational change relates to the Technical Assistance (support and assistance to the Agents in the valuation and quotation of business and in the active selection of the risks) from a “brand” logic (Fondiaria-SAI and Milano Assicurazioni technical assistance) to a “Group professional – technical” logic (mass risk assistance and personalised risk assistance). The objective of this organisational change is to provide greater quality and timely service to the Agents through enhanced capabilities and better Group organisational and operating solutions.

In 2008, premiums were mainly produced by 3,922 agencies operating through 2,937 points of sale and representing the traditional sales channels. Specifically, the distribution structure includes 1,335 sole agencies and other localisations belonging to the Parent Company, as well as 2,587 sole and multi-firm agencies that collaborate with the other Group companies.
391 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 510 financial consultants.

December 31, 2008



December 31, 2007



Training of Agency Networks

The training of the Agency Network is strategically very important for the Fondiaria-SAI Group. The first training courses took place in the 1960s: the Group had not yet been created and the insurance Companies which now are part of the Group were separate entities with very different backgrounds and activities from each other.
Through different intensity and models, therefore, the training provided to the networks alternated between training courses dedicated to all the Agencies to more specific courses for only a part of the agencies, based on their role and their skills.
Initially, the training took place exclusively for the Agents with training in particular concentrated on the technical product aspects.
Over the years the topics were expanded to the analysis of market trends and to more managerial centred aspects, related to the vision of the Agent as a central element and a driving motor of the Agency.

Simultaneously, with a view to the greater involvement of the other employees operating in the sales point, the courses were directed at sub-agents and sales persons, which have always represented a strategic point between the company and the market - both potential and existing clients.
In particular training courses were set up for new sales persons, in order to provide them with all the necessary know-how to offer the client a very high level of consultancy.

Commercial Training

For a number of years the Fondiaria-SAI Group has an extremely high level training centre which offers all the sales network a series of training courses: the focus of all the multiple activities is called Gate Training.

Gate Training provides for different types of courses:

- Scheduled courses in which it is possible to register (on the Internet) based upon the role undertaken by the Agency and the previous professional and training experience already acquired;
- Specific courses for specific categories with specialised needs. For example purposes, this Group includes courses for New Agents and New Sales Persons but also courses for Senior Agents on very specialised subjects such as Corporate guarantees;
- Meetings and seminars held nationwide, based on very pragmatic issues, often organised with Area commercial managers and consequently strictly related to the activities undertaken in the area.

The thematic subdivision of the courses also takes account of the role carried out within the Agency: there are courses for the Agents, Sub-agents and Front Line sales persons, that is the employees who deal with clients directly.

A second level of courses also allows a choice of course based on the individual needs of each operator. These themes, also based on the role covered, refer to the following categories:

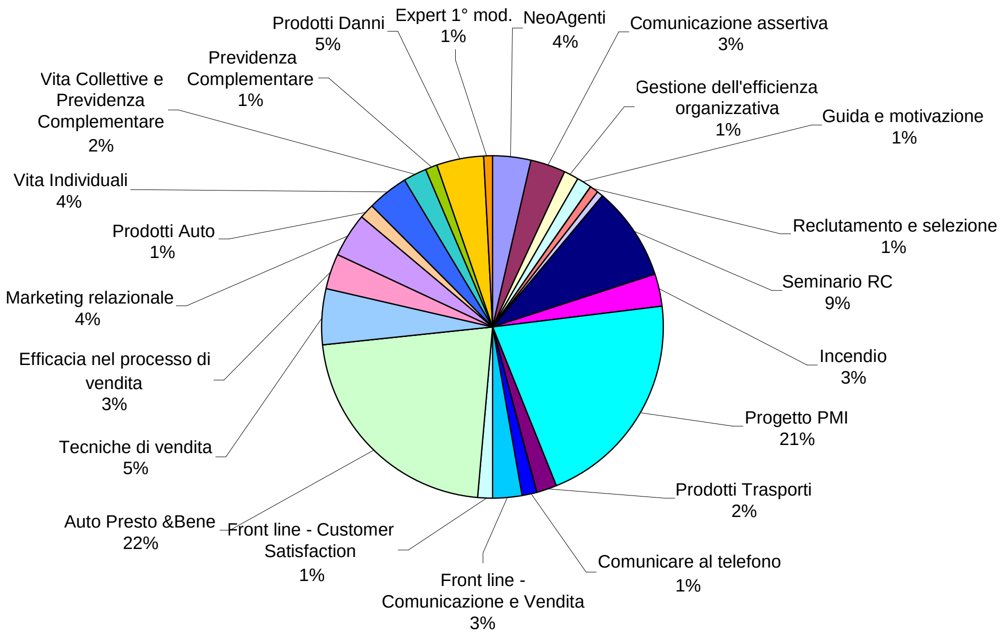
- Technical issues, on products, on specific markets, on procedures and on internal IT functioning within the company and on regulatory and fiscal aspects:
- Commercial issues, which vary from the most up-to-date selling techniques to the analysis of the market instruments utilised to optimise the efficiency on the market;
- Matters in relation to conduct and relations, in order to approach clients with transparency, efficiency and knowledge;
- Managerial issues, dedicated to those that must, in addition to the selling activity, manage the agency team, in order to achieve growth for the “Agency enterprise”.

The courses on technical issues are normally held by internal teachers, while for the other courses external consultants specialised in the subject matter are often utilised.

During 2008 the number of Gate Training courses provided to the agency networks was significant and required a large contribution of the human resources involved and the economic means necessary.
Considering only the scheduled courses and the specific courses organised by Management, Fondiaria-SAI undertook 296 courses for a total of 4,190 attendances and over 3,000 teaching hours. The data for Milano Assicurazioni was just as significant: 271 courses for a total of 3,243 attendances and 2,798 teaching hours.

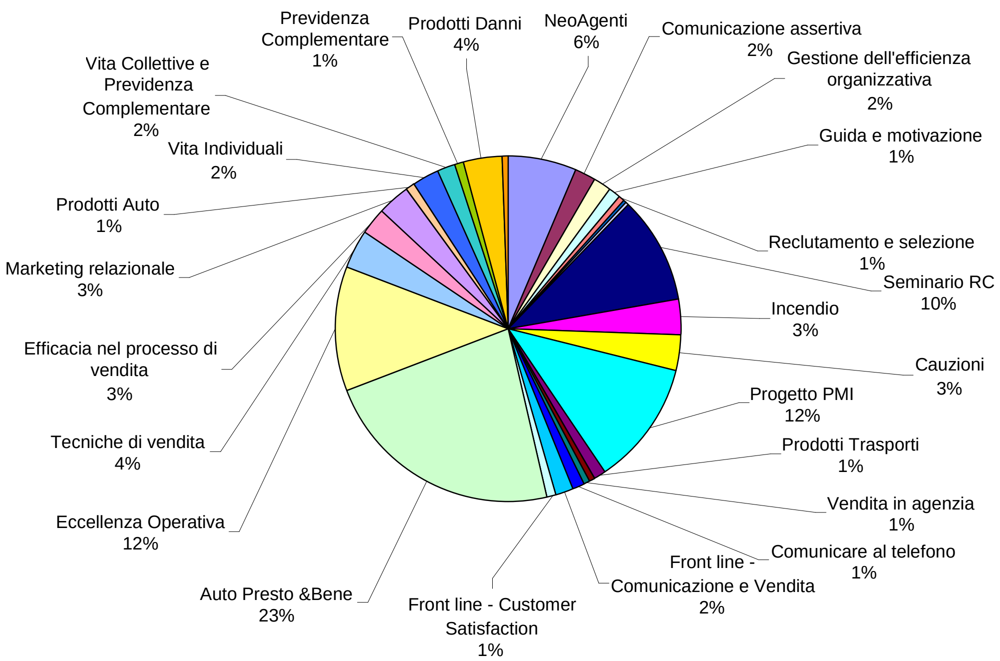
Adding also the training activity developed independently by the respective commercial managers, the total courses amount to 1,338 for Fondiaria-SAI and 1,759 for Milano Assicurazioni.

Fondiaria – SAI –Training Activities By Type of Course - 2008 (dd/person)



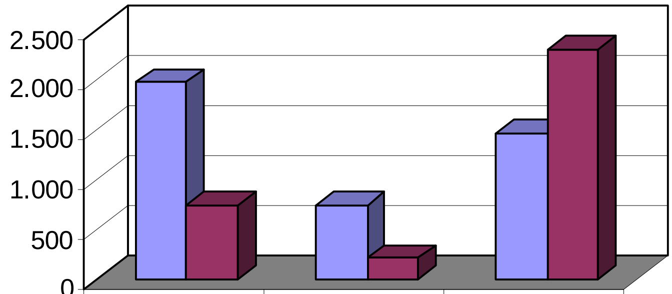
With regard to the company Milano Assicurazioni, much work was done to harmonise the skills and operational methods for the personnel who operate within the Group's sales network, following an in-depth commercial reorganisation that involved all Departments.
The training activities by type of course of the company Milano Assicurazioni is shown below.

Milano Assicurazioni S.p.A. –Training Activities By Type of Course - 31.12.08 (dd/person)



The number of classroom attendances of Agents, Sub-agents and Front line personnel for both Fondiaria-SAI and Milano Assicurazioni are shown below.

Classroom attendance - 2008



	Agenti	Subagenti	Front Line
Fondiaria-Sai	1.975	741	1.462
Milano Ass.	735	204	2.304

SUPPLIERS

Within the Fondiaria-SAI insurance group, there is a high number of service providers, in particular, services connected to the activities of the Group, such as: expert assessors, vehicle reparations, health services, various professional consultancy, training, translations, etc.

The high level of commitment of the Fondiaria-SAI Group to offer quality services ensures that the level of attention towards this category of stakeholder is always high. The characteristics which the Fondiaria-SAI Group seeks from third party Suppliers are stability, reliability, and the sharing of values, and particularly when the Supplier of services represents the active and decisive part in the settlement process illustrating, therefore, the real quality offered to the Client.
In relation to the insurance activity, and in particular the valuations of the claims reported, Fondiaria-SAI utilises a network of trusted independent professionals which form the first interface with the Client or the third party damaged. At the moment the most appropriate Suppliers have been identified, with stable relationships that provide the best conditions for both the Suppliers and the other stakeholders, such as Customers and Agents. The contribution which the Supplier can provide in relation to anti-fraud problems should not be neglected, such as: knowledge within the area, the reconstruction of the accident and contact with any witnesses.

The Group in fact considers that the creation of a network of long-term and satisfactory reciprocal relations with qualified suppliers represents a strategic objective and a source of competitive success.
As a guarantee of the quality of the settlement service, a unique, professional register of the Group has been established and an Internet site has been set up for all of the partners and Suppliers that are normally used for claims management.

COMMUNITY

Corporate Social Responsibility

The patronage of institutions by the company in cultural life is central to the Group's policies and is considered an indispensable condition for the growth and development of the Group.
Social responsibility does not just involve compliance with the law, but extends beyond the satisfaction of the obligatory regulations, investing more in human capital, in the environment and in the relations with those having interests in the activities undertaken by the Group.

In particular, the cultural investments are a vital contribution to the local cultural life, education for the young and improvements in the quality of life, such as the support of excellence and of the regional sporting associations.

The communication and information system is a primary element, for the strategy and harmonisation of the relationship between the strategic programming of the Group and the benefits to the collective good from the activities of the Group.

For example purposes, details of the principal initiatives undertaken by the Fondiaria-SAI Group in 2008 are listed.

Corporate Image and Public Relations Actions

In order to increase and consolidate the institutional role and visibility of the Fondiaria-SAI Group in Turin and Piedmont, in 2008 the Group has provided support to and collaborated with the following cultural institutions:

- the **Fondazione Teatro Regio di Torino** (Royal Theatre of Turin Foundation) of which Fondiaria-SAI is a founding partner and member of the Board of Directors;
- 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), of which Fondiaria-SAI is founding member and a member of the management board;
- the **Turin Industrial Association's Conference Centre**;

and many other institutions operating in social and cultural areas.

Specifically, in order to continue the Group's commitment as a promoter of a high-level artistic-cultural setting as well as its continued willingness to create a strong 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 5, for the fifth year in a row, the opening night (featuring Luigi Cherubini's *Medea*) at the **Royal Theatre of Turin**, which is now acclaimed by the public and receives excellent media coverage.

Fondiaria-SAI Foundation

The association helps those in need through professional concrete programmes, working towards real objectives and expanding each project. Based on this, in 2004 the Fondiaria-SAI Foundation was founded in order to support large scale humanitarian projects, both at a national and international level. Solidarity is assured which involves not just the provision of funds, but the offer of time, work and of spirit. For the onsite projects, the ability to create synergies with institutions on the ground, the selection of European groups to further their actions and the choices of collaborators, guide the everyday actions of the Foundation.
In 2008, the **Foundation** continued its commitment to its projects (those three year projects for which it is directly responsible), as well as in relation to some very worthwhile initiatives proposed by third parties.

The principal projects in 2008 were as follows:

- **Boussuma School Project** (Euro 80 thousand).
  The initial project undertaken allowed the construction of a building comprising three rooms with the capacity to facilitate between 90 and 95 students per class, of a storage room and an office, and the purchase of a further addition to allow the completion of the school complex, taking account that one school is not sufficient to house all of the children.
  The second building will accompany the first, which will include 3 accommodation rooms for teachers and a well, with a pump to extract water. The objective is to soon complete four schools, to provide a fully extensive range of facilities.

- **Giorgio Castelli Foundation** (Euro 15 thousand).
  The Giorgio Castelli Foundation was created in order to raise public awareness on the importance for the prevention of cardiovascular diseases, to start research projects on cardiological pathologies, and to assist daily medicine in the fight against what is the leading cause of death in the western world.
  The contribution will assist training for cardio-respiratory resuscitation based on the use of a semiautomatic defibrillator (BLS-D) by operators who assist the young in sporting activities. The organisations adhering to the initiative will be supplied with a kit for the cardio-respiratory resuscitation and a semiautomatic defibrillator.

- **Pallium Association** (Euro 15 thousand).
  The primary objective of the Pallium Association is to supply free housing assistance to seriously ill people in the Florence area, through the AURIGA Project which will provide accompaniment to patients and relative services to the family. This is performed through taking charge of virtually all care in relation to the sick person and their family. The contribution provided will cover part of the expenses for the purchase of an equipped van for the transport of disabled people and support for the services to the family described above.

- **Veronica Sacchi Association** (Euro 1,000 thousand).
  The Veronica Sacchi Association with its volunteers carries out voluntary work in hospitals, orphanages, retirement homes, disabled centres, prisons, parish centres and maternal schools. The grant provides for the staging of clown shows for children recovering in paediatric hospitals.

- **Bettino Craxi Foundation** (Euro 25 thousand).
  The Bettino Craxi Foundation provides further documentation of the works and thoughts of Bettino Craxi, continues the work for the publishing of his writings, and provides a stimulus for research on particular aspects of Italian and international political and social history and the development of a series of seminars and/or learning forums.

  The foundation has a project "Bettino Craxi Foundation Photo Library" (a convention with the Senate of the Republic for the "Online archive" projects), which is focused on the filing, ordering, digitalisation and publication via web of the photographic files possessed by us.
  A research project will begin in order to produce a feasibility study for the completion of an appreciation project of Bettino Craxi. The grant was issued to a deserving recipient for 2008.

- **Fame d'Amore Onlus** (Euro 10 thousand).
  "Fame d'Amore" is an ONLUS association formed in 2007 on the initiative of its Chairman, Mr. De Benedictis (Nutritionist), in order to promote the fight against the Food Behaviour Disturbances and in particular Anorexia Nervosa.
  The scientific director of the project is Mr. Bellini, Psychiatrist and Psychotherapist at the University of Federico II (Polyclinic of Napoli), an expert of the D.C.A.
  The need to create an ONLUS comes from the wishes and experience of Mr. De Benedictis in the area of Anorexia and Food Education and the desire to fight against the problem in a "new" and positive way.
  The first initiative is to create a Campaign to Prevent Anorexia Nervosa in a groundbreaking manner - not just through a brochure but in an album. A "concept album", a CD single containing a song ("FAME D'AMORE"), which tells the story of the life of an anorexic person - a life destroyed by a serious psychological illness, was released. This illness affects millions of people in the industrialised countries. In Italy alone, over 2 million people suffer from Anorexia Nervosa.

- **Medical University – Florence** (Euro 50 thousand).
  The Department of Critical Medical – Surgical Areas requires finance for a research project in relation to postoperative pain.
  In particular, the project concerns the use of strong pain relieving pharmaceuticals such as morphine, administered in non traditional ways such as in sublingual form. Not only is the problem of pain control in a postoperative scenario confronted, but also the postoperative period itself with a study which establishes the result of the intervention and the psychological aspects of the patient, which characterise the post surgical period.
  The project is expected to be carried out in 12 months and includes collaboration in a continuous manner with a psychology graduate.
  The grant is broken down as follows: Euro 40,000 for research and Euro 10,000, already issued, to support the activities of the Department.

- **European Palliative and Pain Medicine Project** (Euro 12 thousand).
- **Vanaprastha Project - India** (Euro 200 thousand).
- **Forgotten Children Project - Ethiopia** (Euro 50 thousand).
- **Home paediatric pallatative care - Turin** (Euro 50 thousand).

The proposal for the projects in the two year period 2008-2009 provides for:

- the continuing of the aid activities for the **Vanaprastha Project (India)**, for which the issue of Euro 200 thousand annually is provided for, in line with that provided in 2007 and 2008 and which will continue until 2011. In 2008 the work for the construction of the Children's City began;
- further support for the maternal school of Fonko (Ethiopia) **– Forgotten Children Project –** with an annual grant of Euro 50 thousand. In 2008 the school building was expanded as the requests for enrolment were higher than those expected and consequently all operational costs increased;
- aid for the association for home paediatric palliative care **Luce per la Vita onlus** for the project "At home is better" for Euro 50 thousand, already provided in 2008 for the two year period 2008-2009.
- sponsorship, for the second year, of the **European Foundation Centre** with the payment of an annual amount of Euro 4 thousand;
- a grant of Euro 50 thousand to the **Niguarda Ca' Granda Hospital in Milan**, in order to carry out a clinical research project for the "Plastic Surgery Institute and the Centre for Major Burns" in collaboration with the S.S. Banca dei Tessuti and Ingegneria Tissutale of the Niguarda Ca' Granda Hospital in Milan. The project relates to the clinical application – in patients with major burn scars, from trauma or from surgical intervention – of a new technology which provides for the implantation of stem cells from the fatty tissue. Dr. Stefano Bonomi will be the executive responsible for the project which already collaborates with the Structure.
  The grant will be utilised in the two year period (2008/2009) with an allocation of Euro 25 thousand for each year.

The "**Water Project**" is currently being drawn up which will cover Ethiopia and Burkina Faso.

1 Euro for Roupa Feliz was an important solidarity project for the Fondiaria-SAI Group, initiated to bring real hope to Rocinha, the biggest favela in Rio de Janeiro, probably the largest in all of South America, carried out over 4 months in total between 2007 and 2008 (November-December 2007 and January-February 2008).

In this timeframe, the agencies donated 1 Euro of commission from every Retail policy signed with gross annual premiums of more than Euro 100, a contribution which the Group is committed to double, paying itself 1 Euro to the project.

It is noted that, despite the expiry date which already has been passed, the payment will not be stopped and at the reporting date, the fund has reached an amount of approx. Euro 127 thousand. Thanks to this contribution, the heart of the Favela of Rocinha will see the foundation of the "Fondiaria-SAI – Roupa Feliz" centre, a Playing Field for young people.

Cultural and Social Interventions

The commitment to social issues and cultural values, the promotion of health and well being and all of the initiatives which allow the improvement of life of individuals and of the collectivity are the founding principles of the corporate responsibility actions of the Fondiaria-SAI Group. These actions are born out of awareness that a company is made up of men and women, their history, abilities, experiences and national pride, their projects and their future. All that creates these values shapes the principles under which Fondiaria-SAI governs the corporate activities and the relations between individuals within the organisation, and the relations with the external world and the clients.

It is on this basis that the Group formed the 2008 plan for the sponsorship and aid in the various social, cultural and sporting areas, in order to recommit to sharing its values and objectives to develop society.

Among the social initiatives are the **Angelo De Gasperis Foundation**, the association for the medical-scientific culture which works alongside the De Gasperis Department of Cardiology of Niguarda Ca' Granda Hospital in Milan. In particular, the Heart of Milan project was supported, which involved the setting up of a structure open to the public in the Milan Duomo where for the entire weekend it was possible to undertake free cardiology visits assisted by medical personnel of the hospital. The support continued of **AIMAC –** Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of initiatives and publications, and to the **AID –** Italian Dyslexic Association, set up to provide awareness to the professional and educational world and public opinion on dyslexia and to the **Dino Ferrari Friends'** Association, a support body which is committed for the diagnosis and therapy of neuromuscular and neurodegenerative illnesses and to the Health Association for the **Prader Willy** syndrome, which is involved in the research and cure of rare genetic illnesses which affect the intellectual and emotional development of children. The aid to **ATHLA ONLUS** was renewed, at the Free time Association for handicapped persons which has the objective of socially integrating disabled persons through occupational opportunities which can be carried out in their free time.

The **Missionary Brotherhood of San Carlo Borromeo** was supported, a clerical association with the aims of spreading the word of God and the training of missionary priests for the dioceses throughout the world. In particular the grant of the Group was aimed at aiding the young seminaries through the provision of a study grant.

In the socio-cultural area, the first edition of **Fiuggi Family Festival** was supported, sponsored by the Forum for the Family Associations, this was the first cinema festival entirely dedicated to families. During the festival, film previews, reviews, meetings "for families" and an international competition to promote films for a family audience were undertaken.
For the duration of the Festival, it had its own stand where qualified personnel from the Group and the local network were available to the large public audience to illustrate the new insurance product dedicated to the family and to the household.

The support of the **Rimini Meeting "for friendship among peoples"** was renewed, as official sponsor. The theme of its XXIX edition "Leader or nobody" has the reflections of the concept of the person at its core. On this theme, debates and conferences were developed with high level executives, among which the Chief Executive Officer of the Fondiaria-SAI Group, which captured the attention of a large public audience (over 700,000 persons) and the media.
The logo received great visibility also through the Group stand, where the products of the catalogue were presented.

The most significant cultural initiatives included the aid provided by the Group to the **Philharmonic of La Scala**, one of the most world renowned institutions in the city of Milan, and the grant for the completion of **MITO SettembreMusica**.
MITO, the International Music Festival, in its second outing, for the entire month of September united Milan and Turin in a busy calendar of events. Over 200 musical performances were included, mainly free, which taking place at the same time in Milan and Turin, generated a "virtuous exchange" between the two cities and strengthened the presence of the Group within the region.

Milano Assicurazioni again supported **La Milanesiana** - a literaty, music and cinema festival promoted by the Province and Municipality of Milan together with the Lombardy Region. The ninth edition of La Milanesiana, which included meetings with over 120 international guests, including 7 Nobel Prize winners, was carried out in various settings within the city and widely acclaimed by both the critics and the public.

Fondiaria-SAI and Milano Assicurazioni reconfirmed their support of **No'HMA**, an onlus cultural association which seeks an open space for Milanese citizens for training, research and experimentation of a cultural and creative nature through music, arts and theatre.

As well as aid and culture, among the fundamental corporate responsibility actions of the Group is the promotion of sport, within all its various disciplines.
Respect for the rules, overcoming difficulties and team spirit are some of the values which sport provides to those who participate in it and therefore Fondiaria-SAI sees the benefit in supporting it.
The sponsorship of two historical Milanese sporting institutions was reconfirmed, the football association of **Masseroni Marchese** and the **Pro Patria Tennis**, both involved in the promotion of sport as an important training instrument of young people.

As well as the traditional support for **Fondiaria-SAI Atletica**, champions of Italy, and the prestigious golfing tournament **Fondiaria-SAI Swing Cup**, with the sponsorship of **Fondiaria-SAI Pro AM**, the company supports two major horse shows: the Global **Champions Tour** and the **Jamping Verona**, organisations involved in Show Jumping. Here for all of the show, Fondiaria-SAI achieved great visibility through the space opposite the preparation area for the promotion of its products. Fondiaria-SAI also sponsored the World Championship of cycling in the streets of **Varese 2008**, a major sporting event, which provided a great boost to the company's image.

COMMUNICATIONS

Internal Communications

In order to proceed with the consolidation of the integration of different corporate cultures present within the Group, throughout 2008 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 whom a study for a new print publication is being undertaken) 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 **2008/2009 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 large billboards and agency signs for all the Group;
- the planning of events targeted at employees and agency networks.

External Communications

The revisionary work on the formal codes of "client communication", which commenced in the first half of 2008 and guided by the general principles of greater clarity and transparency, was first utilised in the study project for the communication of the new product range RETAIL PIÙ, (with exclusive distribution by the Fondiaria-SAI networks) of which SMART CASA – launched in January 2009 - is only the first product.
The communication project identifies the communication guidelines, paying particular attention to the modernisation of language and focussing on conveying usefulness and convenience to the Client.
The project relates to both the commercial communication tools and to contractual and legal communication, with emphasis on the language (verbal and visual) and to a greater extent, on the brand image.

Greater visibility was also given to the Company AUTO PRESTO & BENE and to the motor insurance policy of the same name, which provides a complete, highly competitive and innovative format of services and unique advantages for the clients of the Group. The communication reached the market through the agency channels and the repair centre networks present on the ground and, finally, through the setting up of the Internet site **www.autoprestoebene.it** on October 1.
Adequate support and the necessary visibility to the initiatives developed by the corporate business centres and the Companies belonging to the Group has also been guaranteed; among the most important activities we report:

- support to the Motor Department in the realisation of new **direct Motor marketing** programmes;
- the start-up of communication projects for the new company **Sistemi Sanitari**;
- realisation of the communication project for the Fondiaria-SAI Foundation and the commencement, on October 1, of the Internet site **www.fondazionefondiariasai.it**

In addition, the Agencies were guaranteed the necessary ongoing assistance in the realisation of local communication tools, based on the specific local marketing needs and pursuant to Isvap Circular 533/d which requires the prior authorisation by the insurance Company of all communications of a commercial nature by intermediaries.
The utilisation of the portal **ComunicAgenzia**, which began at the beginning of 2008 for the optimal management of assistance requests of the Agencies, grew by over 200% on the same period of the previous year.

The commitment focused on implementing a greater culture of communication, in line with the guiding values of the Group is carried out through the **VISION editorial project** and the completion of the first series of guides "**Say Do Communicate**".

Press Office

The work of the press office is focused on guaranteeing a constant flow to the mass media of information regarding the companies of the Group and the publication of the financial results, the objectives, the management objectives and the insurance solutions offered to clients.

Within a context of greater transparency and openness in the relationship with the media and the external public, the press office, as well as supporting the issue of 54 press releases, of which 45 price sensitive, carried out meetings between journalists and top management, which increased the visibility of the Group and improved the perception of its activities. Significant importance was given to the launch of the Public Purchase and Exchange Offer by Fondiaria-SAI on Immobiliare Lombarda S.p.A. and the corporate/industrial restructuring project of the Group. In order to guarantee maximum clarity and access to information on this complex operation, the press office, in addition to publishing the related press releases, some of which on requests from the Supervision Authority, undertook and organised, in close collaboration with the Subsidiaries Management and Corporate Development-M&A, meetings with the press and interviews with the Chief Executive Officer. The department also coordinated the communication and advertising activities programmed by the Group in relation to the take over bid.

Together with the Investor Relations department, the annual meeting with the financial community and the Shareholders' Meetings, was organised and its impact on the media assessed.

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 two first instance proceedings are pending and during the course of 2008 no new summons notices were received.

Four proceedings initiated by the Company for the reform of seven 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 counterparty's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Milan Court of Appeals – in the only two second level judgements issued on the matter – has fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are two summary judgements currently before the Court of Cassation brought forth by Promofinan S.p.A. and Messrs Marcegaglia in appeal of the judgement in our favour that was issued by the Milan Court of Appeals. The Company has counter-appealed.

The provisions for risks and charges in the financial statements at 31.12.08 are sufficient against the litigation in course.

Tax Audits

On July 21, the Tuscan Tax Office, following a general audit on 2004 returns, notified the Parent Company of a Contestation relating to the taxes for the years 2003, 2004 and 2005.

The tax audit concerned, in addition to the formal controls on all tax compliance, Direct Income Taxes, VAT, Withholding taxes, Insurance taxes and other indirect taxes and a large part of activities undertaken by the Company.

The contents of the contestation, prevalently regarding correct accrual accounting, are being analysed in detail by the company in order to assess and quantify the risks and substance, although it should be noted that based on our analysis thus far, we are in agreement only with a minimal part of the findings.

For the purpose of pointing out elements of its defence, on September 19, 2008 the Company communicated, in accordance with article 12, paragraph 7, of Law No. 212/00, a note containing observations and requests on some matters contained in the Tax Notice.
No notice of assessment has thus far been issued.

On July 31, 2008, the Central Assessment Office – Fiscal Control Sector – Large Companies Office, on the completion of a general verification relating to the year 2004, for a duration of 9 months, within the full terms permitted by Statutes, notified Milano Assicurazioni of a Contestation concerning taxes for the year 2004 and with reference to the years 2003, 2005 and 2006.
The contestation and the documents attached show that the verification concerned, in addition to the formal controls on all tax compliance, Direct Income Taxes, VAT, Withholding taxes, Insurance taxes and other indirect taxes and all activities undertaken by the Company.
The contents of the contestation are being analysed in detail by the company in order to assess and quantify the risks and substance, although it should be noted that after a preliminary analysis it is considered, where these matters are confirmed by an assessment notice, we are in agreement only with a minimal part of the findings.
On September 26, 2008 the subsidiary communicated, in accordance with article 12, paragraph 7, of Law No. 212/00, a note containing observations and requests on some matters contained in the Tax Notice.
No tax assessment has been completed to date.

DISCLOSURES ON SHARE OWNERSHIP PURSUANT TO ARTICLE 123 OF THE CONSOLIDATED FINANCE ACT AS AT MARCH 24, 2009

a) Share capital structure

The subscribed and paid-in share capital is Euro 167,043,712.00.

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

	Nr. shares	% of share capital	Quoted on	Rights & obligations
Ordinary shares	124,482,490	74.52	MTA – BORSA ITALIANA Sp.A.	(*)
Savings shares	45,561,222	25.48	MTA – BORSA ITALIANA Sp.A	(**)

(*) Each Fondiaria-SAI S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Fondiaria-SAI S.p.A.
On the distribution of the profits or on the liquidation of the company, the ordinary shares of Fondiaria-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 dividend 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.

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.		53.191	47.075
	Premafin Finanziaria S.p.A. H.P.	37.567	42.474
	Milano Assicurazioni S.p.A. (*)	8.019	-
	Finadin S.p.A.	4.070	4.601
	Fondiaria-SAI S.p.A. (*)	2.571	-
	SAI Holding Italia S.p.A.(*)	0.964	-

(*) 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 Fondiaria-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 where no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

- 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 the statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.

In the event that the majority of the Directors' offices become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

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. 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 terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and 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.

2. The extraordinary shareholders' meeting of April 28, 2006 approved a further share capital increase for a maximum 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 terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and 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 in accordance with article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 23, 2008 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 4,600,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 130,000,000, 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

Acquisition of Atahotels

As communicated to the market on December 29, 2008 and January 5, 2009, on December 29, 2008, Fondiaria-SAI and Milano Assicurazioni signed a preliminary purchase contract with Sinergia Holding di Partecipazioni S.p.A. (hereafter: Sinergia) and Raggruppamento Finanziario for 100% of the share capital of Atahotels S.p.A., a leading Italian hotel chain.

The effectiveness of the preliminary sales-purchase contract (hereafter: Contract) is conditional, among other matters, on the prior authorisation of Isvap, as well as the authorisation – already received – by the Anti-trust Authority.

Atahotels has an authorised share capital of Euro 40 million, subscribed and paid in for Euro 28 million, held 97.91% by Sinergia and 2.09% by Raggruppamento Finanziario.

Atahotels, created in 1967, is the 6th Italian hotel chain by room numbers (approx. 4,000) operating in the business and leisure segments; including the residences and new facilities opened in 2008, the total number of rooms is over 6,000.

The activities of the company are undertaken through direct management (and indirect, through subsidiary companies) of 25 facilities in Italy:

- 10 hotels (2,254 rooms)
- 6 resorts (2,178 rooms)
- 6 residence (1,577 rooms)
- executive center.

The facilities – with the exception of the Hotel Terme di Saint Vincent – are not owned by Atahotels but are leased from institutional investors with contracts which generally expire between 2015 and 2017, and precisely:

- 14 facilities leased from the Fondiaria-SAI Group (approx. Euro 11 million annual rent);
- 10 facilities leased from other institutional investors (approx. Euro 14 million annual rent).

During 2008, Atahotels opened 3 new facilities in properties owned by the Fondiaria-SAI Group (Pero, Varese and Petriolo), while three further facilities are planned in the coming years (Rome, Parma and San Donato Milanese), also owned by the Group. There are 1,500 employees, half of which are seasonal employees.

From a competitive standpoint, Atahotels has a number of distinguishing features compared to its competitors, in that it is a mixed operator (hotels, resort, residences) which manages large scale facilities (218 rooms on average per facility managed) and, finally, is present nationwide and also operates through a captive tour operator.

The corporate holdings of Atahotels are as follows:

- a 100% investment in the share capital of Hotel Terme di Saint Vincent S.r.l.;
- a 100% investment in the share capital of Tour Executive S.p.A., which operates in the travel agency and tourism sector;
- a 100% investment in the share capital of Italresidence S.r.l., which operates in the management of hotels;
- a 100% investment in the share capital of Ata Benessere S.r.l., which operates in the specialised sector of medical care and rehabilitation, diabetics, homeopathy and aesthetic medicine;
- a 98% investment in the share capital of AtaHotels Suisse S.A., currently non operative.

The operation would result in the acquisition of indirect control, by Fondiaria-SAI, of all these investments, while the investments already held by Atahotels in Fin.G.IT. S.p.A. (45%) was part of a separate sale to Sinergia for an amount of approx. Euro 16 million.

The company's market in recent years has seen a substantial stagnation principally attributable to the drop in the number of Italian clients and to a decrease registered in the art cities and in the seaside and mountain resorts. In 2007, in particular, the leading 7 Italian cities recorded a market decline with a RevPar (revenues per available room) decreasing by approx. 4%, a figure which deteriorated further in the first half of 2008 (approx. -5%), principally due to the effects of the world financial crisis.

With regard to the financial performance of Atahotels, the last three years, excluding extraordinary items which positively affected the results, illustrate:

- revenues substantially stable at around Euro 120 million annually (which reflects a decrease in the visitors compensated by an increase in prices);
- a GOP (Gross Operating Profit) decreasing due to the increase and rigidity of fixed costs (in particular personnel);
- a strong decrease in normalised EBITDA (loss in 2008) due to the increase in rent and fixed costs, advertising and promotions, as well as losses on receivables;
- strong decrease in EBIT due to the increase in depreciation on modernisation investments made in recent years to the facilities;
- a strong deterioration in the net loss.

From a management standpoint, the result of Atahotels are particularly concentrated on 6 "driving" facilities (on a total of 24) which represents over 70% of revenues and 80% of EBITDA.

In particular, 46% of the total revenues derives from the resorts, for a total of 6 facilities of which 3 (Tanka, Naxos and Capotaormina) represents 40% of the total revenues, while approx. 44% of the total revenues derives from the hotel business, for a total of 10 facilities of which 3 (Executive, Villa Pamphili and Quark Hotel) represents 29% of the total revenues.

Revenues are highly seasonal and are related to the activities of the resorts between May and October, with evident impact on the operating working capital and on the net financial position.

The structure of operating costs is rigid due to the high level of personnel costs and rental costs, in addition to other "fixed costs" of approx. Euro 13 million, of which:

- Euro 9 million for the significant depreciation related to the significant modernisation investments;
- approx. Euro 2 million of financial charges;
- approx. Euro 2 million of IRAP.

In relation to the prospects of the company, the 2009-2015 business plan prepared by the management of Atahotels provides return to profit in 2013, with a requirement of funds to strengthen the balance sheet of around Euro 18 million in the current year. These funds principally derive from the necessity to recapitalise the company and they are not related to particular financial requirements in that the company at operating level has always produced positive cash flows. The plan is therefore characterised by the following key elements:

- change in business, with 3 new facilities opening in 2009 (Rome, Parma and San Donato) and the closure of 2 facilities (Executive Centre Rome in 2011 and Concord in 2012);
- slow start-up of the recent facilities opened (Pero, Petriolo, Varese);
- market recovery in terms of occupancy rate and prices, in particular in the facilities owned by the Fondiaria-SAI Group from 2010;
- "expo" effect in 2015;
- completion of the depreciation due to the extraordinary maintenance and modernisation works;
- investments of Euro 20 million for modernisation and opening of new facilities.

The purchase of Atahotels represents for the Fondiaria-SAI Group an opportunity of vertical integration in the tourist sector through the aggregation in the insurance companies, already owner of a large part of the facilities and of the management activities currently outsourced. This operation is against the backdrop of the hotel sector undergoing a difficult phase due to the protracted effects of the world financial crisis. Atahotels, for its part, which is impacted by a crisis similar to its competitors, at the same time is confronting a challenging development programme of its activities, both in relation to the investments already made, and the programme for new openings which are largely on properties owned by the Fondiaria-SAI Group.

This latter, in fact, in recent years, also following the merger between La Fondiaria Assicurazioni and SAI, and with the acquisitions and the current projects to be completed, significantly increased the component of tourist property investments with a property portfolio which in the coming years will amount to over Euro 500 million, part of which is managed by Atahotels and part still managed by various other operators until the expiry of the relative rental contracts. The significant and prestigious level of assets owned has therefore led the Company to undertake a direct presence in the management of these assets, with a view to obtaining better returns under a single management, thereby optimising time and procedures in obtaining rentals and to internalise the prospect of the creation of value from this activity. It is recalled that Atahotels was part of the former SAI Group in the '80s.

It is clearly evident that the current economic environment, while on the one hand requiring from the Fondiaria-SAI Group a financial and economic commitment (considering the capital needs and the losses forecast in the business plan of Atahotels) to maintain, sustain, expand and enhance its investments in the hotel sector, on the other represents an opportunity to acquire at very good levels one of the best national hotel chains, providing it with the appropriate capital and managerial levels to compete with greater efficiency and acquiring new market share and thereby laying the foundations to increase the value in the investment in the long-term period which will be achieved also through sector mergers and the eventual listing of the company.

The acquisition of Atahotels is part of a long-term investment policy adopted by the Group in the tourist-hotel sector, one of the driving sectors of the national economy, within the strategy of a captive management on which to concentrate also the numerous properties owned by the Group currently managed by third parties (for example Hotel Portofino Vetta, Hotel Lorenzo il Magnifico and Residence Guala). This development – as mentioned – is also opportune in the current economic environment which renders the strengthening of the capital and managerial capacities opportune and makes it possible to negotiate a good price for the acquisition. An almost equal joint equity investment by Fondiaria-SAI and Milano Assicurazioni for reasons of common interest was undertaken to maintain their respective real estate investments in the tourist segment, including through their holdings in Immobiliare Lombarda.

The Contract signed on December 29, 2008 provides for the purchase by Fondiaria-SAI of an investment of 51% of the share capital of Atahotels at a price of Euro 15.3 million and a holding of 49% of the share capital of Atahotels at a price of Euro 14.7 million by Milano Assicurazioni, for a total preliminary value of Euro 30 million. In accordance with the Contract, Fondiaria-SAI and Milano Assicurazioni made a provisional payment of 10% of the agreed price between the parties, while the remaining 90% of the price (subject to adjustments as described below) will be paid at the execution date.

The above-mentioned provisional price will be subject to an adjustment price procedure, either increasing or decreasing on the basis of the comparison of the net asset values and the net financial position of Atahotels, as resulting from the pro-forma statutory financial statements of Atahotels at December 31, 2008, and respective values in the financial statements of the company at December 31, 2008 as well as a comparison between the estimate of the net equity values and the net financial position of the subsidiary Italresidence S.r.l. at December 31, 2008 and the respective values in the financial statements of the company as at December 31, 2008.

The agreement also includes a system of variable earn-out for the selling party, up to a maximum amount of Euro 13 million payable in 2013, based on the profitability of the company.

The contract also provides a clause that the selling shareholders will ensure that, for all of the period between the subscription date of the Contract and the execution date, Atahotels and the subsidiary companies do not undertake operations other than those within the ordinary management without the prior approval of the buyers. Also in accordance with the Contract, some representatives of the buyers were nominated immediately as directors of Atahotels.

The Contract also includes declarations and standard guarantees given by the sellers with reference to Atahotels and the subsidiaries at the subscription date of the Contract and will also give such guarantees at the execution date.

The purchase operation will be financed by the two insurance companies entirely through own funds.

The above operation is an operation with related parties of Fondiaria-SAI and Milano Assicurazioni, in relation to the positions of some directors of the two companies in Sinergia and the fact that this latter, a subsidiary of Starlife S.A., participates in the shareholder agreement concerning the shares of Premafin Finanziaria Holding di Partecipazioni S.p.A., the parent company of Fondiaria-SAI as per article 93 of Legislative Decree 58/98 and Raggruppamento Finanziario is a subsidiary of Starlife S.A.

Considering the type of investment and the nature of operations with related parties, the Board of Directors of Fondiaria-SAI and Milano Assicurazioni, for the determination of the purchase price of 100% of the share capital of Atahotels, appointed the independent expert KPMG Advisory S.p.A., which issued an opinion on the range of values of Atahotels. This opinion was duly sworn as consisting of transactions with related parties.

The operation was unanimously approved by the Board of Directors meetings of Fondiaria-SAI and Milano Assicurazioni – with the only abstention being the Directors with interests pursuant to article 2391 of the civil code – both meetings were held on December 17, 2008, with prior examination by the respective Internal Control Committees.

Acquisition of Società Agricola Cesarina

As communicated to the market on December 29, 2008 and January 5, 2009, on December 29, 2008, Milano Assicurazioni signed a preliminary purchase contract with Sinergia Holding di Partecipazioni S.p.A. (hereafter: Siergia) of 100% of the share capital of Società Agricola Azienda Cesarina S.r.l. (hereafter: Cesarina), an agricultural business which in turns controls 100% of Azienda Agricola Santa Lucia S.r.l. (hereafter: Santa Lucia).

The effectiveness of the preliminary sales-purchase contract (hereafter: Contract) is conditional, among other matters, on the prior authorisation of Isvap, as well as the authorisation – already received – by the Anti-trust Authority.

Cesarina and Santa Lucia own land for agricultural, horticulture, plant and forestry cultivation and animal farming. They are also owners of buildings located in the immediate vicinity of the land, partly utilised – including by third parties – for the exercise of agricultural activities.

The land on which Cesarina and Santa Lucia undertake their agricultural activity is located in the agricultural area north east of Rome and covers approx. 730 hectares.

In particular, the land of Cesarina has a total area of approx. 680 hectares and is located within the "Natural Reserve of Marcigliana", beyond the Rome Ring Road, 13 km from the centre of Rome.

Among the buildings located in the area:

- service spaces: comprising 9 buildings for residential use, 18 agricultural buildings for stables, outhouses and poultry pens, 1 dairy farm and stables plus prefabricated shelters;
- private villa; comprising two floors above ground with outhouses, garage and garden with swimming pool, in excellent condition and with high quality finishings;
- other buildings for mixed use.

Santa Lucia, for its part, holds approx. 44 hectares of agricultural land adjacent to that of Cesarina, cultivated prevalently with intensive growing.

The land of Santa Lucia is also located in Rome in the "Natural Reserve of Marcigliana".

There are also some buildings in the land of Santa Lucia;

- 5 rural buildings utilised as outhouses, workshops and furnaces;
- buildings in part for residential use and part rural use, outhouses and barns.

The balance sheet of Cesarina is principally composed of land. In fact the assets, which in 2007 amounted to Euro 19 million, represented approx. 88% of fixed assets, which is in turn principally composed of:

- land and buildings of Euro 12.7 million (Euro 10.7 million due to the exclusion of the transaction of land owned by Cesarina located at Casalboccone);
- plant and machinery of Euro 0.7 million;
- costs capitalised for Euro 1 million, which principally refer to the milk quota acquired in 2005 and maintenance on machinery capitalised under intangible assets;
- investment of Euro 1 million (Euro 0.8 million due to the exclusion of the transaction of the investment in Azienda Agricola Panda S.r.l., held 100% by Cesarina).

There is also a medium-term loan provided in favour of Cesarina by Banca Popolare di Novara, of Euro 10 million and expiring at the end of 2009.

In relation to the income statement, revenues principally refer to the sale of milk and agricultural products. The other revenues relate to the grants which the company annually receives from the European Community and which contribute to over 30% to the total value of production.

Costs for raw materials and services refer to the ordinary activity and include costs for feed stuff, seed, fuel for agricultural machinery and ordinary maintenance on buildings. The company also has 11 employees.

In relation to the reasons for the operation, the entity will be integrated into the activities of the subsidiary Saiagricola S.p.A., through the merger with this latter which will create a "unique" enterprise within the north Roman agricultural district (only 13 km from the centre of Rome) due to its size and natural countryside surroundings.

The area, principally agricultural land, although within the Natural Reserve of Marcigliana, which currently precludes all construction, could be subject to future revaluation based on the possibility, in the long-term period, of the promotion of urban development also on a limited portion of the land, in consideration of the residential pressures of the area and the vicinity of the area to medium and high density populations close to the Rome Ring Road which the area borders.

In the medium-short term, however, considering the significant size of the company and its reduced level of agricultural exploitation, it is possible to foresee a considerable increase in revenues, both through a series of initiatives focused on current activities, in particular milk and olive oil, as well as developing innovative projects for the utilisation of agricultural products for the production of "green" energy and in particular plants for the production of biogas which will allow the valuation of agricultural products such as yeast, medical herbs, trefoil, hay, rice, rejected cheese, reutilisation of livestock waste, rice straw etc. The availability of large land areas and livestock sewage are in fact the necessary conditions to produce biomass to obtain biogas utilised for fuelling "cogenerator" motors which produce electricity.

The maximum estimates of the depreciation period after which an average size plant of 1 - 1.5 Mw should generate a net profit of between Euro 500,000 and Euro 600,000 annually is 3 years.

It is expected that Cesarina will be integrated into the activities of Saiagricolo – 100% direct and indirect subsidiary of Fondiaria-SAI in which Milano Assicurazioni currently holds 6.81% and is the long-standing agricultural company of the SAI Group, owner of over 5 thousand hectares of land and prestigious producer of quality wine, rice and olive oil – through a merger of the two companies, within an overall operation which could result in the agricultural business being divided roughly equally between Fondiaria-SAI and Milano Assicurazioni, in line with the strategy adopted by the group in other investment sectors.

The integration of Cesarina and Saiagricola would create economies of scale and marketing synergies which would permit critical mass levels to facilitate a direct retail distribution approach, opening a small number of selected retail sales points in Rome to enhance the entire range of agricultural products of the group (wine, olive oil, rice, cheese, fruit, etc.) promoting the brand awareness of the Saiagricolo products within a marketing strategy aimed at bypassing the indirect commercial channel.

The operation, against a backdrop of high volatility in security markets, represents an interesting and solid long-term investment opportunity. The investment would in fact permit the Group, in the short-medium term period to expand and integrate the range of excellent agricultural products offered, guaranteeing an industrial return in line with that of the other areas held, as well as, in the long-term period, to hold an almost "unique" area in the northern agricultural area of Rome with extremely good revaluation possibility related to reasonable – although in the long-term period – prospects of construction, as well as having prestigious guest areas in the capital of the city for commercial and representative activities.

The Contract signed on December 29 provides for the purchase by Milano Assicurazioni of a direct investment of 100% in the share capital of Cesarina for a price of Euro 80 million. In accordance with the Contract, Milano Assicurazioni made a provisional payment of 20% of the agreed price between the parties, while the remaining 80% of the price (subject to adjustments as described below) will be paid at the execution date.

The above-mentioned provisional price will be subject to an adjustment price procedure, either increasing or decreasing, on the basis of the comparison of the net equity of Cesarina, according to the balance sheet at September 30, 2008 and the net equity reported in the financial statements of the company at December 31, 2008.

The contract also provides a clause that the selling shareholders will ensure that, for all of the period between the subscription date of the Contract and the execution date, Cesarina and Santa Lucia will not undertake operations other than those within the ordinary management without the prior approval of the buyers.
The Contract also includes declarations and standard guarantees given by the sellers with reference to Cesarina and Santa Lucia at the subscription date of the Contract and will also give such guarantees at the execution date.

The purchase operation will be financed by Milano Assicurazioni entirely with own funds.

The above operation is an operation with related parties of Milano Assicurazioni, as well as the parent company Fondiaria-SAI in relation to the positions of some directors of the two companies in Sinergia and the fact that this latter, a subsidiary of Starlife S.A., participates in the shareholder agreement concerning the shares of Premafin Finanziaria Holding di Partecipazioni S.p.A., the parent company of Fondiaria-SAI as per article 93 of Legislative Decree 58/98.

Considering the type of investment and the nature of operations with related parties, the Board of Directors of Milano Assicurazioni and Fondiaria-SAI, for the determination of the purchase price of 100% of the share capital of Cesarina, appointed the independent expert KPMG Advisory S.p.A. requesting a fairness opinion relating to the price of Euro 80 million indicated above. This opinion was duly sworn as consisting of transactions with related parties.

For the determination of the purchase price, Milano Assicurazioni, with the support of the Fondiaria-SAI Group organisation, and KPMG Advisory utilised the independent expert Scenari Immobiliari S.r.l., which prepared the expert opinion's report on the two real estate portfolios referring to the two agricultural companies.

The asset value estimates by Scenari Immobiliari for Cesarina and for Santa Lucia were respectively Euro 118 million and Euro 7 million including land and buildings.

In particular, the value of the land (amounting respectively to Euro 93 million and Euro 6.6 million) was calculated by Scenari Immobiliari utilising as the principal methodology the summary comparative method, or comparison of sales. For this purpose, Scenari Immobiliari utilised transactions between the period 2004 and 2008, considered comparable for type, location and use of the asset, taking into account for the determination of the unitary price per square metre, the size and the characteristics of the land.

In particular, Scenari Immobiliari reports that for the agricultural areas located in the municipality of Rome, the market recognises an implicit premium compared to the average prices of agricultural land, to take into account the potential construction against a significant pressure in terms of local demand and the low offer especially in the northern area. The values determined by Scenari Immobiliari are therefore market values based on other similar lands which were recently subject to sales/purchases.

For the valuation of the buildings Scenari Immobiliari utilised as reference the market values indicated by the OMI (Real Estate Market Observatory) and its own Database, determining values of Euro 24.8 million and Euro 0.8 million respectively for Cesarina and Santa Lucia.

Based on the social-urban considerations highlighted, Scenari Immobiliari undertook a further valuation of the land of Cesarina and Santa Lucia in the medium-long term period (10-15 years) in which it is assumed a part of the land subject to valuation could change usage for the realisation of structures for recreational purposes and residential use with limited construction activity.

The total asset value attributed by Scenari Immobiliari to Cesarina and to Santa Lucia within a scenario of partial construction would amount to approx. Euro 156 million.

Given the importance of the real estate assets in the determination of the price attributed to the capital of Cesarina, Milano Assicurazioni also requested an expert's valuation from CSGI S.r.l., in order to have a further valuation supporting the analysis prepared by Scenari Immobiliari with reference to the land and buildings. This valuation, based on the application of the comparative method, indicated a total value of approx. Euro 133 million (compared to Euro 125 million of Scenari Immobiliari).

The operation was unanimously approved by the Board of Directors meetings of FONDIARIA-SAI and Milano Assicurazioni – with the only abstention being the Directors with interests pursuant to article 2391 of the civil code – both meetings were held on December 17, 2008, with prior examination by the respective Internal Control Committees.

Purchase of building by Meridiano Eur

Among the events after the end of the year we report that, in January 2009, the subsidiary Meridiano Eur completed the purchase of an office building in Milan, via Crespi 57, from the Generali Assicurazioni Group, for Euro 55.8 million: a building located in the north zone of Milan, near piazzale Maciachini. It consists of one underground floor and six floors above ground, prevalently for office use for a total surface area of 27,139 sq.m.

Reduction of the exposure of the Investment Portfolio

In order to reduce the exposure of the investment portfolio to the equity market, the Group has in the month of February concluded a hedging programme through the purchase of Put options on the Eurostoxx50 index, for a period of six months and a total value of approx. Euro 500 million, almost 50% of the Group's equity exposure. This strategy will neutralise potential losses on the equity portfolio caused by the continued market crisis, while permitting gains from rises in equity markets.

Restructuring operations within the Group

On March 5, 2009, the Board of Directors of Milano Assicurazioni, pursuant to article 2343 of the civil code, assessed the valuations contained in the report prepared by the appointed expert Reconta Ernst & Young S.p.A. in accordance with the aforementioned regulations with regard to the conferment in favour of the company of the entire holding held by Fondiaria-SAI in Liguria Assicurazioni and of the 27.88% holding of Fondiaria-SAI in Immobiliare Lombarda. It is recalled these conferments are effective as of December 31, 2008.
The Board considered that based on the documentation reviewed and clarifications received, there are no reasons to undertake a revision of the estimates of the conferment values in favour of Milano Assicurazioni of the abovementioned investments.
On the completion of this verification, on March 11, 2009, Consob communicated the authorisation for the publication of the information prospectus relating to the admission to the listing on the Stock Market of the ordinary shares of Milano Assicurazioni in relation to the two share capital increases through the conferment in kind of the investments in Liguria Assicurazioni and Immobiliare Lombarda and issued to service the merger by incorporation of Sasa and Sasa Vita. These shares are listed from March 16, 2009.

OUTLOOK

The deepening of the global financial crisis, the related uncertainty and the increased level of competition introduced by the new regulations relating to the insurance sector requires even greater attention to the technical performances and to the efficiency of the processes.

The introduction of the “direct compensation” mechanism had created recent operating implications, such as to require the Fondiaria-SAI Group to undertake a revision of its strategic guidelines. The Fondiaria-SAI Group has therefore decided to meet this new opportunity relating to the Non-Life Classes, increasing the channelling of the claim, operating in the “supply chain” with agreements with repair workshops and spare part suppliers and monitoring the level of the service, both through the unification of standard response times and prices and thanks to the statistical analysis of the experts’ evaluations and monitoring of the application of the conventions agreed. We have intervened in the value chain within the claims cycle, utilising our market leadership (in fact we are the largest client of car workshop repairs and manufacturers of components) to obtain the best prices obtaining savings in the damage costs of between 10% and 20% which we have returned to our policyholders.
It is within this context that the new company “Auto Presto & Bene” started up in recent months, which has the objective of strengthening the level of service offered and reducing at the same time the average cost of repair, rationalising the processes of the auto repairs and benefiting from the volumes of claims settled and from commercial agreements with a network of trusted operators.

The Motor insurance market is experiencing strong tensions in margins, distribution and client relationships, but with a major effect on the entire market.
The reduction of the average premium is affecting all the Insurance Companies of the sector. In spite of this, we will continue to conduct ourselves in a transparent manner and with the prudence that has always characterised our activities. Our premiums therefore will be fixed on purely technical criteria, differing from competitors which often renounce actuarial valuations in order to increase their market share. The real competition will be played out within costs/services, as it is necessary to safeguard the equilibrium of industrial operations.
To seek new future profitability it will also be crucial to create innovative product solutions, while at the same time improving the claims prevention activity and controlling and reducing fraud and maximising the potential of the direct compensation system. We believe that improvements in the settlement process of claims is indispensable to obtain a long-term competitive advantage: it is therefore also necessary to take action also on the risk selection strategies, based on the new scenario arising from the direct compensation mechanism.

In relation to the Life Classes, despite the current slowdown which will permit the return to traditional products, the equilibration of the Group portfolio will continue, in order to balance the contribution provided by the traditional Networks, by the collective networks and by the bancassurance segment, with the aim of improving cost synergies and further maintaining the profitability of the segment. The historic “Corporate” presence on the market will be further strengthened with initiatives relating to the Trading Funds and the development of the Open Funds, in order to benefit from the opportunities generated from the Complementary Pension reform, with particular attention to the provision of annuities.
Cross-selling operations will continue to be defined on the portfolio of the companies with guaranteed employee leaving indemnity policies, with greater focus on the market of the employee benefit guarantees (such as death, permanent invalidity, long-term care), requested on the renewal of national contracts or company negotiations.

Considering the poor performance of the financial markets, worsening in recent months, the Group financial management will continue to maintain its traditionally prudent outlook aimed at achieving the best equilibrium between risk and return reducing, where necessary, exposure of the equity components of the asset classes in order to increase the fixed income securities in the portfolio (largely represented by Government bonds) and adopting adequate policies to hedge the equity portfolio, in the hope that the performance of the market will maximise the returns.
However, given the exceptional volatility in the market since the final part of the previous year, it is extremely difficult to provide forecasts on the contribution of the financial activities to the future results, in that they are not dependent on the operations of the Group.

Although we are still in the preparation phase of the 2009-2011 Three Year Industrial Plan, which will be completed during 2009, it is possible to announce that the equilibrium of the industrial operations will be safeguarded in order to preserve the levels of excellence which has always distinguished our Group, even within a recessionary economic phase.
The principal areas of action which we will undertake in the immediate future are summarised in terms of:

- improvement of the combined ratio, which in the previous year suffered also due to reduction of the average premiums;
- rationalisation of the operating structures to reach maximum efficiency in the costs, in particular, on the expense ratio, with a target reduction of 20% of the functioning costs other than personnel, at the same time improving the loss ratio, thanks also to the search for new efficiencies and the full-scale operation of the project “AUTO Presto & Bene”;
- the elimination of all inefficient operating positions both on the ground and in the various business lines;

Finally, as our objective is to acquire new Clients through selective targeting of policyholders, rather than expand the number of policies, we will work alongside the agency network supporting them in a transition phase which, although delicate, remains rich with significant opportunities. We also believe that the offer to Clients of continual improved services at even more competitive prices can be achieved through the value chain, leveraging the massive investments undertaken in recent years, which we believe can absorb the repercussions deriving from the current market instability.

Milan, March 24, 2009

For the Board of Directors
The Chairperson

Ms. Jonella Ligresti

2008 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.

BALANCE SHEET - ASSETS

(Euro thousand)

		2008	2007
1	**INTANGIBLE ASSETS**	**1,899,998**	**1,754,254**
1.1	Goodwill	1,640,721	1,474,258
1.2	Other intangible assets	259,277	279,996
2	**PROPERTY, PLANT & EQUIPMENT**	**1,244,217**	**1,201,862**
2.1	Buildings	1,057,869	1,000,050
2.2	Other tangible assets	186,348	201,812
3	**TECHNICAL RESERVES - REINSURANCE AMOUNT**	**833,548**	**905,307**
4	**INVESTMENTS**	**33,437,833**	**38,020,752**
4.1	Investment property	2,459,751	2,142,923
4.2	Investments in subsidiaries, associates and joint ventures	292,879	270,025
4.3	Investments held to maturity	845,789	0
4.4	Loans and receivables	1,776,024	1,333,262
4.5	Available-for-sale financial assets	19,982,715	23,335,001
4.6	Financial assets at fair value through profit or loss	8,080,675	10,939,541
5	**OTHER RECEIVABLES**	**2,520,006**	**2,574,174**
5.1	Receivables from direct insurance operations	1,861,642	1,812,015
5.2	Receivables from reinsurance operations	138,325	183,476
5.3	Other receivables	520,039	578,683
6	**OTHER ASSETS**	**939,393**	**822,370**
6.1	Non-current assets or of a discontinued group held for sale	7,622	1,366
6.2	Deferred acquisition costs	226,969	290,517
6.3	Deferred tax assets	117,314	103,867
6.4	Current tax assets	351,399	149,051
6.5	Other assets	236,089	277,569
7	**CASH AND CASH EQUIVALENTS**	**760,072**	**701,195**
	TOTAL ASSETS	**41,635,067**	**45,979,914**

BALANCE SHEET - SHAREHOLDERS' EQUITY & LIABILITIES

(Euro thousand)

		2008	2007
1	**SHAREHOLDERS' EQUITY**	**3,894,808**	**5,170,935**
1.1	**Group**	**2,934,779**	**3,857,752**
1.1.1	Share capital	167,044	168,534
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	209,947	207,785
1.1.4	Retained earnings and other reserves	3,069,434	2,807,956
1.1.5	(Treasury shares)	-302,573	-310,961
1.1.6	Translation reserve	4,043	-1,623
1.1.7	Profit or loss on available-for-sale financial assets	-350,020	415,143
1.1.8	Other gains and losses recorded directly in equity	49,495	63,952
1.1.9	Group net profit for the year	87,409	506,966
1.2	**minority interest equity**	**960,029**	**1,313,183**
1.2.1	Minority capital and reserves	1,054,232	1,157,681
1.2.2	Gains and losses recorded directly in equity	-97,558	42,417
1.2.3	Minority interest profit	3,355	113,085
2	**PROVISIONS**	**463,037**	**236,155**
3	**TECHNICAL RESERVES**	**29,321,536**	**31,343,064**
4	**FINANCIAL LIABILITIES**	**6,263,208**	**7,185,687**
4.1	Financial liabilities at fair value through profit or loss	3,454,262	5,031,453
4.2	Other financial liabilities	2,808,946	2,154,234
5	**PAYABLES**	**958,201**	**1,141,625**
5.1	Payables from direct insurance operations	120,625	185,576
5.2	Payables from reinsurance operations	89,170	106,259
5.3	Other payables	748,406	849,790
6	**OTHER LIABILITIES**	**734,277**	**902,448**
6.1	Liabilities in a discontinued group held for sale	0	0
6.2	Deferred tax liabilities	249,586	276,854
6.3	Current tax liabilities	8,056	110,729
6.4	Other liabilities	476,635	514,865
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**41,635,067**	**45,979,914**

INCOME STATEMENT

(Euro thousand)

		2008	2007
1.1	Net premiums	11,153,553	11,501,073
1.1.1	*Gross premiums*	*11,493,086*	*11,828,091*
1.1.2	*Premiums ceded to re-insurers*	*-339,533*	*-327,018*
1.2	Commission income	89,319	119,597
1.3	Income and charges from financial instruments at fair value through profit or loss statement	-341,548	-255,725
1.4	Income from investments in subsidiaries, associates and joint ventures	38,062	29,056
1.5	Income from other financial instruments and property investments	1,413,772	1,465,855
1.5.1	*Interest income*	*924,990*	*865,404*
1.5.2	*Other income*	*262,623*	*247,389*
1.5.3	*Profits realised*	*225,710*	*352,852*
1.5.4	*Valuation gains*	*449*	*210*
1.6	Other revenues	460,392	481,690
1	**TOTAL REVENUES AND INCOME**	**12,813,550**	**13,341,546**
2.1	Net charges relating to claims	-8,965,047	-9,359,735
2.1.2	*Amounts paid and changes in technical reserves*	*-9,126,604*	*-9,639,099*
2.1.3	*Reinsurers' share*	*161,557*	*279,364*
2.2	Commission expenses	-32,611	-70,777
2.3	Charges from investments in subsidiaries, associates and joint ventures	-7,236	-5,537
2.4	Charges from other financial instruments and property investments	-679,962	-351,480
2.4.1	*Interest expense*	*-144,866*	*-118,036*
2.4.2	*Other charges*	*-71,354*	*-63,630*
2.4.3	*Losses realised*	*-193,203*	*-129,333*
2.4.4	*Valuation losses*	*-270,539*	*-40,481*
2.5	Management expenses	-1,948,428	-1,868,120
2.5.1	*Commissions and other acquisition expenses*	*-1,478,826*	*-1,475,846*
2.5.2	*Investment management charges*	*-17,932*	*-13,754*
2.5.3	*Other administration expenses*	*-451,670*	*-378,520*
2.6	Other costs	-1,005,774	-793,691
2	**TOTAL COSTS AND CHARGES**	**-12,639,058**	**-12,449,340**
	PROFIT BEFORE TAXES	**174,492**	**892,206**
3	Income taxes	**-83,728**	**-273,235**
	NET PROFIT	**90,764**	**618,971**
4	**PROFIT/LOSS FROM DISCONTINUED OPERATIONS**	**0**	**1,080**
	CONSOLIDATED PROFIT	**90,764**	**620,051**
	Group share	87,409	506,966
	Minority share	3,355	113,085

Statement of changes in Consolidated Shareholders' Equity for the year ended December 31, 2008

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, among others, 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 column "Other transfers" reports, among others, 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

(Euro thousand)

			Balance at 31-12-06	Change in opening balances	Allocation	Transfer to Income Statement	other transfers	Balance at 31-12-07	Change in opening	Allocation	Transfer to Income Statement	other transfers	Balance at 31-12-2008
Group shareholders' equity	Share capital		177,681	0	343		-9,490	168,534	0	1,090		-2,580	167,044
	Other equity instruments		0	0	0			0	0	0			0
	Capital reserves		207,410	0	375			207,785	0	2,162			209,947
	Retained earnings and other reserves		2,643,229	0	164,727			2,807,956	0	261,478			3,069,434
	(Treasury shares)		-359,987	0	182,240		-133,214	-310,961	0	77,085		-68,697	-302,573
	Translation reserve		-126	0	-1,497	0		-1,623	0	5,666	0		4,043
	Profit or loss on available-for-sale financial assets		694,538	0	-337,629	-99,989	158,223	415,143	0	-683,370	-157,458	75,665	-350,020
	Other gains and losses recorded directly in equity	Profit or loss on cash flow hedges	2,913	0	942	0	0	3,855	0	-9,990	0		-6,135
		Profit or loss on a net foreign investment hedge	0	0	0	0		0	0	0	0		0
		Reserve on net equity changes in investments	39,540	0	-11,176	0		28,364	0	-27,166	0		1,198
		Revaluation reserve of intangible assets	0	0	0			0	0	0			0
		Revaluation reserve of tangible assets	0	0	0			0	0	9,431			9,431
		Income/(charges) on non-current assets or of a discontinued group held for sale	0	0	0	0	0	0	0	0	0		0
		Other reserves	10,589	0	21,144	0	0	31,733	0	13,268	0		45,001
	Profit/(loss) for the year		481,204	0	196,497		-170,735	506,966	0	-224,928		-194,629	87,409
	Total Group		**3,896,991**	**0**	**215,966**	**-99,989**	**-155,216**	**3,857,752**	**0**	**-575,274**	**-157,458**	**-190,241**	**2,934,779**
Shareholders' equity – minority interest	Minority capital and reserves		972,179	0	185,502		0	1,157,681	0	-103,449			1,054,232
	Gains and losses recorded directly in equity		65,808	0	-41,936	-12,143	30,688	42,417	0	-140,352	-13,914	14,291	-97,558
	Profit/(loss) for the year		119,564	0	58,221		-64,700	113,085	0	-41,859		-67,871	3,355
	Minority share		**1,157,551**	**0**	**201,787**	**-12,143**	**-34,012**	**1,313,183**	**0**	**-285,660**	**-13,914**	**-53,580**	**960,029**
Total			**5,054,542**	**0**	**417,753**	**-112,132**	**-189,228**	**5,170,935**	**0**	**-860,934**	**-171,372**	**-243,821**	**3,894,808**

Consolidated cash flow statement for the year ended Decemb er 31, 2008

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 (indirect method)

(Euro thousand)	31/12/2008	31/12/2007
Profit before taxes	**174,492**	**892,206**
Non-cash adjustments	**-6,622**	**1,656,900**
Change in non-life unearned premium reserve	1,134	60,548
Change in claims reserve and other non-life technical reserves	-387,819	-131,951
Change in actuarial reserves and other life technical reserves	-279,179	1,433,781
Change in deferred acquisition costs	71,179	103,724
Change in provisions	226,861	34,295
Non-cash income/charges from financial instruments, property investments & holdings	99,042	68,443
Other movements	262,160	88,060
Change in payables & receivables from operating activities	**-423,534**	**-206,850**
Change in payables and receivables from direct insurance operations & reinsurance	-222,612	-77,364
Change in other payables and receivables	-200,922	-129,486
Income taxes paid	**-265,288**	**-150,631**
Net liquidity generated/absorbed from cash items relating to investing & financing activities	**-52,021**	**-662,869**
Liabilities from financial contracts issued by insurance companies	-871,339	325,479
Bank and interbank payables	49,236	73,037
Loans and receivables from banks and interbank	-67,888	-75,157
Other financial instruments at fair value recorded through profit and loss	837,970	-986,228
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**-572,973**	**1,528,756**

Net liquidity generated/absorbed from property investments	-208,194	60,877
Net cash generated/absorbed from investments in subsidiaries, associates & joint ventures	9,425	-90,607
Net cash generated/absorbed from loans and receivables	-374,348	-25,069
Net cash generated/absorbed from investments held to maturity	-845,789	0
Net cash generated/absorbed from available-for-sale financial assets	2,361,303	-545,531
Net cash generated/absorbed from intangible & tangible fixed assets	-293,401	-593,812
Net cash generated/absorbed from investing activities	0	14,024
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**648,996**	**-1,180,118**

Net cash generated/absorbed from Group equity instruments	18,107	37,099
Net cash generated/absorbed from treasury shares	-68,697	-142,626
Distribution of Dividends relating to the Group	-194,629	-170,734
Net cash generated/absorbed from minority interest capital & reserves	-356,509	42,547
Net cash generated/absorbed from sub-ordinated liabilities & financial instruments in holdings	250,000	0
Net cash generated/absorbed from other financial liabilities	334,582	-136,761
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-17,146**	**-370,475**

Exchange difference effect on cash and cash equivalents	**0**	**0**

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	701,195	723,032
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	58,877	-21,837
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	760,072	701,195

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.

REGULATIONS

In addition to the current European Community regulations, and reported in detail in last year's accounts, we report the approval of EU Regulation No. 1004/2008 of October 15, 2008 which modifies EU Regulation No. 1725/2003 in relation to international accounting standard (IAS) 39 and International Financial Reporting Standards (IFRS) 7 (hereafter amendment to IAS 39). Following numerous requests of clarifications and interpretations the standard was published on the site of the Iasb Board with some minor modifications "Reclassification of Financial Assets—Effective Date and Transition Amendments to IAS 39 Financial Instruments:Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures).

In accordance with this amendment, it is permitted to reclassify, in the presence of specific conditions, to other accounting categories financial instruments recorded at the moment of purchase within the category of "Financial assets held for trading" or the category Financial assets available-for-sale. Before this amendment, also in accordance with IAS 39, the transfer between categories was not permitted, with the exception of the transfer between the categories of "Financial assets available-for-sale" and "Financial assets held to maturity".

Based on the provisions of paragraph 50D and 50E of the new version of IAS 39, the following may be reclassified:

- the financial instruments, other than derivatives, previously classified in the category of trading financial instruments. It is not possible to reclassify however the financial instruments belonging to the category "Financial assets measured at fair value" following the adoption of the so-called "fair value option". The new accounting category is that of "Loans and Receivables". The condition for the reclassification is that the financial instrument presents, at the date of the transfer, the requisites for the classification in the portfolio of "Loans and Receivables" and the company does not have the intention to trade the securities reclassified, with the intention to hold the financial instrument in the foreseeable future or until maturity;
- the non derivative financial instruments classified in the category "Financial assets available-for-sale" to the accounting category "Loans and Receivables" if the financial instrument respected, at the date of the reclassification, the definition of "Loans and Receivables" and the company at that time had the intention and capacity to hold them for the foreseeable future or until maturity.

Any other debt or equity instrument, non derivative, may be reclassified from the category "Financial assets held for trading" to the category "Assets available-for-sale" or from the category "Assets held for trading" to "Assets held to maturity" (only for debt securities), where these instruments are no longer held for trading in the short-term; this is permitted, in accordance with paragraph 50B, only in "rare circumstances" (a concept clarified in the press release of October 13, 2008, where the IASB has clarified that this definition includes the deterioration of the world financial markets seen in the third quarter of 2008).

The financial asset reclassified is recorded in the new category ("Loans and Receivables", "Financial assets held to maturity", "Financial assets held for sale") at fair value at the reclassification date, which represents the new cost or amortised cost. It is however explicitly provided that, for the reclassifications made before November 1, 2008, the recognition value in the allocation category is the fair value of the instrument at July 1, 2008. For all the transfers made after November 1, 2008 the recognition value in the allocation category becomes the fair value of the financial instrument at the date in which the transfer is approved as defined by the new IAS 39 paragraph 50 and subsequent.

For information purposes, we recall some interventions by the International Standard Setters, with the purpose of clarifying the existing standards, for example the guidance on Fair Value published by IASB on October 31, 2008 "Educational guidance on the application of the feedback measurement when markets become inactive", or the intervention by the SEC on September 30 "SEC Office of the Chief Accountant and FASB Staff Clarifications on Fair Value Accounting", relating to the valuations of the items classified at fair value with particular reference to those traded on "distressed" markets.

We shall not make a full list of the interventions or related comment, as numerous articles have been published on the effectiveness and on the clarity of the measures adopted in the specialised press both by authoritative commentators and politicians. The choice of your company, we recall briefly in this paragraph (detailed information has been provided in the introduction to the directors' report and in the explanatory notes to the financial statements) was to avoid providing "ingenuous" interpretations of the accounting standards providing adequate disclosure on the decisions adopted and the maximum level of disclosure possible.

We recall in relation to this the important role of the Italian Accounting Organisation which although, with the different concerns also at political level due to the exceptional financial situation, attempted, in particular with the Operating Guidelines, to provide support to the application of the international accounting standards, simultaneously promoting the accounting culture.

On the international regulation front, we recall the decision of the IASB not to require the application of the new standard before January 1, 2009 in order to provide all stakeholders a "stable platform" of uniform accounting standards which has lasted four years; in the moment in which some commentators define "2009 a new wind of change in accounting standards" the question arises if in the trade-off between the objective to provide better accounting standards and the necessity, underlined by many, to have clear and comparable regulations, where the priority should lie.

Finally we report that, with particular regard to the impact produced by the crisis on the financial situation of the company, to the operating choices and strategies formulated as well as any corrective actions implemented to adapt the strategy of the Company to the changed environment, to provide a clear and complete disclosure on the valuation processes undertaken we have acted in accordance with the provisions of the Bank of Italy, Consob and Isvap. On February 6, 2009, the three relevant Authorities on the financial markets in fact published a joint document relating to "information to be disclosed in financial reports on business going concern, on financial risks, on tests on reduction in the value of assets and on the uncertainties in the utilisation of estimates" (communication No. 2 of February 2, 2009), requiring all participants in the process of the publication of financial reports to correctly apply the regulations and international accounting standards already in force.

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

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.

- 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, 2008, 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

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:

ASSETS

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 2008, 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 improvement expenses and, for buildings under construction, borrowing costs capitalised, as specifically relating 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;
- “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;
- 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 2008. 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 or it is illiquid, the price is determined based on adequate valuation techniques (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 method, using the effective interest rate method.

Investments held-to-maturity
This account includes financial instruments with fixed maturities and fixed and determinable payments which the Group has the intention and capacity to hold until maturity. Specifically debt financial instruments of the life sector servicing policies with specific provisions are included in this account. The valuation method is measured at amortised cost, using the effective interest rate criteria.

Measurement of the fair value of financial instruments
The fair value represents the payment for which an asset may be exchanged or a liability settled in an arm's length transaction between willing and knowledgeable parties, at a certain date; therefore, this consists of the price that would be paid in an ordinary transaction, or a transaction which concerns market participants or transactions between willing market participants, therefore excluding forced transactions.
The determination of the fair value of the financial instruments is based on the going concern of the business.

Fair value policy

For the financial instruments, valued in the accounts at fair value, a "fair value policy" is utilised which defines a hierarchic scheme attributing the maximum priority to official prices available on the active markets (mark to market) and lower priority to the utilisation of non observable input (mark to model).

Mark to Market

In the determination of the fair value, the Company bases its calculations on information provided from market data obtained from independent sources, if available, as such this is normally considered the best evidence of fair value. In this case the fair value is the market price of the financial instrument being valued (without changes to the instrument) from quotations in an active market; a market is considered active where the quotation prices reflect the normal market operations, are regulated and readily available through exchanges, quotation services, intermediaries, and these prices represent regular and effective market transactions.

Active markets are normally considered:

- the regulated market of securities and derivatives, with the exception of the Luxembourg financial market;
- the secondary market of the OICR units, expressed by the official NAV (Net Asset Value) based on which the SGR issuer must settle the units. This value may be adjusted to take account of the scarce liquidity of the fund, or of the time interval between the request date of repayment and that of the actual repayments;
- the organised exchange systems;
- some over-the-counter electronic trading circuits (e.g. Bloomberg), in the presence of some qualitative and quantitative parameters (presence of a certain number of contributors, spread between bid and ask prices contained between a determined tolerance threshold).

Mark to Model

When a valuation is not applicable through Mark to Market (in the absence of observable market prices on markets considered active) technical valuations must be utilised which maximise the recourse to the information available on the market, based on the following valuation approaches:

- Comparable approach: in this case the fair value of the instrument is taken from the prices observed on recent transactions on similar instruments in active markets, adjusted to take account of the differences in the instruments and in the market conditions;
- Model Valuation: in the absence of observable transaction prices, relating to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model; this model must be widely accepted by market operators;
  - the debt securities are valued based on the expected cash flow method, adjusted to take account of the issuer risk and of the liquidity risk;
  - the derivative contracts are valued through a multiple of models, based on the input factors (risk rate, volatility, price risk, exchange risk, etc.) which impacts the relative valuation;
  - the non listed equity securities are valued with reference to transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

On the basis of the “fair value policy” above, a hierarchy of fair value is derived, based on the observation of market parameters:

Level 1: Quotations taken from active markets

The valuation is the market price of the same financial instrument subject to valuation, taken from quotations on an active market.

Level 2: Valuation methods based on observable market parameters

The valuation of the financial instrument is not based on the market price of the financial instrument subject to valuation, but on prices available from market quotations of similar activities or through valuation techniques for which all the important factors (such as credit and liquidity spreads) are taken from observable market data. This method necessarily implies discretionary elements in the valuation, in that all the parameters utilised relate to the market (for the same security or for similar securities) and the calculation methods replicate quotations on active markets.

Level 3: Valuation methods based on non observable market parameters

The determination of the fair value is based on valuation techniques which are prevalently based on significant input not available on the market and results, therefore, in estimates and assumptions by management.

Financial assets available-for-sale

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.

Exceptions are debt financial instruments represented by corporate bonds with subordination clauses. In particular, in consideration of the illiquidity of the markets and of the consequent unreliability of the relative prices, the fair value was determined with the use of alternative valuation models, developed internally on the basis of parameters commonly utilised by the operators, taking into account that the relative trading markets do not express, at the end of the year, operating and liquidity conditions such as to guarantee the formation of fair prices in relation to the characteristics of these securities and of the issuing companies. This resulted in lower value adjustments of Euro 103.4 million compared to the valuation made utilising the stock exchange prices at the end of the year which we recall present an unprecedented difference between demand and offer.

In the previous year, for the purposes of comparison with the carrying value, the price at the end of the year was utilised for all bond securities.

We recall that the gross AFS reserve relating to the securities transferred amounted to Euro 137 million - Euro 52 million considering the shadow accounting effects and tax effect.

This amount represents the amount of the losses not recorded in the income statement following the amendment.

Impairment on financial instruments belonging to the AFS segment

In relation to the recording of losses for the reduction in value, we report that paragraph 59 of IAS 39 indicates indicators of a possible reduction in qualitative factors such as:

- significant financial difficulties of the issuer;
- non contractual compliance or non payment of interest or capital;

- the risk of commencement or the commencement of receivership of the issuer;
- the elimination of an active market for the financial assets subject to valuation;
- data which indicates the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
  - unfavourable changes in the payments of the beneficiaries in the group;
  - local or national economic conditions which are related to the non compliance of the activities within the group.

Paragraph 61 of IAS 39 states that the reduction of value of an instrument represented by capital includes information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction of the market value of an equity instrument below the original purchase cost constitutes evident impairment.

And therefore, it is noted that:

- the IAS/IFRS standards are “principle based” and therefore application is subject to reasonable and prudent choices by the enterprise;
- there are no official interpretations by the Iasb board on the subject;
- in particular there are no quantitative regulations or “mechanisms” to determine the notion of “significant or prolonged” as cited above;
- the only certain principle, which becomes a clear applicable regulation, is that in the presence of clear impairment, the entire negative reserve recorded under net equity must be fully recorded in the income statement.

Therefore for the purposes of the recording of the reduction of value, the Group has defined as prolonged and significant a reduction of fair value defined alternatively as follows:

1. a reduction of the market value of at least 20% for a continued period of one year;
2. a reduction of the market value of 80% at the reporting date of the accounts;
3. a reduction of the market value for a continual period of two years.

The above thresholds cover the exceptional nature of the financial market crisis, which induces a normal recovery. It is also recalled that the recording of a loss in value requires, although in the presence of exceeding one of the above-mentioned thresholds, a further analysis which considers, in addition to the reduction of value, all other qualitative factors.

Financial assets at fair value through 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. 1864/2005, 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 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).
We recall that pursuant to the above-mentioned Amendment to IAS 39 at the end of the year, the category of financial assets through the profit and loss has become an "open" category and, therefore, if the asset is no longer held for the purposes of its sale or repurchase in the short-term, the asset may be classified outside of the category. Reclassifications may also take place in the presence of "rare circumstances" included under IAS 39.50B, and as underlined by the Board, the deterioration of the world financial markets observed in the final quarter of 2008 is a clear example; on the subject, reference should be made to the operational performance in the Directors' Report.
The securities were transferred to the AFS category taking into account the fair value at July 1, 2008, a value which became the new carrying value of the securities and which amounts to Euro 1,458.8 million.

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

Pertaining to the Group
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 37 of Legislative Decree 209/05 requires the obligation to record the unearned premium reserve under two components, "reserve for fraction of premium" and "reserve for risks in course".

- Reserve for fraction of premium
This is calculated in all the classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in articles 51 and 52 of Legislative Decree 173/97.
For the risks deriving from hailstorms and nuclear energy, the calculation was applied as per M.D. of May 23, 1981.
For the Credit Class, the provisions of article 7, paragraph 4 of Isvap Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.
In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural calamity, in accordance with Isvap Regulation No. 16.
In the Bond class, the supplementary reserves in accordance with article 12 of Isvap Regulation No. 16 were made.

- Provision for risks in course
This component of the premium reserve 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, in order that the expected costs of these risks exceed the reserve for 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 above-mentioned Regulation, 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 the nature of each class or of individual types of risks included.

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*

  From February 2007 a new procedure for Direct Compensation was put 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.

  Therefore the reserve was valued separately for the various types of management contained in the new regime, utilising methods based on the valuation of the respective average costs, in particular:

  - 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;
  - For the CARD Operator claims the last cost forecast was recorded net of the recoverable amounts;
  - For the claims 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 average costs assumed for these type of claims, evidently more costly.

  On the basis of the above considerations, the absence of a sufficiently historical series does not permit the adoption of valuation models for each type of management.

  The models adopted for the monitoring of the claims reserves were developed relating to the claims managed by the company (NO CARD + CARD Operator) in the assumption that the settlement processes, although reported on all types of claims present from 2007 in the company's experience for the part relating to the CARD Operator, are considered repeatable.

  With reference to the IBNR component for the Flat-rate Operator and Debtor, the valuation process was made through the estimate, for each of the two segments, of the number of late claims expected for which an average cost was assumed equal to that reported.

  For the determination of the last cost of the claims reserve regarding the previous generations of classes subject to analysis, statistical methods were used on the evolution of the cost of the claims, based on historical and prospective elements appropriately adjusted to the specific characteristics of the enterprise (methods within the different types of Fisher-Lange). 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.

  With the introduction of the direct compensation, the historical series of the claims caused by our policyholders with the claims managed by the company were updated. It is clear that this historical series is not linear, due to the introduction of the direct compensation, which is the basis of each actuarial statistical method. For this reason it was necessary to update the Fisher-Lange model in order to obtain the differences in management and take into account the projection of future payments.

In particular in the estimate of the number of claims accepted this was calculated for each year in order to better differentiate the behaviour in the Card regime from previous years.
The same principle was used for the speed of settlements in order to estimate the different speed for claims from the Card regime compared to previous years.

The process for the determination of the RCA reserve of previous years is essentially 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.
- The reserve determined with these methods includes the IBNR claims reserve.

With reference to the claims of the current generation a reserve equal to the statistical average cost was analytically applied to each claim. The average statistical cost was defined regrouping the claims in uniform categories, subdivided by each type of claim (material, injury, mortal), type of vehicle, province. For these categories of claims the average statistical cost was obtained from the average cost paid on the basis of the damages settled in the year and in the previous years to those estimated.
On the Card Debtor the average statistical cost was adjusted to take account of the regulations defined by Isvap relating to the threshold and plaform on physical claims while on the CARD material damage it was equal to the flat-rate due.

After having defined the reserve with the average statistical cost, the No Card claims were analysed separately between physical and material damage while the Card claims were also analysed separately between CID and CTT. On this data a verification process was made based on the principal statistical basis:

- settlement and cancellation speed;
- average cost paid and reserved;
- ratio between claims and premiums;
- percentage of claims reopened on the total of the claims reserved;
- percentage of claims not accepted on the total of the claims reserved.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims accepted, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

- *Settlement expenses*

  With reference to the quantitative and attribution of the settlement expenses the following is noted:

  - on payment, the external expenses are directly attributed to the individual claims, while the individual expenses are broken down by class and, within this, by year, based on the amount of the payment (indemnity plus external expenses).
  - on the reserve, the external and internal expenses are a component of the valuation of the reserve at last cost and are subsequently determined applying to the total reserve a percentage defined based on the experience from the trend in the settlement expenses.

- *Late claims reserve*
  Considering that the valuation of the claims reserve at last cost is carried out by year, the claims reserve includes the provision necessary to meet the claims attributable to the year but not yet reported at the year-end, estimated with reference to historical experience in previous years.

- *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 detraction 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 discretional 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 discretional 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. In addition, the recognition period of the gain/losses not realised in the income statement takes account of the operating nature of each company and consists of a variable time period between two and five years. We report that, following the previously mentioned amendment to IAS 39, account was taken of the reclassification of financial instruments also for shadow accounting purposes.

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 article 35 of Isvap Regulation No. 21 which however is not extended to the duration of the contracts;
- the additional reserve for demographic risk, under article 50, paragraph 2 of Isvap Regulation No. 21;
- the additional reserves to guarantee the result and/or repayment of the capital (pursuant to article 41 Legislative Decree 209/05).

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 41, paragraph 1 and 2 of Legislative Decree 209/95, unit and index linked, as well as Class VI insurance contracts, whose limited underlying insurance risk resulted in the reclassification from insurance contracts to financial contracts.

In this case the recording through the profit and loss 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 IAS 39 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 33, paragraph 4 of Legislative Decree 209/05.
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 discretional 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 discretional 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;
- 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 estimated for measuring 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;
- 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, even though the counterparties operate in different sectors.

UNCERTAINTY ON UTILISATION OF ESTIMATES

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

For the accounts for the year 2008 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. Information is provided below in accordance with the requirements of paragraph 116 of Ias 1. In the notes in the relative paragraphs, adequate and exhaustive information is provided into the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

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

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

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

- in the determination of the loss in value of goodwill and investments;
- in the determination of the fair value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the quantification of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised;
- in the determination of the value on business acquired;
- in the estimate of the recovery of the deferred tax assets;
- in the definition of the parameters utilised which could be different in the analytical valuations of equity securities and bonds in the Available-for-Sale category to evaluate the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions.

The reporting of these cases is made with the objective to permit the reader of the accounts a better understanding of the principal areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

In addition, the valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. The information on financial risks is contained in Part E – Information on financial risks, while the disclosure on insurance risks is reported in Part F – Amounts, timing and level of uncertainty of the financial cash flows relating to insurance contracts.

Section 5 - Consolidation scope

At December 31, 2008, the Fondiaria-SAI Group, including the Parent Company, was made up of 118 Companies, of which 19 operated in the insurance sector, 2 in the banking sector, 51 in the real estate and agricultural sector and 23 in the financial services sector; the remaining companies are various service companies. The company has 19 overseas offices.
The total number of subsidiaries fully consolidated is 87 and the number of companies consolidated under the Net Equity method is 19, while the remaining companies are consolidated under the proportional method or maintained at carrying value given their insignificant amount to the Group.
There are 94 subsidiary companies, of which 39 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 12 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 2008, the consolidation scope of the Fondiaria-SAI Group saw the following changes:

- purchase of 83.32% of the Serbian insurance company DDOR Novi Sad. At the same time, control of DDOR Auto, DDOR Vestans and DDOR Penzija Plus was acquired;
- exit of the subsidiary Po Vita S.p.A. from the consolidation area after the exercise by Cassa di Risparmio di Parma e Piacenza of the purchase option relating to the holding in the share capital;
- incorporation of the company SERVIZI SALUTE E MALATTIA S.c.r.l. with the following shareholdings: Parent Company, Milano Assicurazioni (19.09%) and other companies of the Group; subsequently, following the agreement between the company Sistemi Sanitari and the company Servizi Salute e Malattia, of a contract for a business unit concerning the settlement activities of indemnities and/or damage deriving from claims in the health class, the holding was sold in the associated company Sistemi Sanitari S.p.A.. Finally, in the third quarter of 2008, the company Servizi Salute e Malattia S.c.r.l. changed its name to Sistemi Sanitari S.c.r.l.
- loss of control of the service company Consulenza Aziendale per l'Informatica – SCAI S.p.A. following the expiry of the shareholder agreement in which Fondiaria-SAI was the de facto parent company. In consideration of the shareholding (30.07%), the company is considered an associated company. At the same time, the Parent Company lost the indirect control of the subsidiaries of SCAI (Telvox, Dianos, It Euro Consultings) and the associated company Infomedia Italia Imi is no longer a part of the Group;
- incorporation of the Company SAINT GEORGE CAPITAL MANAGEMENT S.A. held 100% by the subsidiary Banca Gesfid S.A.;
- incorporation of the real estate company VALORE IMMOBILIARE S.r.l. held 49% by Milano Assicurazioni S.p.A.;
- deconsolidation of LIGURIA DIREZIONE S.r.l., previously in liquidation;
- incorporation of the real estate company TRE TORRI CONTRATTOR S.c.r.l. held 50% by Immobiliare Lombarda S.p.A.

As already illustrated in the Accounting Principles in relation to the financial instruments, 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, which do not result in a change in the consolidation scope, took place:

- in January, Fondiaria-SAI approved the launch of a public offer on the shares of Immobiliare Lombarda for payment of shares in Milano Assicurazioni and simultaneously approved the guidelines for a corporate/industrial reorganisation of the Group. The effects of this complex project (described in detail in the Directors' Report to which reference should be made) is summarised as follows:
    - initial decrease of the investment held by Fondiaria-SAI in Milano Assicurazioni S.p.A. and increase of the investment held by the Parent Company in Immobiliare Lombarda principally relating to the exchange of shares in accordance with the bid made on Immobiliare Lombarda shares for a payment in shares of Milano Assicurazioni; in particular, at the end of the bid period (April 2008) Fondiaria-SAI held 51.10% in Milano Assicurazioni and 78.88% in Immobiliare Lombarda;

- subsequent increase of the investment held by the Parent Company in Milano Assicurazioni through conferment in kind of the entire holding held by Fondiaria-SAI in Liguria Assicurazioni and through the conferment of the investment held in Immobiliare Lombarda from the Bid and amounting to 27.88%;
- increase of the investment held by Fondiaria-SAI and Milano Assicurazioni in Immobiliare Lombarda S.p.A. also following the above-mentioned take over. The final Group holding increased to 85.45%;
- merger by incorporation into Milano Assicurazioni of Sasa Assicurazioni and Sasa Vita;

- in October Fondiaria-SAI S.p.A. launched a public purchase on all the residual ordinary shares of DDOR, representing 16.68% of the share capital of Ddor. Following the conclusion of the offer period, Fondiaria-SAI held 99.24% of the share capital of Ddor. As a consequence of reaching a holding above 95% of the share capital, on December 4, 2008, the parent company completed the acquisition rights procedure (so-called squeeze-out) on the remaining shares of Ddor held by the market.
- change in the name of the company Effe Vita S.p.A. to Systema Vita Compagnia di Assicurazione S.p.A. and of the company Fondiprev S.p.A. to Dialogo Vita Compagnia di Assicurazioni S.p.A.;
- revocation of the liquidation as well as change in the name and legal form, of the real estate company Cos.ed. S.p.A to Pontormo S.r.l.;
- the merger by incorporation into Lbrep Chrysalis S.a.r.l., subsequently renamed BUTTERFLY AM S.a.r.l., of the associated company Chrysalis S.p.A.;
- merger by incorporation of the company DDOR Vestans DOO in DDOR Auto DOO;
- merger by incorporation of the company NOVARA VITA S.p.A. into POPOLARE VITA S.p.A.;
- transfer of 100% of the investment in STARVOX S.p.A. from Fondiaria-SAI to Uniservizi S.p.A.;
- transfer of all of the shares of PRONTO ASSISTANCE SERVIZI S.p.A. held by the company Saifin and a part of the shares held by Pronto Assistance in Companies of the Group including Fondiaria-SAI (37.4%), Milano Assicurazioni (28%) and Dialogo Assicurazioni (24%).

We also report that the subsidiary Uniservizi Gruppo Fondiaria-SAI 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 Direct	Indirect	Group Holding

SUBSIDIARY COMPANIES

Companies consolidated line-by-line:

Company	Sector	Direct	Indirect	Group Holding
AUTO PRESTO & BENE S.r.l. Turin Share Capital Euro 51,000	Services	100.00		100.00
BANCA GESFID S.A. Lugano (CH) Share Capital Euro 10,000,000	Banking	100.00		100.00
BANCASAI 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 103,500,000	Life Insurance		MILANO ASSICURAZIONI S.p.A. 51.00	31.99
BRAMANTE S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN) Share Capital Euro 9,311,200	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.72
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	85.45
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	85.45
COLPETRONE S.r.l. Umbertide (PG) Share Capital Euro 10,000	Agriculture		SAIAGRICOLA S.p.A.100.00	97.47

	Sector	Percentage of control Direct	Percentage of control Indirect	Group Holding
CONSORZIO CASTELLO Florence Share Capital Euro 51,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.50
CRIVELLI S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
DDOR NOVI SAD ADO Novi Sad (Serbia) Share Capital Rsd 2,579,597,280	Mixed Insurance	99.99		99.99
DIALOGO ASSICURAZIONI S.p.A. Milan Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	62.63
DIALOGO VITA S.p.A. (ex Fondiprev S.p.A.) Florence Share Capital Euro 6,240,000	Life Insurance	40.00	MILANO ASSICURAZIONI S.p.A. 60.00	77.63
DOMINION INSURANCE HOLDING Ltd London (GB) Share Capital GBP 35,438,267.65	Finance		FINSAI INTERNATIONAL S.A. 100.00	99.99
EFFE FINANZIARIA S.p.A. in liquidation Florence Share Capital Euro 516,500	Finance		THE LAWRENCE RE IRELAND Ltd 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	Finance		SAIFIN-SAIFINANZIARIA S.p.A. 100.00	100.00
FINITALIA S.p.A. Milan Share Capital Euro 15,376,285	Finance		BANCASAI S.p.A. 100.00	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share Capital Euro 44,131,900	Finance	19.92	SAINTERNATIONAL S.A.43.92 SAILUX S.A. 36.15	99.99
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 Direct	Indirect	Group Holding
FONDIARIA NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070	Finance	100.00		100.00
IMMOBILIARE LITORELLA S.r.l. Milan Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital Euro 697,907,753.59	Real Estate	60.98	MILANO ASSICURAZIONI S.p.A. 39.02	85.45
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
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	85.45
ITALIBERIA INVERSIONES FINANCIERAS SL Madrid Share Capital Euro 122,193,595	Finance	100.00		100.00
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. Segrate (Mi) Share Capital Euro 23,000,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.97	62.70
LIGURIA VITA S.p.A. Segrate (Mi) Share Capital Euro 6,000,000	Life Insurance		LIGURIA ASSICURAZIONI S.p.A. 100.00	62.70
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	85.45
MASACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000	Real Estate	100.00		100.00

	Sector	Percentage of control Direct	Indirect	Group Holding
MERIDIANO BELLARMINO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
MERIDIANO BRUZZANO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
MERIDIANO EUR S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.72
MERIDIANO ORIZZONTI S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.72
MERIDIANO PRIMO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
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 SRL (ex 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	85.45
MERIDIANO TERZO S.r.l. Turin Share Capital Euro 10,000	Real Estate		SAI HOLDING ITALIA S.p.A. 100.00	100.00
MILAN ASSICURAZIONI S.p.A. Milan Share Capital Euro 305,851,341.12	Mixed Insurance	60.45	FONDIARIA NEDERLAND BV 1.50 POPOLARE VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.05 SAI HOLDING ITALIA S.p.A.0.51 SAINTERNATIONAL S.A. 0.20	62.72
MIZAR S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45

	Sector	Percentage of control Direct	Indirect	Group Holding
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI. S.p.A. 3.12	98.84
POPOLARE VITA S.p.A. (BPV VITA S.p.A.) Verona Share Capital Euro 179,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A. 25.61	50.00
PONTORMO S.r.l. (ex Cos.ed S.p.A. in liquidation) Milan Share Capital Euro 50,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
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	63.24
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	37.40	MILANO ASSICURAZIONI S.p.A. 28.00 DIALOGO ASSICURAZIONI S.p.A. 24.00 LIGURIA S.p.A. 2.20 CAPITALIA ASSICURAZIONI S.p.A. 0.15 SYSTEMA S.p.A. 0.35 BANCASAI S.p.A. 0.10 SISTEMI SANITARI S.r.l. 0.10 PRONTO ASSISTANCE S.p.A. 7.70	79.60
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45
SAI ASSET MANAGEMENT SGR S.p.A. (ex Effe Gestioni Sgr) Milan Share Capital Euro 5,000,000	Asset Management	100.00		100.00
SAI HOLDING ITALIA S.p.A. Turin Share Capital Euro 50,000,000	Finance	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	69.19
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. AGRICULTURAL COMPANY Turin Share Capital Euro 50,000,000	Agriculture	92.01	MILANO ASSICURAZIONI S.p.A. 6.80 PRONTO ASSISTANCE S.p.A. 1.19	97.47

	Sector	Percentage of control Direct	Indirect		Group Holding
SAIFIN-SAIFINANZIARIA S.p.A. Turin Share Capital Euro 102,258,000	Finance	100.00			100.00
SAILUX S.A. Luxembourg Share Capital Euro 30,000,000	Finance		SAIFIN-SAIFINANZIARIA S.p.A. 99.99 FINSAI INTERNATIONAL S.A. 0.01		100.00
SAINT GEORGE CAPITAL MANAGEMENT S.A. Lugano (CH) Share Capital CHF 500,000	Finance		BANCA GESFID S.A. 100.00		100.00
SAINTERNATIONAL S.A. Luxembourg Share Capital Euro 154,000,000	Finance	99.99			99.99
SALEVOX S.r.l. Turin Share Capital Euro 50,000	Services		STARVOX S.p.A. 100.00		87.00
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A. 100.00		97.47
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00		88.82
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Geneva Share Capital Euro 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A. 94.69		94.69
SIM ETOILE S.A.S. 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		85.45
SISTEMI SANITARI S.c.r.l. Milan Share Capital Euro 1,000,000	Services	78.97	MILANO ASSICURAZIONI S.p.A.	19.63	92.24
			BANCASAI S.p.A.	0.04	
			BIM VITA S.p.A.	0.01	
			DIALOGO S.p.A.	0.02	
			FINITALIA S.p.A.	0.02	
			LIGURIA S.p.A.	0.22	
			LIGURIA VITA S.p.A.	0.02	
			POPOLARE VITA S.p.A.	0.51	
			PRONTO ASSISTANCE S.p.A.	0.03	
			PRONTO ASSISTANCE SERVIZI S.p.A.	0.41	
			SAI SIM S.p.A.	0.01	
			STARVOX S.p.A.	0.09	
			SYSTEMA S.p.A.	0.01	
			SYSTEMA VITA S.p.A.	0.01	
			SAI ASSET MANAGEMENT S.p.A.	0.01	
SYSTEMA VITA S.p.A (ex Effe Vita S.p.A.) Florence Share Capital Euro 6,240,000	Life Insurance	100.00			100.00

	Sector	Percentage of control Direct	 Indirect	Group Holding
SOCIETA' EDILIZIA REAL ESTATE SARDA S.E.I.S. S.p.A. Rome Share capital Euro 3,877,500	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 51.67	44.15
SOGEINT S.r.l. Milan Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A. 100.00	62.72
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		UNISERVIZI GRUPPO FONDIARIA-SAI S.c.r.l. 100.00	87.00
STIMMA S.r.l. Florence Share Capital Euro 10,000	Real Estate	100.00		100.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A. Milan Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 100.00	62.72
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 MERIDIANO RISPARMIO S.p.A. 5.72 MERIDIANO EUR S.p.A. 19.11	81.08
TRENNO OVEST S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	85.45

	Sector	Percentage of control			Group Holding
		Direct	Indirect		
UNISERVICES Gruppo Fondiaria-SAI S.c.a.r.l. Milan Share capital Euro 5,200,000	Services	63.39	MILANO ASSICURAZIONI S.p.A. SYSTEMA VITA S.p.A. SYSTEMA COMPAGNIA S.p.A. DIALOGO ASSICURAZIONI S.p.A. EUROPA TUTELAGIUDIZ.S.p.A. FINITALIA S.p.A. THE LAWRENCE RE IRELAND Ltd CAPITALIA ASSICURAZIONI S.p.A. BANCASAI S.p.A. DIALOGO VITA S.p.A. IMMOBILIARE LOMBARDA S.p.A. PRONTO ASSISTANCE S.p.A. SAI AGRICOLA S.p.A. SAINVESTIMENTI S.p.A. SAI ASSET MANAGEMENT SGR S.p.A. SAI MERCATI MOBILIARI SIM S.p.A. SERVICE GR.FONDIARIA-SAI S.p.A. SIAT S.p.A.	34.19 0.02 0.18 0.20 0.02 0.02 0.02 0.02 0.02 0.02 0.02 0.90 0.02 0.02 0.02 0.02 0.02 0.84	87.00
VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78,000	Real Estate	100.00			100.00
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		97.49
DDOR AUTO DOO Novi Sad (Serbia) Share Capital Euro 9,260.97	Non-Life Insurance		DDOR NOVI SAID ADO 100.00		99.99
DDOR PENZIJA PLUS AD Novi Sad (Serbia) Share Capital RSD 102,606,250	Services		DDOR NOVI SAID ADO 100.00		99.99
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		59.57
WAVE TECHNOLOGIES* Turin Share Capital Euro 99,500	Services	15.00			15.00

* Company controlled by UNISERVIZI GRUPPO FONDIARIA pursuant to article 2359, paragraph 1 No. 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	17.09
BORSETTO S.r.l. Turin Share Capital Euro 2,971,782.30	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 44.93	38.39
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 41,663.75	Finance		IMMOBILIARE LOMBARDA S.p.A. 19.99	17.08
CITY LIFE S.r.l. Milan Share Capital Euro 150,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 26.66	22.78
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A Turin Share Capital Euro 1,040,000	Services	30.07		30.07
EX VAR S.C.S. Luxembourg Share capital Euro 307,692	Finance	18.00	IMMOBILIARE LOMBARDA S.p.A. 10.00	26.55
FIN. PRIV S.r.l. Milan Share Capital Euro 20,000	Finance	28.57		28.57
FINADIN S.p.A. Milan Share Capital Euro 100,000,000	Finance		SAIFIN-SAIFINANZIARIA S.p.A. 40.00	40.00
FONDIARIA-SAI SERVICES 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	Finance		MILANO ASSICURAZIONI S.p.A. 47.95	30.08
IGLI S.p.A. Milan Share Capital Euro 24,120,000	Finance		IMMOBILIARE LOMBARDA S.p.A. 33.33	28.48
METROPOLIS S.p.A. Florence Share Capital Euro 1,120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 29.73	25.41
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 20.00	17.09

	Sector	Percentage of control Direct	Indirect	Group Holding
PROGETTO ALFIERE S.p.A. Rome Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 19.00	16.24
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (Mi) Share capital Euro 100,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 20.00	17.09
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	23.40
SVILUPPO CENTRO EST S.r.l. Rome Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 40.00	34.18
TRE TORRI CONTRACTOR S.c.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 50.00	42.73
VALORE REAL ESTATE S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 49.00	30.73

Companies valued at carrying value:

MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY DI N.V. Amsterdam Share Capital Euro 50,000	Other	30.00		30.00
QUINTOGEST S.p.A. (ex Quinto Italia S.p.A.) Milan Share Capital Euro 3,000,000	Finance	49.00		49.00
SOCIETA'FINANZ PER LE GEST.ASSICURATIVE S.r.l. in liquidation Rome Share Capital Euro 47,664,600	Finance	14.91	MILANO ASSICURAZIONI S.p.A. 7.50	19.61
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 Share Capital Euro 510,000	Other	14.14	SIAT S.p.A. 0.10 MILANO ASSICURAZIONI S.p.A. 10.98 LIGURIA ASSICURAZIONI S.p.A. 0.31	21.30

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 breakdown is as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Goodwill	1,640,721	1,474,258	166,463
Other intangible assets	259,277	279,996	(20,719)
TOTAL	**1,899,998**	**1,754,254**	**145,744**

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.

(Euro thousand)	2008	2007
Value at beginning of year	1,476,325	1,014,759
Permanent losses in value recorded in previous years (-)	(2,067)	(1,389)
Sub-total	**1,474,258**	**1,013,370**
Increases in the year	175,377	461,566
Reductions for disposals and reclassifications	-	-
Losses in value recorded in the year	(8,914)	(678)
Exchange movements	-	-
Other changes	-	-
Value at year end	**1,640,721**	**1,474,258**

The increases relate for:

- Euro 174,847 thousand to the purchase of DDOR Novi Sad Ado. The data is shown at the exchange rate at December 31, 2008 net of the exchange losses amounting to Euro 13,976 thousand;
- Euro 530 thousand to the acquisition of the business unit from Sistemi Sanitari S.c.r.l.

The loss in value refers to the impairment made on Capitalia Assicurazioni for Euro 8,237 thousand and Euro 677 thousand to the residual goodwill of the Profilo Life portfolio.

The Goodwill is broken down as follows:

(Euro thousand)	31/12/2008	31/12/2007	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	1,884	2,031	(147)
Consolidation difference	966,695	800,085	166,610
TOTAL	**1,640,721**	**1,474,258**	**166,463**

The details of goodwill are shown below:

(Euro thousand)

	2008	2007
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
Consolidation differences:		
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**

(Euro thousand)

Other goodwill	2008	2007
Goodwill relating to the transfer in 2001 of the portfolio of the subsidiary Profilo Life	1,354	2,031
Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano	1,052	1,052
Goodwill on Sistemi Sanitari S.c.r.l. for the purchase of business unit	530	-
Consolidation differences:		
On Liguria Assicurazioni Group	68,793	68,793
On Capitalia Assicurazioni S.p.A.	42,766	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	20,845
On Florence Centro di Chirurgia Ambulatoriale S.r.l.	1,279	1,279
On Popolare Vita S.p.A.	461,308	461,308
On DDOR Novi Sad ADO	174,847	-
Total other goodwill	**787,106**	**620,643**
Total Group goodwill	**1,640,721**	**1,474,258**

Overview

It is noted that the current financial crisis, considering its worldwide implications, has resulted in some indirect effects, amongst which are the accounting effects of the crisis itself, in particular in relation to account items such as goodwill and other intangible assets subject to impairment tests in accordance with IAS 36.
The notes below report the principal assumptions on which the impairment tests were carried out for the year 2008 on the above-mentioned items.

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 networks, 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, 2008, the goodwill allocated to the CGU's continues to be those allocated on the first-time adoption and are composed as follows:

(Euro thousand)

	Fondiaria-SAI				**Milano**		
CGU	**SAI Non-Life**	**Fondiaria Non-Life**	**SAI Life**	**Fondiaria Life**	**Milano Non-Life**	**Milano Life**	**TOTAL**
	1	**2**	**3**	**4**	**5**	**6**	**Σ (1-6)**
Goodwill allocated	273,898	138,872	50,971	41,023	296,060	52,791	**853,615**

As the goodwill recorded represents the goodwill purchased by the parent company on the basis of its share held and not the total of the goodwill controlled as resulting from the business combination, in order to verify the reduction in value of a CGU, the accounting value was nominally adjusted before being compared with its recoverable value.
This is accomplished by grossing up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the minority interest. In particular, account was taken of the fact that the investment of Sai in La Fondiaria at the moment of the merger was 28.96% and that the investment of Fondiaria-SAI in Milano Assicurazioni was 53.74%.
This treatment, in accordance with the provisions of paragraph 92 of IAS 36, increases the book value of the CGU and illustrates a more prudent approach to the test.

The results of the grossing up of the goodwill are shown below:

(Euro thousand)	Fondiaria-SAI				Milano		TOTAL
CGU	SAI Non-Life	Fondiaria Non-Life	SAI Life	Fondiaria Life	Milano Non-Life	Milano Life	
	1	**2**	**3**	**4**	**5**	**6**	**Σ (1-6)**
Goodwill allocated	642,066	325,541	119,484	96,165	423,062	80,047	**1,686,365**

In particular the "grossing up" results in the recording of the minority share of the goodwill arising following the business combination with La Fondiaria in 2002 (71.04%) and consequently with Milano Assicurazioni (46.26%).

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 subsidiary Milano Assicurazioni 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.
Given the significant decline in the stock market prices of the Fondiaria-SAI and Milano shares, the test based on fair value does not permit the full recovery of the goodwill recorded. In further detail, the goodwill allocated to the CGUs will not be recoverable. Therefore it was considered appropriate to define the value in use.

Therefore impairment tests were carried out identifying a value in use through the DCF method. The principal assumptions for Fondiaria-SAI and Milano are shown below:

Base Data: Forecast 2009 sustainable with sensitivity ± 3%;
Time period: 5 years;
Discount rate: Group Wacc equal to approx. 8%;
Terminal Value: discount of the last perpetual cash flows with growth equal to zero.

With reference to the 2009 forecast, in the absence of a formalised budget plan, as already indicated in the Directors' Report, the Directors drew up an income statement budget for the year 2009 considering part of the objectives which will be the basis of the previously mentioned industrial plan.

Account was also taken of a normalised version of the 2008 results in order to evaluate the reasonableness of the financial data contained in the 2009 forecast. The 2009 forecast is considered reasonable as the Company's capacity in the time period involved and based on conservative assumptions compared to those which will be developed in greater detail in the previously mentioned industrial plan.

The discount rate applied is the weighed average cost calculated of capital (Wacc) equal to approx. 8%. This rate is based on the weighting between the cost of Group debt and the cost of own capital.

The terminal value or residual value was determined as the current value of a perpetual return represented by the last expected cash flows assumed from a nominal zero growth rate.

These extremely prudent assumptions illustrate a value in use above the book value of the CGU and therefore confirm the recording in the accounts of the accounting goodwill.

Finally, it is noted that the valuations made with the DCF method were subject to sensitivity analysis on the basis of assumptions of growth/contraction of 3% of the 2009 forecast and Wacc fluctuations of +/-1%. From the analysis made the resulting values are within an average range, thus confirming the values obtained from the application of the methods described above.

Other goodwill

This concerns the principal business combinations undertaken in the last three 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%);
- Popolare Vita (50% +1 share);
- DDOR (99.99%);

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 DCF financial methods, applied on the expected cash flows of the industrial plans of the Companies, subject to valuation, taking into account their terminal value. The discount rate applied is the weighted average cost calculated of capital (Wacc) equal to approx. 8%, as further described above.
The terminal value or residual value was determined as the current value of a perpetual return represented by the last expected cash flows assumed from a nominal zero growth rate.

The main assumptions for the impairment test are as follows:

<u>Base Data:</u> 2009 budget or last Business Plan approved, with sensitivity analysis;
<u>Time period:</u> 5 years, with the exception of Capitalia Assicurazioni and Popolare Vita which relate to ten year plans;
<u>Discount rate:</u> Group Wacc equal to approx. 8%;
<u>Terminal Value:</u> where applicable, discounting of the last perpetual cash flows with zero growth.

The results of the tests are shown below which, except for Capitalia Assicurazioni, confirm the recovery of the goodwill recorded:

(Euro thousand)

Company valued	Impairment	Impairment Amount
Capitalia Ass.ni	yes	(8,237)
Gruppo Liguria	no	-
DDOR Novi Sad	no	-
Popolare Vita	no	-
Bipiemme Vita	no	-
Florence	no	-

With reference to Liguria Assicurazioni the directors verified, pursuant to article 2343 of the Civil Code and with the assistance of an independent expert, the conferment values of the holding in the subsidiary Milano, confirming the recovery of the carrying value.

With reference to the acquisition of DDOR Novi Sad, in January 2008 and in the second half of the year due to the effect of the residual offer, the relative recoverable value is still 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. In particular, considering the unique characteristics of the company acquired and development potential on the Serbian insurance market, the valuation is principally based on the multiples method applied to recent comparable transactions.
Therefore the price (and thus the valuation) of the subsidiary is placed in a medium-high value range, also in consideration of the fact that the company is the third largest insurance company operating in the market and considered strategic for the Group and that the selling party was the Serbian State.

For the project within Marina di Loano S.p.A, the construction of the port at Loano, the impairment test was made discounting the revenue streams, assuming the sale of approx. 40% of the berths and the temporary rental of the remainder and rental of the commercial activities from 2011. The discounting rate utilised was 8.5%; from this discounted value, the costs relating to the construction still to be undertaken and the management of the project were subtracted, determining thus the current value of the works realised up to December 31, 2008. The value thus determined was above the book value of the project, justifying in this manner the goodwill recorded.

Finally, it is noted that the valuations made with the DCF method were subject to sensitivity analysis on the basis of assumptions of growth/contraction of between 1.5% and 3% of the 2009 forecast for each company and Wacc fluctuations of +/-1%.
From the analysis made the resulting values are within an average range, thus confirming the values obtained from the application of the methods described above.

Other Intangible Assets

The other intangible assets amount to Euro 259,277 thousand (Euro 279,996 thousand at December 31, 2007) and are composed of:

(Euro thousand)	**Gross carrying value**	**Amortisation and impairment**	**Net value 2008**	**Net value 2007**
Studies and research expenses	216,067	(181,900)	34,167	34,582
Utilisation rights	12,704	(9,006)	3,698	2,436
Other intangible assets	358,947	(137,535)	221,412	242,978
TOTAL	**587,718**	**(328,441)**	**259,277**	**279,996**

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their duration. The expenses for research studies relate to the capitalisation in 2008, 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 2008 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 exist 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 intangible assets principally relate to the values relating to the client portfolios acquired of the following companies:

(Euro thousand)	**2008**	**2007**	**Change**
Bipiemme Vita S.p.A.	87,837	120,101	(32,264)
Liguria Assicurazioni S.p.A.	31,341	38,438	(7,097)
Banca Gesfid S.A.	17,600	17,770	(170)
Popolare Vita S.p.A.	35,767	55,100	(19,333)
DDOR Novi Sad ADO	36,330	-	36,330
TOTAL	**208,875**	**231,409**	**(22,534)**

The change includes over Euro 2 million exchange effects on the VOBA of Banca Gesfid.

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 and DDOR, 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 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 DDOR, Liguria and Banca Gesfid the average amount is respectively 5, 7 and 10 years.

For Bipiemme Vita the average life of the contract portfolio was initially determined as ten years and then reduced to seven years due to the effect of the greater impact of redemptions recorded during the last two years compared to that originally recorded. For Popolare Vita the amortisation period was prudently reduced to three 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 2008 were Euro 69,020 thousand (Euro 37,081 thousand in 2007).

The reconciliation of the opening and closing book values of the other intangible assets is shown below:

(Euro thousand)	**Studies and research expenses**		**Utilisation rights**		**Other intangible assets**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Value at beginning of year	34,582	33,987	2,436	3,374	242,978	122,756	279,996	160,117
Increases:								
• *purchased and generated internally*	18,131	18,037	3,050	2,909	13,441	-	34,622	20,946
• *from business combinations*	-	-	1,133	-	44,623	58,993	45,756	58,993
• *for changes in consolidation method*	-	-	-	-	-	100,056	-	100,056
Decreases for sales or reclassifications	-	-	(643)	(1,590)	(8,427)	-	(9,070)	(1,590)
Impairment recorded in the year	-	-	-	-	-	-	-	-
Restated values recorded in the year	-	-	-	-	-	-	-	-
Amortisation	(18,546)	(17,442)	(2,278)	(2,257)	(73,244)	(38,236)	(94,068)	(57,935)
Exchange differences	-	-	-	-	2,041	(591)	2,041	(591)
Other changes	-	-	-	-	-	-	-	-
Value at end of year	**34,167**	**34,582**	**3,698**	**2,436**	**221,412**	**242,978**	**259,277**	**279,996**

Following verifications made, there was no impairment in the values recorded.
In the current year, the increases from business combinations refers to the acquisition of control in DDOR.

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 1,244,217 thousand (Euro 1,201,862 thousand at December 31, 2007), an increase of Euro 42,355 thousand.

The breakdown of the investments is as follows:

(Euro thousand)	Buildings		Land		Other tangible assets		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Gross carrying value	1,064,993	1,000,530	81,046	79,159	350,834	350,799	1,496,873	1,430,488
Depreciation and impairment	(88,170)	(79,639)	-		(164,486)	(148,987)	(252,656)	(228,626)
Net value	**976,823**	**920,891**	**81,046**	**79,159**	**186,348**	**201,812**	**1,244,217**	**1,201,862**

The movements in the year are shown below:

(Euro thousand)	Buildings		Land		Other tangible assets		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Value at beginning of year	920,891	908,100	79,159	78,150	201,812	178,370	1,201,862	1,164,620
Increases	92,009	138,711	1,887	1,009	36,454	37,103	130,350	176,823
Sales or reclassifications	(81,124)	(119,968)	-	-	(48,105)	(6,695)	(129,229)	(126,663)
Buildings from business combinations	50,543	-	-	-	4,134		54,677	-
Impairment recorded in the year	-	-	-	-	-		-	-
Restated values recorded in the year	-	-	-	-	-		-	-
Depreciation	(6,524)	(5,743)	-		(7,947)	(6,966)	(14,471)	(12,709)
Exchange differences	1,028	(209)	-	-	-		1,028	(209)
Other changes	-	-	-	-	-		-	-
Value at end of year	**976,823**	**920,891**	**81,046**	**79,159**	**186,348**	**201,812**	**1,244,217**	**1,201,862**

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: the account “Increases” and “Sales and reclassifications” are in a large part due to the activities undertaken by the Immobiliare Lombarda Group. Their contribution to the consolidation amounts to Euro 745,084 thousand (Euro 746,154 thousand in 2007).
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 account "Buildings from business combinations" refers to the acquisition of the subsidiary DDOR.

The “Other tangible assets” refer for Euro 124,576 thousand to down-payments in relation to real estate operations regarding the areas in Milan - via Confalonieri-via de Castillia (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. At the year-end, there were future contractual commitments of Euro 65,324 thousand for constructions in Milan and Rome.

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 Euro 320 million lower than the expert valuations based on market values (Euro 364 million at December 31, 2007).

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 833,548 thousand (Euro 905,307 thousand at 31/12/2007), a decrease of Euro 71,759 thousand. The breakdown of the account is as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Non-Life premium reserve – reinsurers	131,329	123,473	7,856
Non-Life claims reserve – reinsurers	505,326	576,234	(70,908)
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserve – reinsurers	194,554	203,347	(8,793)
Reserve for claims to be paid – reinsurers	2,338	2,252	86
Class D reserves attributed to reinsurers	-	-	-
Other reserves – reinsurers	1	1	-
TOTAL	**833,548**	**905,307**	**(71,759)**

Of this amount Euro 579.9 million refers to reinsurance while Euro 253.7 million refers to reserve cessions.

4. INVESTMENTS

The breakdown is as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Investment property	2,459,751	2,142,923	316,828
Investments in subsidiaries, associates and joint ventures	292,879	270,025	22,854
Investments held-to-maturity	845,789	-	845,789
Loans and receivables	1,776,024	1,333,262	442,762
Available-for-sale financial assets	19,982,715	23,335,001	(3,352,286)
Financial assets at fair value recorded through profit or loss	8,080,675	10,939,541	(2,858,866)
TOTAL	**33,437,833**	**38,020,752**	**(4,582,919)**

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 0.80% and 3%, while the depreciation rate relating to the “plant” component was between 3.38% and 16.01%.

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, 2008 was Euro 916 million lower than the independent expert valuations prepared for this purpose (Euro 903 million at December 31, 2007).

The composition of the investment property and the movement in the year is shown below.

(Euro thousand)	**31/12/2008**	**31/12/2007**
Gross carrying value	2,759,251	2,405,893
Depreciation and impairment	(299,500)	(262,970)
Net value	**2,459,751**	**2,142,923**

The movements in the investment property in the year is shown below:

(Euro thousand)	**2008**	**2007**
Value at beginning of year	2,142,923	2,125,628
Increases: for purchases and incremental expenses	429,308	94,095
Buildings from business combinations	5,466	-
Decreases for sales or reclassifications	(134,358)	(99,735)
Depreciation	(50,470)	(40,031)
Impairment/restatement recorded in the year	(16,900)	-
Exchange differences	-	-
Transfer from/to other categories (IAS 2 or IAS 16)	83,782	62,966
Other changes	-	-
Value at end of year	**2,459,751**	**2,142,923**

The increases include the following purchases:

- Meridiano Risparmio: Varese – Via Albani 41 and Milano – Via Melzi D'Eril;
- Meridiano EUR: Milan – Via Caldera, Bologna - Via Bassi and Rome – Via Arcione;
- Tikal R.E.: Pero – Via Keplero and Milan - Via dei Missaglia.

The sales include the following buildings:

- Milan – Via Filzi 25/B sold by the Parent Company;
- Milan – Via Broletto 44/46 sold by the subsidiary Milano Assicurazioni;
- Milan – Via Copernico sold by the real estate fund Tikal R.E.

The account transfers to/from other categories refer to the reclassifications:

- under "Assets to be discontinued" of the buildings held by the real estate fund Tikal R.E. located in Florence – viale Matteotti 72, whose sale was approved on 31/12/2008;
- from the account "Tangible fixed assets" of the building held by the subsidiary Milano Assicurazioni located in Milano Via Lancetti 43 following the signing of the relative notary deed;
- from the account "Tangible fixed assets" of buildings sold by the subsidiary Immobiliare Lombarda to the Parent Company (Terreni Giardini Naxos), to the subsidiary Meridiano Quinto (Turin – C.so Svizzera 185 and Milan – V. Restelli 3) and to the real estate fund Tikal (Milan – V. Fraschini 3);
- from the account "Tangible fixed assets" of the buildings sold to the subsidiary NIEM to the Tikal fund (Rome – V. Dragoncello).

The permanent losses in value refer to the buildings held by the Tikal R.E. fund whose carrying value was above the market value.

The buildings relating to the closed real estate fund Tikal R.E. contribute to the final balance for Euro 551 million (Euro 529 million at 31/12/2007).

During the year, the rental income from investment property amounted to over Euro 104 million (Euro 98 million in 2007).

There are no significant limits on the realisation of the investment property due to legal or contractual restrictions or restrictions of any other nature, apart from 6 buildings of the Tikal Fund which are mortgaged for the loans received on these buildings.

In relation to the recent restrictions on the Castello Area in Florence and the building located in Milan, Via Confalonieri – Via De Castilla, reference should be made to the Directors' Report.

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.

(Euro thousand)	31/12/2008	31/12/2007	Change
Subsidiary companies	2,703	3,598	(895)
Associated companies	290,176	266,427	23,749
Total	**292,879**	**270,025**	**22,854**

The investments included in this account amount to Euro 292,879 thousand (Euro 270,025 thousand in 2007).

The change is principally related to the subscription of the capital increases in associated companies operating in the real estate sector (Citylife S.r.l. and Chrysalis S.p.A.), as well as the investments held by Immobiliare Lombarda in IGLI (in turn with a stake in Impregilo).
The most significant investments are those held by the subsidiary Immobiliare Lombarda in IGLI for Euro 107.8 million, CityLife for Euro 49.0 million, Chrysalis for Euro 10.4 million, Progetto Alfiere for Euro 6.1 million, and by the Parent Company in the associated company Fin. Priv. S.r.l. for Euro 32.3 million and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 41.0 million.

The adjustments recorded in the income statement due to the valuation of the investments in associated companies was a loss of Euro 2 million.

The equity valuation in the investment in the company IGLI S.p.A. reflects the share of the Group in this latter reported by the indirect holding Impregilo S.p.A.; as the accounts at December 31, 2008 of the indirect investment Impregilo S.p.A. have not yet been published, the valuation reflects the share of the net equity of only IGLI S.p.A. at December 31, 2008, which in turn reflects the share of the result for the year and other equity changes of Impregilo S.p.A. at September 30, 2008.

As described in detail in the Directors’ Report, during 2008 the only joint venture held by the Group representing the investment in Po Vita was sold.

Investments held to maturity:

The account amounts to Euro 845,789 thousand (Euro zero at 31/12/2007) and is composed as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Debt securities	845,789	-	845,789
Total	**845,789**	**-**	**845,789**

From the current year, the Group values the segment of the investments held to maturity.
The financial instruments included in this category are in accordance with the requisites of paragraph 9 of IAS 39. Therefore, they relate solely to debt securities with fixed maturities and fixed and determinable payments which the group has the intention and capacity to hold until maturity.
In addition, the category only includes financial instruments from the life sector held exclusively for policies with specific liabilities as defined by the current sector regulations.
This category includes quoted securities for Euro 752,473 million.

Loans and receivables

The account amounts to Euro 1,776,024 thousand (Euro 1,333,262 thousand at December 31, 2007) and is composed as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Bank and interbank receivables	540,066	472,178	67,888
Debt securities	115,432	102,327	13,105
Time deposits and repurchases	297,229	29,820	267,409
Loans on life policies	64,280	66,858	(2,578)
Deposits held by reinsurers	31,045	32,272	(1,227)
Receivables from sub-agents for indemnities paid to agents terminated	219,354	208,846	10,508
Other loans and receivables	508,618	420,961	87,657
Total	**1,776,024**	**1,333,262**	**442,762**

The increase in the account is principally attributable to the time deposits operations opened at the end of the year.

The receivables from banks include the receivables of the consolidated BANCASAI and Banca Gesfid from other credit institutions for deposits of Euro 84,907 million (Euro 167,935 million at December 31, 2007), as well as loans to client banks for Euro 455,159 million (Euro 304,243 million at December 31, 2007).

The debt securities includes the book values of some issuers (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost 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 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 170.3 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 23,155 thousand (Euro 28,881 thousand at December 31, 2007) relating to loans granted by Immobiliare Lombarda to its associated companies.
In particular Euro 9,304 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 15,815 thousand (Euro 17,421 thousand at December 31, 2007) 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 31 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 195.3 million (Euro 169.4 million at December 31, 2007) 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 are divided as follows:

(Euro thousand)	**31/12/2008**	**31/12/2007**	**Change**
Equity securities	1,541,909	3,096,783	(1,554,874)
Fund units	859,797	842,179	17,618
Debt securities	17,578,144	19,393,264	(1,815,120)
Other financial investments	2,865	2,775	90
TOTAL	**19,982,715**	**23,335,001**	**(3,352,286)**

The reduction of these assets is due for Euro 860.9 million to the deconsolidation of Po Vita.
At December 31, 2008, the newly consolidated DDOR contributed Euro 6.8 million to this account.

In addition, due to the application of the amendment to IAS 39 in October, the Group availed of the option contained therein to transfer part of its financial assets previously classified in the fair value category through profit and loss to the present segment.
The assets transferred, prevalently equity securities in the non-life sector and debt securities (almost exclusively corporate bonds) in the life sector amounted to Euro 1,458.9 million.

In accordance with the provisions of the amendment, the valuation losses matured in the period 1/1/2008 – 1/7/2008 were recorded in the profit and loss, considering that the transfer should occur at the market values recorded at this latter date (1/7/2008): the effect of the above on the income statement amounts to Euro 87 million. For the effect on the net equity of the above reclassification, reference should be made to that reported in the accounting principles section.
Finally we report that the securities transferred all refer to primary issuers and do not include so-called "toxic" securities.

We recall that for the corporate bonds with subordination clauses, as described in the paragraph on accounting principles, use was made, within the hierarchy of the fair value, of the mark to model. Specifically, the credit default pricing model was utilised. A further haircut, in a prudent manner, was applied – principally for the issuing banks - to the price obtained in consideration of the tensions which were created recently in the sector from the bankruptcy of Lehman Brothers.

In addition, we report that the principal part of the securities with subordination clauses recorded under financial assets available-for-sale were transferred from the fair value category through profit and loss, in application of the amendment to IAS 39 issued by the IASB (International Accounting Standard Board) in October 2008. For further information on this transfer and for the relative effects, reference should be made to the following paragraph on financial instruments at fair value through profit and loss.

The equity securities of the AFS segment include listed securities of Euro 1,403.0 million, while the debt securities listed amount to Euro 17,509.2 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 in value of this investment.

In particular, the listed equity securities included in the "Available-for-sale financial assets" include the following investments:

(Euro thousand)	**% holding (1)**	**Book value 2008**	**Book value 2007**
Assicurazioni Generali S.p.A.	1.02	274,867	890,771
Unicredito S.p.A.	0.36	82,202	410,764
Gemina S.p.A.	4.18	23,005	72,852
Mediobanca S.p.A.	3.84	228,425	442,246
Monte dei Paschi S.p.A.	0.51	51,978	111,935
RCS S.p.A.	5.46	39,105	120,030
Pirelli & C. S.A. p.a.	4.48	61,592	175,372
Total		**761,174**	**2,223,970**
Other investments		641,779	801,019
Total general		**1,402,953**	**3,024,989**

(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.
Overall the measurement at fair value had a negative impact for the share of the Group and before tax amounted to Euro 457.8 million (Euro 485.4 million in 2007) on the equity securities and fund units and a negative effect of Euro 251.7 million (Euro 239.1 million in 2007) on the debt securities.

In this context the Group therefore considered it appropriate to take into account, for the purposes of the effective reduction in value of the AFS assets, also factors of a qualitative or fundamental nature which cannot be treated automatically.
This presumes that the current price of a share is the best forecast of the current value of the future price in an efficient market, but not in a turbulent market such as the current market which reports extraordinary daily variations compared to the historic trend.

In addition, in relation to the investments which report a significant decrease in fair value (generally between 20% and 80% and therefore not within the automatic tests described above), the analysis of the existence of an impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.
In particular:

1. For the so-called strategic investments of the Group such as:
   - Assicurazioni Generali;
   - Gemina;
   - Monte dei Paschi di Siena;
   - Pirelli;
   - RCS;
   - Unicredito;

   the stock exchange prices at December 31, 2008 report values below the original cost of the investment.

   In relation to the above-mentioned investments, although there is no impairment under the automatic test policies as described above, they were prudently subject to analytical valuations of a qualitative nature, carried out internally and with the assistance of independent experts. With the exception of RCS Mediagroup (as further described below), this analysis illustrated a value in use of the investments above the book value, therefore confirming the recording of the difference between the same and the market value in the negative component of the AFS reserve, not relating therefore to an impairment. This analysis, based on methods commonly utilised by the operators, was based on published information (annual/interim accounts, industrial plans, presentation of data to the financial community etc.) in turn subject to a desk review procedure.

2. For the investments not within point 1) but which are significant amounts both in terms of carrying value and in terms of losses, a verification was made of the existence of one of the qualitative requisites as per paragraph 59 of IAS 39 (and in this case the reduction in value is recognised immediately in the income statement) and, in the absence thereof, analytical valuations.

3. For all the other investments, given their fragmentation and the lower amount of the related losses, an impairment test was only made in the presence of one of the qualitative factors as per the above-mentioned paragraph 59. The negative AFS reserve relating to these latter positions amounts to approx. one third of the total negative reserve relating to equity securities.

Consequently, the analytical valuations concern approx. 70% of the negative AFS reserve relating to equity securities (gross of the tax effect and any shadow accounting) whose difference between fair value and original cost is above 20%.

In relation to the debt financial instruments, there is evidence of impairment if only one of the qualitative factors exists of the above-mentioned paragraph 59. For the debt securities which report a significant decrease in fair value at the reporting date, any analytical valuations are simplified in that the fundamental criteria principally concerns the probability of issuer default.

Given the above, the reduction in value for impairment relating to the AFS assets represented by equity and bond securities amounts to Euro 203.2 million and are summarised in the following table:

(in Euro millions)

	2008	2007
RCS	109.2	0.0
METALS BANK	22.4	0.0
ROYAL BANK OF SCOTLAND	5.6	0.0
FORTIS	5.6	0.0
AIG	0.6	0.0
OTHER ISSUERS	59.8	0.0
Total	**203.2**	**0.0**

The account "Other Issuers" includes financial instruments whose impairment test was made with regard to situations of prolonged and/or significant reduction in fair value as described above.

In relation to the investment held in Metalsbank through the subsidiary DDOR (which holds 15.24%), the impairment is due to the significant drop in the share price and to the fact that the bank was brought under the control of the Serbian supervision authorities. The residual carrying value was therefore aligned to the share price at the end of the year, with recognition in the income statement of the initial AFS reserve, together with the losses for the period.

Finally, in relation to the valuation of the investment in RCS, it is reported that in the statutory financial statements of the Parent Company and in the subsidiary Milano the investment was adjusted to consolidated net equity value at September 30, 2008, considering this adjustment as a permanent loss in value. With the application of the IAS standards, it is noted that the provisions of paragraph 68 of IAS 39 requires, in the case of reduction in value, the recording of the difference between the acquisition cost and the current fair value in the income statement.

It is therefore necessary to recognise in the income statement the entire amount of the negative AFS reserve relating to RCS which, together with the decrease in the fair value recorded in 2008 and to the effect of the further shares held by the subsidiary Sainternational, incurred total charges in the income statement of Euro 109.2 million.

Financial assets at Fair Value recorded through profit or loss

The breakdown is as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
Equity securities	74,888	286,123	(211,235)
Fund units	954,633	1,793,540	(838,907)
Debt securities	6,600,852	8,323,615	(1,722,763)
Other financial investments	450,302	536,263	(85,961)
TOTAL	**8,080,675**	**10,939,541**	**(2,858,866)**

The decrease in these assets is due for Euro 1,165.8 million to the deconsolidation of Po Vita.

At December 31, 2008, the newly consolidated DDOR contributed Euro 10.9 million to this account.

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 7,833,085 thousand (Euro 9,661,370 thousand at December 31, 2007) and these include the investments where the risk is borne by the policyholders and deriving from the management of pension funds for Euro 7,647 million (Euro 9,510 million at December 31, 2007).

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:

(Euro thousand)	31/12/2008	31/12/2007	Change
Receivables from direct insurance operations	1,861,642	1,812,015	49,627
Receivables from reinsurance operations	138,325	183,476	(45,151)
Other receivables	520,039	578,683	(58,644)
TOTAL	**2,520,006**	**2,574,174**	**(54,168)**

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:

(Euro thousand)	31/12/2008	31/12/2007	Change
Receivables from policyholders for premiums in year	876,356	874,833	1,523
Receivables from policyholders for premiums in previous years	25,428	25,876	(448)
Receivables from insurance brokers	696,895	645,455	51,440
Receivables from insurance companies	184,404	181,073	3,331
Amounts to be recovered from policyholders & third parties	78,559	84,778	(6,219)
TOTAL	**1,861,642**	**1,812,015**	**49,627**

The receivables from reinsurance operations include Euro 127,242 thousand (Euro 97,048 thousand in 2007) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 11,083 thousand (Euro 86,428 thousand in 2007) 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 58,579 thousand, principally comprising receivables from clients, as well as receivables from Tax Authorities for Euro 168,323 thousand and amounts requested for repayment, VAT receivables and payments on account for tax insurances (Legislative Decree 282/04).
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 to be received in 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.

In 2008, the first four instalments were received totalling Euro 36,976 thousand. The residual receivable at the year-end, taking into account the reversal of the profits from discounting, amounted to Euro 18,488 thousand.

The residual amount relates to Euro 37,035 thousand of down-payments of the subsidiary Immobiliare Lombarda in relation to real estate projects and urbanisation works, Euro 4,926 thousand of receivables from deposits at the settlement organisations, Euro 7,111 thousand of receivables from social security agencies, Euro 9,265 thousand of bank receivables for operations to be settled by the subsidiary Finitalia and receivables from companies of managed funds for investment repayments requested by the subsidiary Sai International for Euro 2,300 thousand.

6. OTHER ASSETS

The total amount of the account is Euro 939,393 thousand (Euro 822,370 thousand in 2007) and the account increased by Euro 117,023 thousand compared to the previous year.

The breakdown of the account is as follows:

(Euro thousand)	**31/12/2008**	**31/12/2007**	**Change**
Non-current assets or of a discontinued group held for sale	7,622	1,366	6,256
Deferred acquisition costs	226,969	290,517	(63,548)
Current tax assets	351,399	149,051	202,348
Deferred tax assets	117,314	103,867	13,447
Other activities	236,089	277,569	(41,480)
TOTAL	**939,393**	**822,370**	**117,023**

Non-current assets or of a discontinued group held for sale

At December 31, 2008, the discontinued assets amounted to Euro 7,662 thousand (Euro 1,366 thousand at December 31, 2007).
The decrease of Euro 6,256 thousand refers to the reclassification of the building held by the Tikal R.E.real estate fund, whose sale was approved by December 31, 2008.

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 226,969 thousand (Euro 290,517 thousand at December 31, 2007), principally refer to the acquisition commissions to be amortised on the long-term contracts in the Life and Non-Life sectors of the traditional companies. These amounts are deferred and amortised over seven years for the Non-Life classes and six years for the Life classes in accordance with analysis on the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

The net decrease amounts to Euro 63,548 thousand. As described in the Directors' Report, both the Parent Company and Milano Assicurazioni no longer record in the Non-Life Division the long-term commissions in that, following the abolition of the long-term contracts in accordance with the Bersani decrees, the remuneration policy of the agency networks has changed substantially. The increase in the year refers exclusively to the consolidation of the newly acquired DDOR. The increase in the Life Division is almost exclusively related to the contribution of the subsidiary Popolare Vita: this increase relates to the upfront commissions paid to the sales network on unit contracts with significant insurance risks.

The amortisation period in this case was estimated as three years. In fact, in this time period the charge would be recovered both through the correlated management commissions and through any surrender penalty charges. The movements during the year were as follows:

(Euro thousand)	31/12/2008 Non-Life Division	Life Division	Total	31/12/2007
Balance at beginning of year	273,336	17,181	290,517	320,972
Increases in the year	13,888	26,487	40,375	73,269
Amortisation in year (-)	(92,558)	(4,028)	(96,586)	(90,581)
Impairment in value recorded in year (-)	(7,337)	-	(7,337)	(13,143)
Other changes	-	-	-	
Balance at end of year	**187,329**	**39,640**	**226,969**	**290,517**

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 351,399 thousand (Euro 149,051 thousand at December 31, 2007), 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 177,314 thousand (Euro 103,867 thousand in 2007) 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 236,089 thousand (Euro 277,569 thousand at 31/12/2007) and comprise:

(Euro thousand)	31/12/2008	31/12/2007	Change
Transitory reinsurance accounts	1,499	1,595	(96)
Deferred commission expenses for life investment management services	48,511	89,071	(40,560)
Actuarial reserve tax on account as per Leg. Decree No. 209/03	59,855	43,592	16,263
Indemnities paid not applied	9,330	8,292	1,038
Other assets	116,894	135,019	(18,125)
TOTAL	**236,089**	**277,569**	**(41,480)**

The other assets include Euro 15 million of prepayments, Euro 5 million of bills, Euro 13 million transitory claim accounts, Euro 9 million of indemnities paid not applied, Euro 3 million of withholding taxes on bank current accounts and client bank accounts, Euro 2 million of consumer credit of the subsidiary Finitalia and Euro 1 million of EU aid to the subsidiary Saiagricolo.

7. CASH ON HAND AND AT BANK

The account amounts to Euro 760,072 thousand (Euro 701,195 thousand at December 31, 2007).

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 3,894,808 thousand, includes the result for the year and the minority share and decreased by Euro 1,276,127 thousand compared to 2007.

The movements in the year are shown below:

(Euro thousand)	2008	2007	Change
Group Shareholders' Equity	**2,934,779**	**3,857,752**	**(922,973)**
Share capital	167,044	168,534	(1,490)
Other equity instruments	-	-	-
Capital reserves	209,947	207,785	2,162
Retained earnings and other reserves	3,069,434	2,807,956	261,478
Treasury shares	(302,573)	(310,961)	8,388
Translation reserve	4,043	(1,623)	5,666
Profit or loss on available-for-sale financial assets	(350,020)	415,143	(765,163)
Other gains and losses recorded directly in equity	49,495	63,952	(14,457)
Group profit	87,409	506,966	(419,557)
Minority Interest share of Net Equity	**960,029**	**1,313,183**	**(353,154)**
Minority capital and reserves	1,054,232	1,157,681	(103,449)
Gains and losses recorded directly in equity	(97,558)	42,417	(139,975)
Minority interest profit	3,355	113,085	(109,730)
TOTAL	**3,894,808**	**5,170,935**	**(1,276,127)**

The disclosures required by IAS 1.76a are provided below:

	Ordinary 31/12/2008	**Savings 31/12/2008**	**Ordinary 31/12/2007**	**Savings 31/12/2007**
Number of shares issued	124,482,490	42,561,222	125,265,390	43,361,222

Changes in shares outstanding	**Ordinary**	**Savings**	**Total**
Shares existing at 1/1/2008	125,244,822	43,361,222	157,243,487
Treasury shares (-)	11,362,557	800,000	12,162,557
Shares outstanding: balance at 1/1/2008	113,882,265	42,561,222	145,080,930
Increases:			
Sale of treasury shares	-	-	-
Exercise of warrants	1,017,668	-	1,017,668
Decreases:			
Acquisition of treasury shares	3,200,000	-	3,200,000
Shares outstanding: balance at 31/12/2008	111,699,933	42,561,222	154,261,155

We recall that, in September 2008, execution was made of the extraordinary shareholders' meeting resolution of April 23, 2008 which approved the reduction of the share capital through cancelling 1,780,000 ordinary shares and 800,000 savings shares.

The capital reserves, amounting to Euro 209,947 thousand, increased by Euro 2,162 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 financial statements of the Parent Company, increased by the allocation of the results for 2007 (reference should be made to the notes to the financial statements of the Parent Company relating to the changes therein) in addition to the consolidation reserves.

Treasury shares

The account amounts to Euro 303 million (Euro 311 million at 31/12/2007). This account includes the book value of the instruments representative of the capital of the Parent Company Fondiaria-SAI for Euro 64.4 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 positive amount of Euro 4,043 thousand (negative of Euro 1,623 thousand at December 31, 2007) 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, negative for Euro 350 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 49 million, includes the valuation under the net equity method of some associated companies for Euro 1.2 million.
The account includes Euro 6.1 million relating to profits or losses on cash flow hedging instruments, in addition to Euro 53.6 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.

Minority interest shareholders' equity

The minority interest net equity, including the result for the year, decreased by Euro 353.2 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 table.

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.

(Euro thousand)	Profit for the year	
	31/12/08	**31/12/07**
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**69,591**	**323,071**
IAS 38 "Intangible assets"		
Goodwill	47,962	47,962
Other intangible assets	8,645	9,478
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(15,497)	(12,208)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	(8,919)	19,830
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	(2,024)	9,741
IAS 39 "Financial Instruments"		
Financial assets	257,689	(12,379)
Financial liabilities	2,014	3,505
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium reserve	5,157	5,250
Actuarial reserves	27,978	38,269
Service component linked policies (IAS 18)	-	-
IFRS 2 "Share-based payment"		
Stock options	(5,315)	(14,581)
Tax effect on the reconciliation accounts	(100,552)	(24,902)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**286,729**	**393,036**
Consolidation adjustments:		
Results of consolidated companies:		
Line-by-line	107,606	437,464
Under the equity method	1,274	2,400
Application of group accounting principles, translation adjustment and other	(90,855)	(52,923)
Amortisation VOBA/Goodwill impairment	(45,022)	(11,970)
Elimination effects of inter-group operations:		
Inter-group dividends	(216,735)	(151,784)
Other inter-group operations	24,625	(26,904)
Tax effects of the consolidation adjustments	23,142	30,732
Consolidated Result as per IAS/IFRS	**90,764**	**620,051**
MINORITY SHARE	**(3,355)**	**(113,085)**
Group Result as per IAS/IFRS	**87,409**	**506,966**

(Euro thousand)	Net Equity incl. result	
	31/12/08	31/12/07
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**2,530,953**	**2,468,001**
IAS 38 "Intangible assets"		
Goodwill	191,849	143,886
Other intangible assets	14,089	4,612
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(96,306)	(84,096)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	(11,876)	(37,931)
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	14,546	4,805
IAS 39 "Financial Instruments"		
Financial assets		
Available-for-sale	(473,577)	229,799
Fair value through income statement and other financial assets	42,120	58,585
Financial liabilities	(9,555)	(13,062)
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium reserve	60,865	55,615
Actuarial reserves	284,335	145,410
Service component linked policies (IAS 18)	(206)	(206)
IFRS 2 "Share-based payment"		
Stock options	5,315	14,581
Tax effect on IAS/IFRS adjustments	(48,841)	(59,729)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**2,503,711**	**2,930,270**
Consolidation adjustments:		
Difference between carrying value and share of equity of the companies consolidated:		
Line-by-line	1,416,728	1,712,439
Under the equity method	565	25,110
Elimination effects of inter-group operations:		
Inter-group dividends	116,121	87,192
Other intra-group operations	(123,511)	(96,607)
Application of group accounting principles	233,906	274,022
Effect currency translation of financial statements	2,420	(1,497)
Tax effects of the consolidation adjustments	(43,323)	(69,085)
Elimination of treasury shares	(302,573)	(310,961)
Consolidated Shareholders' Equity as per IAS/IFRS accounting standards	**3,804,044**	**4,550,883**
MINORITY SHARE	**(956,674)**	**(1,200,098)**
Group Shareholders' Equity as per IAS/IFRS accounting standards	**2,847,370**	**3,350,785**

2. PROVISIONS

The account amounts to Euro 463,037 thousand (Euro 236,155 thousand at December 31, 2007) and comprises:

(Euro thousand)	2008	2007	Change
Provisions of a fiscal nature	54	43	11
Other provisions	462,983	236,112	226,871
TOTAL	**463,037**	**236,155**	**226,882**

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:

(Euro thousand)	Urbanisation charges	Non-fiscal disputes	Personnel charges	Non-recoverable amounts from brokers	Other charges	Total
Value at beginning of year	**6,461**	**122,433**	**24,742**	**24,712**	**57,764**	**236,112**
Increases:						
• for provisions		28,398	7,370	1,105	197,105	233,978
• for other		4,000			1,402	5,402
Utilisation in year for costs incurred	(2,127)		(2,488)	(681)		(5,296)
Utilisation reversed through income statement		(3,527)			(586)	(4,113)
Changes for financial charges matured or for changes in rates		(3,100)				(3,100)
Value at end of year	**4,334**	**148,204**	**29,624**	**25,136**	**255,685**	**462,983**

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 negative amount of Euro 3.1 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 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 year 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 31/12/2007 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.
The significant increase compared to the previous year is due for Euro 150 million to the charge recorded by the subsidiary Popolare Vita to protect policyholders subscribing to Index policies with underlying Lehman Brothers securities.

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 29,321,536 thousand and increased by Euro 2,021,528 thousand on 2007.

The breakdown of the technical reserves is as follows:

(Euro thousand)	31/12/2008	31/12/2007	Change
NON-LIFE SECTOR			
Unearned premium reserve	2,696,189	2,621,821	74,368
Claims reserve	8,570,978	8,969,398	(398,420)
Others	14,444	14,463	(19)
Total Non-Life Division	**11,281,611**	**11,605,682**	**(324,071)**
LIFE SECTOR			
Actuarial reserves	13,866,415	15,007,663	(1,141,248)
Provision for claims to be paid	234,445	279,362	(44,917)
Technical reserves where investment risk borne by policyholders and from pension fund management	4,245,012	4,559,320	(314,308)
Others	(305,947)	(108,963)	(196,984)
Total Life Division	**18,039,925**	**19,737,382**	**(1,697,457)**
TOTAL TECHNICAL RESERVES	**29,321,536**	**31,343,064**	**(2,021,528)**

With reference to the Non-Life sector, the premium reserve includes the reserve for the fraction of premium of Euro 2,695,020 thousand and the reserve for risks in course of Euro 1,169 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 832,026 thousand.

With reference to the Life sector, the actuarial reserve includes the additional reserve on the financial risk equal to Euro 82,368 thousand (Euro 91,940 thousand at December 31, 2007), 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 discretional participation of the profits (IFRS 4.1G22f) for Euro 437,127 thousand (Euro -262,767 thousand at December 31, 2007). The residual amount principally relates to reserves for future expenses.
The technical reserves in the Life Division in 2008 no longer include the contribution of the subsidiary Po Vita as the company was sold in the first quarter of 2008. Also in the first quarter of 2008 the new partnership commenced with the Banco Popolare Group through the subsidiary Popolare Vita, which contributed Euro 4,793,754 thousand.
In particular, the Group considered the re-valuable contracts in the Life sector as contracts containing a discretional 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 discretional participation components, as defined by IFRS 4.2b), these liabilities are classified within the technical reserves and their carrying value amounted to Euro 7,938,105 thousand (Euro 9,715,605 thousand at December 31, 2007).
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, an 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. 99% 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:

(Euro thousand)		**31/12/2008**	
	Non-Life Division	**Life Division**	**Total**
Balance at beginning of year	11,605,682	19,737,382	31,343,064
Increases in the year	3,019,265	3,782,633	6,801,898
Payments (-)	(3,443,177)	(4,188,300)	(7,631,477)
Gains or losses recorded through profit or loss	95,301	20,279	115,580
Reserves acquired or transferred to other insurers	(332)	12,161	11,829
Exchange differences/Other changes	4,872	(1,324,230)	(1,319,358)
Reserve at end of year	**11,281,611**	**18,039,925**	**29,321,536**

4. FINANCIAL LIABILITIES

(Euro thousand)	**2008**	**2007**	**Change**
Financial liabilities at fair value recorded through profit or loss	3,454,262	5,031,453	(1,577,191)
Other financial liabilities	2,808,946	2,154,234	654,712
Total	**6,263,208**	**7,185,687**	**(922,479)**

The Financial liabilities at fair value recorded through the profit or loss are:

Financial liabilities held for trading

The account amounts to Euro 52,343 thousand (Euro 79,731 thousand at 31/12/2007).
The account refers for Euro 35,800 thousand to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari.

Financial liabilities designated at Fair Value recorded through profit or loss

The account amounts to Euro 3,401,919 thousand (Euro 4,951,722 thousand at 31/12/2007).
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 3,400,975 thousand (Euro 4,949,833 thousand at December 31, 2007).
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 2,808,946 thousand (Euro 2,154,234 thousand at December 31, 2007).
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 292,767 thousand (Euro 305,238 thousand at December 31, 2007) and sub-ordinated payables of Euro 1,050,497 thousand (Euro 820,007 thousand at December 31, 2007). This latter refers, for Euro 162,747 thousand, to the Milano Assicurazioni Group.

With reference to the other bank payables and other lenders, amounting to Euro 1,465,682 thousand (Euro 1,028,989 thousand in 2007), we report the most significant amounts:

- Euro 197.6 million (Euro 238.7 million at December 31, 2007) entirely refers to the consolidated debt of the subsidiary Immobiliare Lombarda. This amount decreased by Euro 41.1 million due to the combined effect of new funds of Euro 11 million, of which approx. Euro 8 million relating to the loan for the constructible area in Pieve Emanuele and reimbursements of Euro 53 million to banking and other financial institutions;
- Euro 151.5 million (Euro 94.7 million at December 31, 2007) refers to two mortgages granted to the Tikal R.E. Closed Real Estate Fund with a pool of banking institutions. The purpose of the loans 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 466 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. for the first loan and is Euribor plus a variable credit spread between 60 and 90 b.p. for the second;
- Euro 181.8 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 403,618 thousand, Euro 16,001 thousand relating to investment contracts agreed with life insurers valued in accordance with the amortised cost method and finally Euro 118,427 thousand relating to time deposits on loans agreed with the subsidiary SAI Mercati Mobiliari.

5. PAYABLES

The account amounts to Euro 958,201 thousand and is comprised of:

(Euro thousand)	2008	2007	Change
Payables from direct insurance operations	120,625	185,576	(64,951)
Payables from reinsurance operations	89,170	106,259	(17,089)
Other payables	748,406	849,790	(101,384)
Total	**958,201**	**1,141,625**	**(183,424)**

With reference to the payables deriving from the direct insurance operations, they consist of:

(Euro thousand)	31/12/2008	31/12/2007	Change
Payables to insurance brokers	99,384	132,509	(33,125)
Payables to insurance companies	17,824	50,241	(32,417)
Payables for policyholder deposits	848	512	336
Payables for guarantee provisions for policyholders	2,569	2,314	255
Total	**120,625**	**185,576**	**(64,951)**

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 63,518 thousand (Euro 75,823 thousand in 2007) and Euro 25,652 thousand to reinsurance brokers (Euro 30,436 thousand in 2007).

The breakdown of the other payables is shown below:

(Euro thousand)	2008	2007	Change
Trade payables	228,794	288,791	(59,997)
Leaving indemnity	83,299	85,316	(2,017)
Policyholders' tax due	106,369	102,270	4,099
Other taxes due	83,120	90,502	(7,382)
Due to social security and welfare institutions	21,987	23,292	(1,305)
Other payables	224,837	259,619	(34,782)
Total	**748,406**	**849,790**	**(101,384)**

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 675 thousand (Euro 7,425 thousand at December 31, 2007).

The other tax payables include Euro 59,855 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 Euro 35 million relating to residual payables for the acquisition of DDOR shares by the Parent Company. The amount was deposited in the Escrow Account in the name of the Serbian Deposit Insurance Agency as guarantee for Fondiaria-SAI, until May 2009.

The account also includes Euro 22 million of payables of the Parent Company to Compagnia Aerea Italiana S.p.A. for the residual 10% to be paid, equal to Euro 0.75 per share, following the share capital increase with share premium approved by the Extraordinary Shareholders' Meeting of October 28, 2008.

The other payables include loans on securities for Euro 10 million, customer deposits to be settled for investments of Euro 6 million, insurance payables of Euro 4 million, employee payables of Euro 3 million, caution deposits of Euro 4 million, commissions payable on security placement of Euro 1 million and urbanisation charges of Euro 4 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 introduced the Complementary Pension Reforms. This latter provides that all private sector employees in companies with 50 or more employees must allocate the portion of Employee Leaving Indemnity matured to a complementary pension scheme or to an INPS Treasury Fund.

For the employees of companies with less than 50 employees the portion of the Employee Leaving Indemnity matured effectively remains in the company unless otherwise indicated by the employee.

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, Assirevi, 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, 2008 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 movements in the year are shown below:

(Euro thousand)	31/12/2008	31/12/2007	Change
Balance at beginning of year	**85,316**	**127,092**	**(41,776)**
Curtailment	-	(34,872)	34,872
Balance at end of year Post Reform	**85,316**	**92,220**	**(6,904)**
Provisions to income statement for Interest Cost	3,755	3,585	170
Provisions to income statement for Service Cost	251	229	22
Actuarial Gains/Losses	4,588	2,170	2,418
Utilisations	(12,257)	(14,593)	2,336
Changes in the consolidation scope	1,646	1,705	(59)
Balance at end of year	**83,299**	**85,316**	**(2,017)**

The decrease in the market rates seen in 2008 produced a lower discount in the prospective cash flows and thus an increase 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	4.77	n/a	1.50	9.72
BPM VITA	4.50	2.50	2.00	3.50
CASA DI CURA VILLA DONATELLO	4.77	n/a	1.50	9.72
CASA DI CURA VILLANOVA	5.01	n/a	1.50	9.72
DIALOGO	4.70	2.97	1.50	3.84
EUROPA	5.01	2.97	1.50	3.84
FINITALIA	4.77	n/a	1.50	3.84
FONDIARIA-SAI	5.23	n/a	1.50	9.72
IMMOBILIARE LOMBARDA	4.77	n/a	1.50	9.72
LIGURIA DANNI	5.05	n/a	1.50	9.72
LIGURIA VITA	5.23	3.62	1.50	9.72
MILANO ASSICURAZIONI	5.46	n/a	1.50	3.84
MARINA DI LOANO	5.46	3.62	1.50	9.72
POPOLARE VITA	4.77	3.62	1.50	9.72
PRONTO ASSISTANCE	4.70	3.62	1.50	9.72
SAI A.M. SGR	4.77	2.97	1.50	3.84
SAI MERCATI MOBILIARI	5.05	3.62	1.50	9.72
SASA	5.46	n/a	1.50	9.72
SASA VITA	4.77	3.62	1.50	9.72
SIAT	5.23	n/a	1.50	9.72
SISTEMI SANITARI	4.77	3.62	1.50	9.72
STARVOX	4.77	n/a	1.50	9.72
SYSTEMA	4.70	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 year 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 (Euro thousand)	**Provision at 31/12/2008**	**Service Cost 2008**	**Provision at 31/12/2007**	**Service Cost 2007**
Fondiaria-SAI	20,885	169	20,334	158
Milano (*)	10,625	92	9,426	79
Siat	313	10	225	10
Sai A.M. Sgr	43	6	29	4
Total Group	**31,866**	**277**	**30,014**	**251**

(*) includes SASA Assicurazioni

(values in %)	**Executive Assistance**			
	1	**2**	**3**	**4**
FONDIARIA-SAI	4.29	5.30	1.50	9.72
MILANO ASSICURAZIONI	4.29	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:

(Euro thousand)	2008	2007	Change
Current tax liabilities	8,056	110,729	(102,673)
Deferred tax liabilities	249,586	276,854	(27,268)
Liabilities in a discontinued group held for sale	-	-	-
Other liabilities	476,635	514,864	(38,229)
Total	**734,277**	**902,447**	**(168,170)**

Current tax liabilities

The account amounts to Euro 8,056 thousand (Euro 110,729 thousand at December 31, 2007) 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 249,586 thousand (Euro 276,854 thousand at December 31, 2007), 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 recorded in the income statement in the year was Euro 143,361 thousand.

Other liabilities

The Other liabilities amount to Euro 476,634 thousand (Euro 514,864 thousand at December 31, 2007) and are comprised of:

(Euro thousand)	31/12/2008	31/12/2007	Change
Commissions on premium collection	133,648	132,637	1,011
Deferred commission expenses for life investment management services	69,173	146,161	(76,988)
Cheques issued against claims and life sums collected by the beneficiaries after year end	35,733	23,616	(12,117)
Transitory reinsurance accounts	950	502	448
Other liabilities	237,131	211,948	25,183
TOTAL	**476,635**	**514,864**	**(38,229)**

The sub-account “other liabilities” includes bills in course of the subsidiary BancaSai for Euro 4 million, accrued expenses of Euro 22 million, reinsurers of Euro 11 million, deferred commissions on insurance contracts of Euro 10 million and accounts with peripheral networks of Euro 10 million.
There is also a residual amount of 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 and Euro 5 million for tax payables for withholding taxes applied by the subsidiary BancaSai on current accounts and on deposit accounts of clients.

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 686,905 compared to Euro 676,233 in the previous year and are comprised of: Euro 628,700 thousand comprising first degree mortgages recorded on property owned in favour of banks; Euro 17,417 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 33,269 thousand for secured guarantees relating to bank deposits on which there is a pledge, in relation to disputes on claims; Euro 4,878 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 26,595 thousand compared to Euro 28,180 thousand in the previous year and principally represent the guarantees given to credit institutions, as well as guarantees on behalf of other companies.

Guarantees provided by third parties on behalf of the Group

At the year-end, they amount to Euro 168,930 thousand (Euro 160,947 thousand in 2007) and prevalently include 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 38,486 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 and for urbanisation works.

Guarantees received

These amount at year-end to Euro 261,168 thousand (in 2007 Euro 352,867 thousand) and principally comprise of bank guarantees provided on behalf of third parties to guarantee policies issued in the Bonds Class for Euro 100,000 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

The account amounts to Euro 568,069 thousand and includes Euro 65,324 thousand still to be paid for the completion of the real estate operation at Milano-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 1,187 thousand, those to be received amount to Euro 6,933 thousand: they are recorded against purchase and sales operations made in 2008, but regulated at the beginning of 2009. In addition, there are commitments of Euro 247,345 thousand relating to time deposit operations and Euro 10,233 deriving from the collateral received (margin based on the underlying market value) to guarantee a loan operation on securities of 6,892,508 Monte dei Paschi di Siena shares loaned to Banca IMI. 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 29,797 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 Consolidated Income Statement

NET PREMIUMS

The net premiums consolidated amount to Euro 11,153,553 thousand (Euro 11,501,073 thousand in 2007).

Total Group gross premiums written amounted to Euro 11,506,423 thousand (-2.83% on the previous year), as follows:

(Euro thousand)	2008	2007	Change
Gross Life premiums written	4,208,340	4,564,123	(355,783)
Gross Non-Life premiums written	7,298,083	7,318,145	(20,062)
Change gross premium reserve	13,337	54,177	(40,840)
Total Non-Life Division	**7,284,746**	**7,263,968**	**20,778**
Gross premiums written	**11,493,086**	**11,828,091**	**(335,005)**

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-company 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, reference should be made to the tables in the Directors' Report.

The premiums ceded, amounting to Euro 346,751 thousand, accounted for 3.0% of the total premiums written (2.6% in 2007).

(Euro thousand)	2008	2007	Change
Life Division	22,777	21,229	1,548
Non-Life Division	323,974	290,270	33,704
Change in reinsurers reserves	(7,218)	15,519	(22,737)
Total Non-Life Division	**316,756**	**305,789**	**10,967**
Premiums ceded to re-insurers	**339,533**	**327,018**	**12,515**

The Group outward reinsurance policy negatively impacted on the consolidated accounts for Euro 103,550 thousand (Euro 103,598 thousand in the Non-Life Division).
In accordance with IFRS 4.37, 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 2008 amounted to Euro 89,319 thousand, a decrease on the previous year of Euro 30,278 thousand.

(Euro thousand)	2008	2007	Change
Commission income	89,319	119,597	(30,278)

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 17 million refers to the subsidiary Popolare Vita. They also include approx. Euro 47 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 AND LOSS

The account amounts to Euro -341,548 thousand, a decrease compared to Euro 85,823 thousand in 2007.

(Euro thousand)	**Interest**	**Other net income**	**Profits realised**	**Losses realised**	**Valuation gains and recovery in values**	**Valuation losses and adjust. in values**	**Total 2008**	**Total 2007**	**Change**
Result of investments from:									
Financial assets held for trading	53,181	106,752	17,204	(110,803)	6,297	(176,059)	(103,428)	(88,601)	(14,827)
Financial assets designated at fair value recorded through profit or loss	282,441	(26,831)	279,683	(82,149)	115,530	(795,939)	(227,265)	(249,053)	21,788
Financial liabilities held for trading	-	-	-	-	3,959	(14,814)	(10,855)	81,929	(92,784)
Total	**335,622**	**79,921**	**296,887**	**(192,952)**	**125,786**	**(986,812)**	**(341,548)**	**(255,725)**	**(85,823)**

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro -518,554 thousand relating to investments in class D, offset by similar positive changes in the commitments to policyholders.

The account “Gains from valuations and recoveries in value”, equal to Euro 125,786 thousand include Euro 86,089 thousand relating 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

(Euro thousand)	Net interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 2008	Total 2007	Change
Result from:									
Investment property	-	38,118	100,340	(13,585)	-	(67,370)	57,503	54,872	2,631
Investments in subsidiaries, associates and joint ventures	-	1,839	30,017	-	-	(1,030)	30,826	23,519	7,307
Investments held to maturity	5,781	3	-	(62)	-	-	5,722	-	5,722
Loans and receivables	62,288	7,033	-	(5,251)	171	-	64,241	59,514	4,727
Available-for-sale financial assets	805,492	148,240	123,961	(174,281)	-	(203,169)	700,243	1,071,038	(370,795)
Other receivables	14,268	(213)	-	-	-	-	14,055	15,186	(1,131)
Cash and cash equivalents	37,161	(524)	-	-	278	-	36,915	31,801	5,114
Other financial liabilities	(144,866)	(1,388)	1,409	(24)	-	-	(144,869)	(118,036)	(26,833)
Total	**780,124**	**193,108**	**255,727**	**(193,203)**	**449**	**(271,569)**	**764,636**	**1,137,894**	**(373,258)**

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 Po Vita and 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 460,392 thousand (Euro 481,690 thousand in 2007) and are summarised in the table below:

(Euro thousand)	2008	2007	Change
Gains related to non-current assets	18	22	(4)
Other technical income	90,872	121,874	(31,002)
Utilisation of provisions	23,148	40,441	(17,293)
Exchange differences	735	9,812	(9,077)
Prior year income	30,223	21,618	8,605
Gains realised on fixed assets	105	58	47
Other revenues	315,291	287,865	27,426
Total	**460,392**	**481,690**	**(21,298)**

In particular, the account "other revenues" includes the following amounts:

- Euro 126 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 33 million revenues from Retirement Home subsidiaries of the Group;
- Euro 25 million revenues from the subsidiary Pronto Assistance Servizi;
- Euro 11 million revenues in the agricultural sector.
- Euro 7 million revenues for the sale of hardware and IT services externally, relating to subsidiary companies operating in this sector;
- Euro 5 million relating to the recovery of financial charges incurred for the construction of the building at Pero;
- Euro 4 million relating to the activities concerning the health services of the subsidiary Sistemi Sanitari S.c.r.l.

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 and of recoveries, amount to Euro 9,894,498 thousand, an increase of 21.17% on the previous year.

Claims costs, amounts paid and changes in technical reserves

(Euro thousand)	2008	2007	Change
Non-Life Division			
Amount paid	5,851,572	5,325,562	526,010
Change in recoveries	(71,518)	(92,271)	20,753
Change in other technical reserves	74	3,988	(3,914)
Change in claims reserve	(455,994)	(85,667)	(370,327)
Total Non-Life	**5,324,134**	**5,151,612**	**172,522**
Life Division			
Amount paid	4,042,926	2,840,453	1,202,473
Change in actuarial reserve and other technical reserves	(309,811)	170,814	(480,625)
Change technical reserves where investment risk borne by policyholders and from pension fund management	111,449	1,439,929	(1,328,480)
Change reserve for sums to be paid	(42,094)	36,291	(78,385)
Total Life	**3,802,470**	**4,487,487**	**(685,017)**
Total Non-Life + Life	**9,126,604**	**9,639,099**	**(512,495)**
Amount paid	**9,822,980**	**8,073,744**	**1,749,236**
Change reserve	**(696,376)**	**1,565,355**	**(2,261,731)**

Claims costs, reinsurers portion

(Euro thousand)	2008	2007	Change
Non-Life Division			
Amount paid	200,648	217,035	(16,387)
Change in recoveries	(18,085)	(2,097)	(15,988)
Change in other technical reserves	-	-	-
Change in claims reserve	(42,749)	41,086	(83,835)
Total Non-Life	**139,814**	**256,024**	**(116,210)**
Life Division			
Amounts paid	34,530	30,194	4,336
Change in actuarial reserve and other technical reserves	(11,541)	(6,440)	(5,101)
Change reserve for sums to be paid	(1,246)	(414)	(832)
Total Life	**21,743**	**23,340**	**(1,597)**
Total Non-Life + Life	**161,557**	**279,364**	**(117,807)**
Amount paid	**217,093**	**245,132**	**(28,039)**
Change reserves	**(55,536)**	**34,232**	**(89,768)**

The change in the net technical reserves of the Non-Life Classes amount to Euro -413,171 thousand, a decrease of Euro 290,406 thousand compared to 2007.

The change of the Life sums paid is related to the contribution in the present year of the subsidiary Popolare Vita for Euro 990,413 thousand through the new alliance with the Banco Popolare Group in the first quarter 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 advanced redemptions.

The net technical reserves of the Life Division, including the reserves for amounts to be paid, decreased by Euro 227,669 thousand (Euro 1,653,888 thousand in 2007).

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 EXPENSES

Commission expenses in 2008 amounted to Euro 32,611 thousand, a decrease compared to 2007 of Euro 38,166 thousand.

(Euro thousand)	2008	2007	Change
Commission expenses	32,611	70,777	(38,166)

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4.

MANAGEMENT EXPENSES

(Euro thousand)	2008	2007	Change
Non-Life Division			
Acquisition commissions and changes in deferred acquisition costs	1,147,767	1,076,671	71,096
Other acquisition expenses	200,891	167,119	33,772
Collection commissions	35,702	66,348	(30,646)
Reinsurers commissions and profit participation	(73,344)	(61,348)	(11,996)
Total Non-Life	**1,311,016**	**1,248,790**	**62,226**
Life Division			
Acquisition commissions and changes in deferred acquisition costs	133,397	177,688	(44,291)
Other acquisition expenses	24,076	38,024	(13,948)
Collection commissions	11,419	13,510	(2,091)
Reinsurers commissions and profit participation	(1,082)	(2,166)	1,084
Total Life	**167,810**	**277,056**	**(59,246)**
Investment management charges	17,932	13,753	4,179
Other administration expenses	451,670	378,520	73,150
Total	**1,948,428**	**1,868,119**	**80,309**

The reduction in commissions in the Life Division is principally due to the deconsolidation of Po Vita (Euro 41,640 thousand in 2007).
The newly consolidated DDOR contributed Euro 44,326 thousand to total management expenses in the Non-Life Division and Euro 635 thousand in the Life Division; of these expenses Euro 21,749 thousand relate to provisions paid in the Non-Life Division and Euro 182 thousand of provisions paid in the Life Division.

The acquisition costs matured in the year amounted to Euro 1,506,131 thousand as reported in the table below:

(Euro thousand)	2008	2007
Part sustained and expensed in year	1,425,535	1,379,483
Part from amortisation of capitalised costs in previous years	80,596	80,019
Total acquisition costs	**1,506,131**	**1,459,502**

OTHER COSTS

The other costs amount to Euro 1,005,774 thousand (Euro 793,691 thousand in 2007) and are summarised below:

(Euro thousand)	2008	2007	Change
Other technical charges	296,854	339,490	(42,636)
Provisions	271,574	52,356	219,218
Losses on receivables	16,379	28,813	(12,434)
Prior year charges	30,214	35,627	(5,413)
Depreciation of tangible fixed assets	14,471	12,709	1,762
Amortisation of intangible assets	94,068	58,613	35,455
Exchange differences	8,847	17,737	(8,890)
Other costs	273,367	248,346	25,021
Total	**1,005,774**	**793,691**	**212,083**

The increase in the account "provisions" compared to the previous year is principally due to the risk and charges accrued by the subsidiary Popolare Vita.
The provision amounting to Euro 150 million is due to the restructuring operation on the Index-Linked policies with underlying Lehman securities.

In particular, the sub-account "other costs" relates to the following charges:

- Euro 122 million relating to costs of the subsidiary Immobiliare Lombarda;
- Euro 23 million relating to the costs incurred by the retirement home subsidiaries of the Group for their normal operations and personnel costs;
- Euro 19 million relating to costs incurred by the subsidiary Pronto Assistance Servizi to guarantee policyholders and clients of the Group the call centre and assistance services in the case of claims;
- Management costs in the subsidiary Saiagricola for Euro 7 million.
- Euro 6 million relating to the production costs and work of the subsidiaries Salevox and Starvox;
- Euro 2 million relating to labour costs and spare parts of vehicles of the subsidiary Auto Presto & Bene.

INCOME TAXES

(Euro thousand)	2008	2007	Change
Costs (revenues) for current taxes	66,701	285,960	(219,259)
Adjustments recorded in the year for current taxes of prior periods	547	-	547
Deferred tax liabilities arising in the year	222,279	103,310	118,969
Deferred tax liabilities utilised in the year	(78,918)	(82,572)	3,654
Deferred tax assets arising in the year	(186,342)	(117,486)	(68,856)
Deferred tax assets utilised in the year	63,474	112,631	(49,157)
Deferred tax costs/(revenues) from changes in tax rates or the imposition of new taxes	-	(18,223)	18,223
Income for deferred tax assets arising in previous years and not previously recorded to reduce current taxes	-	-	-
Income for deferred tax assets arising in previous years and not previously recorded to reduce deferred taxes	(4,005)	(3,150)	(855)
Cost (revenues) relating to write-downs (recovery in values) of deferred tax assets recorded in previous years	(7)	-	(7)
Changes following errors or change in estimates to accounting principles recorded in accordance with IAS 8	-	(7,235)	7,235
Total	**83,729**	**273,235**	**(189,506)**

Income taxes for the year amounted to Euro 83,729 thousand (Euro 273,235 thousand in 2007) of which current taxes of Euro 67,248 thousand and deferred taxes of Euro 16,481 thousand.
The current income taxes include Euro 547 thousand relating to higher taxes paid by the subsidiary Popolare Vita compared to that accrued in the previous year.

Current income taxes are determined based on the nominal rates in force at the reporting date in the individual countries. Italian income taxes (Ires income tax and Irap regional tax) are determined applying the respective rates in force of 27.5% for Ires and 3.9% 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 an increase in the fiscal charge of Euro 16,481 thousand.
Of these, Euro 4,005 thousand refers to deferred tax asset provisions made by the subsidiary Italiberia for the tax losses in previous years which, net of the part already utilised in the year, is considered recoverable in future years.

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate for the year 2008 of 27.5% (33% in 2007) is as follows:

(Euro thousand)	2008	2007	Change
Profit before taxes	174,493	893,285	(718,792)
Taxes on theoretical income (excluding regional tax)	47,986	294,784	(246,798)
Tax effect from changes in permanent differences	(10,207)	(42,063)	32,841
Tax effect from utilisation of previous years tax losses	(4,014)	(4,648)	634
Tax effect from share of results of associated companies	576	362	214
Tax effect from foreign tax rates	(3,476)	(9,808)	6,332
Tax effect from changes in the nominal rate	-	(13,878)	13,878
Other differences	11,869	(7,662)	19,531
Taxes on income (excluding regional tax)	**42,734**	**217,087**	**(174,353)**
Irap regional tax	40,995	56,148	(15,153)
Total income taxes for the year	**83,729**	**273,235**	**(189,506)**

In order for a better understanding of the reconciliation between the effective charge in the accounts and the theoretical fiscal charge account was not taken of the Irap regional tax effect as the assessable basis for these taxes are not uniform, and therefore not comparable with the pre-tax effect.

The correlated tax effect of the permanent fiscal changes results in a reduction in the tax charge of Euro 10,207 thousand.
The change from the previous year is due, on the one hand, to the lower impact of the positive income components which, net of the consolidation adjustments, are exempt from tax such as dividends. On the other hand, the increases include, for Euro 5,724 thousand, the effect, in terms of greater taxes, related to the exemption from tax of the loss contributed by the subsidiary Tikal R.E. Fund while, in 2007, the exempting from tax resulted in a reduction in the fiscal charge of Euro 14,872 thousand.
Also contributing to the reduction in the tax charge of the permanent variances is a reduction in the tax rate to 27.5% in 2008 compared to 33% in the previous year.

The theoretical fiscal charge is also reduced, although to a lesser extent compared to 2007, due to the recovery of fiscal losses by some companies of the Group, in particular the subsidiaries Finsai International, for Euro 2,252 thousand, Italiberia for Euro 1,393 thousand and SAILUX for Euro 351 thousand; losses against which it was not considered appropriate to accrue, in the respective financial statements, the correlated deferred tax assets.

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 3,476 thousand. This change is principally due to a lower corporate tax on income of the Irish Company Lawrence RE. For the other non resident subsidiaries, amongst which Fondiaria Nederland, the difference between theoretical national income taxes of 27.5% 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.
Compared to 2007, the effect generated from the difference between the national rate and the foreign tax rate decreased thanks to the reduction, from 2008, of the nominal Ires income tax rate by 5.5 percentage points.

The other differences include, for Euro 15,892 thousand, the non recording of deferred tax assets on fiscal losses estimated in the period of Euro 9,864 thousand relating to the Luxembourg subsidiary Sainternational and Euro 2,696 thousand relating to Immobiliare Lombarda. Euro 4,005 thousand relating to higher deferred tax assets by the subsidiary Italiberia and related to the already mentioned recovery expected, in future years, of the fiscal losses realised in previous years, and for Euro 846 thousand to the repayment of excess income taxes paid in previous years by the subsidiary Fondiaria Nederland.

In relation to the movements in the deferred tax liabilities, it is noted that the provision is principally correlated for Euro 161,442 thousand to the adjustments made, in accordance with IAS 39, on the net income from investments in securities, to the adjustments in the value of goodwill and other intangible assets, made in accordance with IAS 38 for Euro 21,988 thousand and for Euro 10,735 thousand to taxes related to changes in the shadow accounting reserve on HFT securities.
On the other hand, the reversal of the previous deferred tax liabilities is principally due for Euro 25,924 thousand to the recording in the consolidation of the amortisation on the long-term commissions, the reversal of income taxes on cancelled commissions and the reversal on gains recorded in previous years for Euro 10,210 thousand.

The deferred tax assets arising in the year, net of those reversed, resulted in a lower tax charge of Euro 126,873 thousand. These were recorded up to the amount of the probable reversal of the correlated temporary differences in the future years.

Of these, Euro 13,223 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 21,168 thousand compared to the prepaid reversal of Euro 7,945 thousand.
Among the deferred tax liabilities arising are Euro 79,659 thousand relating to the significant sale of shares and minority investment holdings exempt from tax.
On the other hand, among the reversals of deferred tax assets, are Euro 20,756 thousand related 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 117,314 thousand and Euro 249,586 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.

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 407 million (Euro 430 million in 2007).

Earnings per share

The earnings per share is calculated by dividing the Group 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 equal to the basic earnings in that on June 30, 2008 the period for the exercise of the 2002/2008 warrants expired; the calculation of the diluted earnings does not take account of the potential savings shares for the stock option plan in the absence of a dilution effect.

In accordance with IAS 33, Information is shown below for the calculation of the basic and diluted earnings per share.

	2008	**2007**
Net profit attributed to the ordinary shareholders of the parent company (Euro thousand)	63,064	348,344
Weighted average number of ordinary shares to calculate the basic earnings per share	114,455,126	116,116,100
Basic earnings per share	0.55	3.00
Effect of the dilution:		
Weighted average number of ordinary shares to calculate the diluted earnings per share	114,455,126	117,220,852
Diluted earnings per share	0.55	2.97

It should also be noted that the net profit attributable to the ordinary shares of the Parent Company was adjusted deducting the theoretical profit of the savings shareholders from the Group consolidated net profit.

This method, already adopted in the 2008 half-year report, corresponds to the current best practice which derives from an "economic" reading of the accounting principle; the comparative data was restated based on the above method. Up to the last financial statements, as for the other listed companies, a calculation was made based on a more literal and formal interpretation whereby, giving prevalence to the concept of IAS 33 of dividends approved and/or due, only those of the savings shareholders of the Parent Company were deducted from the result of the group.

Dividends paid and proposed

Information is provided below in accordance with IAS 1.125a and 1.125b:

(Euro thousand)	**2008**	**2007**
Declared and paid in the year		
Dividends on ordinary shares	135,907	125,172
Dividends on savings shares	49,031	45,563
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	84,898	135,907
Dividends on savings shares	32,006	49,031

It is reported that the dividends amounting to Euro 0.7 per ordinary share and Euro 0.752 per savings shares proposed for approval to the Shareholders' Meeting were not recorded as liabilities at December 31, 2008 and includes a part of reserves as described in the proposal to allocate the net profit.

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 savings shares. The assignment by the Board is an execution of the extraordinary shareholders' meeting's resolution of Fondiaria-SAI of April 28, 2006.

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 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 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 are exercisable from July 14, 2008 (24 months from 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 savings 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	2008 Cost
Tranche A	5,173,360	0	2.792	14,445,940	-
Tranche B	3,880,020	0	2.708	10,506,003	3,592,527
Tranche C	3,880,020	1	2.809	10,897,715	3,613,989
Total	**12,933,400**			**35,849,658**	**7,206,516**
Options granted to the holding company	2,066,600				
TOTAL	**15,000,000**				

The cost relating to 2008, amounting to Euro 7.2 million, recorded a strong decrease compared to 2007, which amounted to Euro 19.8 million.
This decrease is solely due to the fact that 70% of the options are exercisable.
The cost 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, 2008:

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
12,895,800	0	0	0	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 2008			OPTIONS ASSIGNED DURING 2008			OPTIONS EXERCISED DURING 2008			OPTIONS EXPIRED DURING 2008	OPTIONS HELD AT THE END OF 2008		
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	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21,546	2011
Giulia Maria Ligresti	Vice Chairman – Director - EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21,546	2011
Antonio Talarico	Vice Chairman – Director - EC	1,100,000	21.546	2011	-	-	-	-	-	-	-	1,100,000	21,546	2011
Fausto Marchionni	CEO – Director – CE – General Manager	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21,546	2011
Gioacchino Paolo Ligresti	Director - EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21,546	2011
Executives with strategic responsibility (a)		4,618,000	21.546	2011	-	-	-	-	-	-	-	4,618,000	21,546	2011

(a) the data of "key management personnel" is at an aggregate 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 offering 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 operates 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 discretional 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 2008 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:

Segment Balance Sheet

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1	**INTANGIBLE ASSETS**	**994,377**	**801,169**	**835,139**	**887,359**	**7,636**	**7,993**	**62,846**	**57,733**			**1,899,998**	**1,754,254**
2	**PROPERTY, PLANT & EQUIPMENT**	**369,136**	**339,523**	**13,700**	**10,683**	**762,241**	**761,015**	**99,166**	**90,667**	**-26**	**-26**	**1,244,217**	**1,201,862**
3	**TECHNICAL RESERVES - REINSURANCE AMOUNT**	**636,655**	**699,707**	**196,893**	**205,600**							**833,548**	**905,307**
4	**INVESTMENTS**	**8,386,033**	**10,117,000**	**22,220,926**	**25,395,246**	**1,571,265**	**1,230,300**	**1,799,870**	**1,736,615**	**-540,261**	**-458,409**	**33,437,833**	**38,020,752**
4.1	Investment property	1,122,332	1,106,919	35,591	37,856	1,271,595	973,317	30,233	24,831			2,459,751	2,142,923
4.2	Investments in subsidiaries, associates and joint ventures	67,219	24,034	0	-1,656	184,694	149,843	40,966	97,804			292,879	270,025
4.3	Investments held to maturity	0		845,789		0		0				845,789	0
4.4	Loans and receivables	640,701	406,123	380,873	226,399	38,155	28,881	1,251,936	1,130,268	-535,641	-458,409	1,776,024	1,333,262
4.5	Available-for-sale financial assets	6,419,867	8,228,377	13,172,563	14,632,156	73,969	73,197	320,936	401,271	-4,620		19,982,715	23,335,001
4.6	Financial assets at fair value through profit or loss	135,914	351,547	7,786,110	10,500,491	2,852	5,062	155,799	82,441			8,080,675	10,939,541
5	**OTHER RECEIVABLES**	**2,280,163**	**2,167,857**	**238,978**	**249,976**	**123,631**	**122,629**	**79,384**	**134,559**	**-202,150**	**-100,847**	**2,520,006**	**2,574,174**
6	**OTHER ASSETS**	**706,527**	**526,738**	**475,806**	**531,334**	**29,402**	**16,568**	**52,332**	**22,315**	**-324,674**	**-274,585**	**939,393**	**822,370**
6.1	Deferred acquisition costs	187,328	273,336	39,641	17,181							226,969	290,517
6.2	Other assets	519,199	253,402	436,165	514,153	29,402	16,568	52,332	22,315	-324,674	-274,585	712,424	531,853
7	**CASH AND CASH EQUIVALENTS**	**449,888**	**350,167**	**295,145**	**326,258**	**89,109**	**89,827**	**153,740**	**126,330**	**-227,810**	**-191,387**	**760,072**	**701,195**
		13,822,779	**15,002,161**	**24,276,587**	**27,606,456**	**2,583,284**	**2,228,332**	**2,247,338**	**2,168,219**	**-1,294,921**	**-1,025,254**	**41,635,067**	**45,979,914**
1	**SHAREHOLDERS' EQUITY**											**3,894,808**	**5,170,935**
2	**PROVISIONS**	**271,432**	**198,284**	**165,693**	**14,971**	**17,903**	**17,743**	**8,009**	**5,157**			**463,037**	**236,155**
3	**TECHNICAL RESERVES**	**11,281,611**	**11,605,681**	**18,039,925**	**19,737,383**							**29,321,536**	**31,343,064**
4	**FINANCIAL LIABILITIES**	**1,289,413**	**976,604**	**4,110,268**	**5,543,149**	**451,068**	**396,215**	**1,169,992**	**915,230**	**-757,533**	**-645,511**	**6,263,208**	**7,185,687**
4.1	Financial liabilities at fair value through profit or loss	0	33,365	3,401,918	4,951,726	1,120		51,224	46,362	0		3,454,262	5,031,453
4.2	Other financial liabilities	1,289,413	943,239	708,350	591,423	449,948	396,215	1,118,768	868,868	-757,533	-645,511	2,808,946	2,154,234
5	**PAYABLES**	**722,794**	**753,163**	**169,695**	**245,790**	**162,965**	**77,949**	**104,942**	**168,308**	**-202,195**	**-103,585**	**958,201**	**1,141,625**
6	**OTHER LIABILITIES**	**510,124**	**657,445**	**488,784**	**419,038**	**31,929**	**46,128**	**38,606**	**55,969**	**-335,166**	**-276,132**	**734,277**	**902,448**
	TOTAL SHAREHOLDERS4 EQUITY AND LIABILITIES											**41,635,067**	**45,979,914**

Segment Income Statement

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1.1	Net premiums	6,967,990	6,958,179	4,185,563	4,542,894	0	0	0	0	0	0	11,153,553	11,501,073
1.1.1	*Gross premiums*	*7,284,746*	*7,263,968*	*4,208,340*	*4,564,123*							11,493,086	11,828,091
1.1.2	*Premiums ceded to re-insurers*	*-316,756*	*-305,789*	*-22,777*	*-21,229*							-339,533	-327,018
1.2	Commission income			43,163	64,685			48,501	56,267	-2,345	-1,355	89,319	119,597
1.3	Income and charges from financial instruments at fair value through profit or loss statement	209,615	-41,541	-551,147	-218,024	-1	-7	-15	4,271	0	-424	-341,548	-255,725
1.4	Income from investments in subsidiaries, assoc. & joint ventures	2,431	100	29,802	22,507	5,694	2,561	135	3,888	0	0	38,062	29,056
1.5	Income from other financial instruments and property investments	598,869	567,713	709,672	727,791	45,966	107,617	124,429	108,249	-65,164	-45,515	1,413,772	1,465,855
1.6	Other revenues	177,556	228,331	64,515	51,414	133,099	95,050	300,423	308,805	-215,201	-201,910	460,392	481,690
1	**TOTAL REVENUES AND INCOME**	**7,956,461**	**7,712,782**	**4,481,568**	**5,191,267**	**184,758**	**205,221**	**473,473**	**481,480**	**-282,710**	**-249,204**	**12,813,550**	**13,341,546**
2.1	Net charges relating to claims	-5,184,320	-4,895,589	-3,780,727	-4,464,570	0	0	0	0	0	424	-8,965,047	-9,359,735
2.1.2	*Amounts paid and changes in technical reserves*	*-5,324,134*	*-5,151,613*	*-3,802,470*	*-4,487,910*						*424*	-9,126,604	-9,639,099
2.1.3	*Reinsurers' share*	*139,814*	*256,024*	*21,743*	*23,340*							161,557	279,364
2.2	Commission expenses			-14,693	-49,811			-17,918	-20,966			-32,611	-70,777
2.3	Charges from investments in subsidiaries, assoc. & joint ventures	-1,177	-595		-3	-5,617	-4,948	-442	-11		20	-7,236	-5,537
2.4	Charges from other financial instruments and property investments	-353,274	-153,107	-198,124	-133,769	-98,710	-60,295	-89,856	-45,742	60,002	41,433	-679,962	-351,480
2.5	Management expenses	-1,613,783	-1,506,354	-255,279	-291,463	-468	-270	-78,898	-71,163		1,130	-1,948,428	-1,868,120
2.6	Other costs	-489,056	-494,917	-291,894	-93,940	-150,047	-103,432	-297,485	-307,619	222,708	206,217	-1,005,774	-793,691
2	**TOTAL COSTS AND CHARGES**	**-7,641,610**	**-7,050,562**	**-4,540,717**	**-5,033,556**	**-254,842**	**-168,945**	**-484,599**	**-445,501**	**282,710**	**249,224**	**-12,639,058**	**-12,449,340**
	PROFIT BEFORE TAXES	**314,851**	**662,220**	**-59,149**	**157,711**	**-70,084**	**36,276**	**-11,126**	**35,979**	**0**	**20**	**174,492**	**392,206**

PART E – Financial risk management

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.

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.
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.
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.

As the capacity to be able to evaluate and manage the risks underwritten is a source of competitive advantage which each company must acquire to have success in an international scenario, a distinction must be made between the capital requirements of a "regulatory" nature such as, for example, the traditional actuarial reserve and the solvency margin required which must comply with law, and the capital requirements "at current market values", such as the Risk Capital (RC) which, not withstanding the obligation to satisfy the above-mentioned requirements, is of fundamental importance for "strategic control".

The Risk Capital therefore represents the value at risk determined over a predetermined time period (maximum loss potential) with a certain level of confidence (probability of bankruptcy), measuring the capital absorbed by the business. In addition, compared with the regulatory solvency margin, it is possible to value the cost (positive or negative) of the regulations.

In the following tables, the market data analysed refer to market values at December 31, 2008. The Duration index is the Macaulay duration expressed in years, while the Sensitivity Shift is calculated with reference to a parallel change of 1 b.p. The Sensitivity Index Rate is the relative change in value for a variation of 100 b.p. of the short-term rate.
The Value at Risk is calculated at a probability level of 99.5%, with an unwinding period of 10 working days; the Risk Capital is calculated at the same probability level, but with an unwinding period of 250 working days.

Financial instruments – Sensitivity analysis of the bond component (bonds, bond funds) by maturity – V.a.R.

	Composition % on quoted value	Duration	VaR Interest %	VaR Exchange %	Sensitivity Rate %	Sensitivity Shift %
Government Euro	**76.11**	**5.24**	**1.01**	**-**	**2.26**	**0.05**
Variable rate	***13.74***	***1.78***	***0.48***	***-***	***1.25***	***0.02***
Fixed rate	***62.37***	***5.96***	***1.13***	***-***	***2.47***	***0.06***
0.0<≤1.5	19.20	0.64	0.16	-	0.58	0.01
1.5<≤3.0	6.98	2.13	0.71	-	1.71	0.02
3.0<≤5.5	5.96	3.65	1.14	-	2.53	0.04
5.5<≤7	9.21	5.50	1.47	-	3.22	0.05
>7	21.01	12.14	2.00	-	3.90	0.13
Corporate Euro	**22.67**	**6.01**	**1.33**	**-**	**2.50**	**0.07**
Variable rate	***3.23***	***0.38***	***0.02***	***-***	***0.30***	***0.00***
Fixed rate	***19.44***	***6.85***	***1.55***	***-***	***2.83***	***0.08***
0.0<≤1.5	1.52	0.62	0.15	-	0.57	0.01
1.5<≤3.0	2.68	2.12	0.73	-	1.70	0.02
3.0<≤5.5	7.80	4.14	1.33	-	2.72	0.04
5.5<≤7	2.96	5.14	1.59	-	3.10	0.06
>7	4.48	13.67	2.87	-	3.71	0.23
Bond funds - Euro	**0.77**	**2.29**	**0.66**	**-**	**1.61**	**0.02**
Fixed rate	***0.77***	***2.29***	***0.66***	***-***	***1.61***	***0.02***
0.0<≤1.5	0.38	0.43	0.07	-	0.40	0.00
3.0<≤5.5	0.39	4.09	1.23	-	2.78	0.04
Government Non Euro	**0.31**	**2.75**	**0.49**	**6.25**	**1.27**	**0.03**
Fixed rate	***0.31***	***2.75***	***0.49***	***6.25***	***1.27***	***0.03***
0.0<≤1.5	0.15	0.40	0.12	6.60	0.36	0.00
1.5<≤3.0	0.10	2.18	0.61	5.91	1.57	0.02
3.0<≤5.5	0.01	4.10	1.31	7.03	2.52	0.04
5.5 <≤7	-	5.68	1.44	7.03	2.94	0.05
>7	0.06	9.62	1.11	5.79	2.86	0.10
Corporate Non Euro	**0.14**	**1.51**	**0.39**	**5.51**	**1.02**	**0.02**
Variable rate	***0.02***	***0.13***	***0.00***	***5.79***	***0.11***	***0.00***
Fixed rate	***0.12***	***1.79***	***0.47***	***5.45***	***1.21***	***0.02***
0.0<≤1.5	0.06	0.55	0.11	4.88	0.46	0.01
1.5<≤3.0	0.04	2.45	0.58	5.48	1.64	0.03
3.0<≤5.5	0.02	3.89	1.22	6.92	2.43	0.04
Total bonds	**99.23**	**5.42**	**1.08**	**0.03**	**2.32**	**0.06**
Total	**100.00**	**5.40**	**1.08**	**0.03**	**2.31**	**0.06**

Financial instruments – Sensitivity analysis of the bond component (bonds, bond funds) by maturity – Risk Capital

	Composition % on quoted value	Duration	RC Interest %	RC Exchange Rate %	Sensitivity Rate %	Sensitivity Shift %
Government Euro	**76.11**	**5.24**	**5.13**	**-**	**2.26**	**0.05**
Variable rate	***13.74***	***1.78***	***3.29***	***-***	***1.25***	***0.02***
Fixed rate	***62.37***	***5.96***	***5.54***	***-***	***2.47***	***0.06***
0.0<≤1.5	19.20	0.64	0.20	-	0.58	0.01
1.5<≤3.0	6.98	2.13	2.70	-	1.71	0.02
3.0<≤5.5	5.96	3.65	5.37	-	2.53	0.04
5.5<≤7	9.21	5.50	7.46	-	3.22	0.05
>7	21.01	12.14	10.57	-	3.90	0.13
Corporate Euro	**22.67**	**6.01**	**6.93**	**-**	**2.50**	**0.07**
Variable rate	***3.23***	***0.38***	***2.37***	***-***	***0.30***	***0.00***
Fixed rate	***19.44***	***6.85***	***7.68***	***-***	***2.83***	***0.08***
0.0<≤1.5	1.52	0.62	0.12	-	0.57	0.01
1.5<≤3.0	2.68	2.12	2.80	-	1.70	0.02
3.0<≤5.5	7.80	4.14	6.48	-	2.72	0.04
5.5<≤7	2.96	5.14	7.97	-	3.10	0.06
>7	4.48	13.67	15.09	-	3.71	0.23
Bond funds - Euro	**0.77**	**2.29**	**3.01**	**-**	**1.61**	**0.02**
Fixed rate	***0.77***	***2.29***	***3.01***	***-***	***1.61***	***0.02***
0.0<≤1.5	0.38	0.43	0.02	-	0.40	0.00
3.0<≤5.5	0.39	4.09	5.89	-	2.78	0.04
Government Non Euro	**0.31**	**2.75**	**2.16**	**28.28**	**1.27**	**0.03**
Fixed rate	***0.31***	***2.75***	***2.16***	***28.28***	***1.27***	***0.03***
0.0<≤1.5	0.15	0.40	0.11	29.73	0.36	0.00
1.5<≤3.0	0.10	2.18	2.45	26.88	1.57	0.02
3.0<≤5.5	0.01	4.10	6.59	31.57	2.52	0.04
5.5 <≤7	-	5.68	7.67	31.57	2.94	0.05
>7	0.06	9.62	6.20	26.34	2.86	0.10
Corporate Non Euro	**0.14**	**1.51**	**1.85**	**25.18**	**1.02**	**0.02**
Variable rate	***0.02***	***0.13***	***1.02***	***26.38***	***0.11***	***0.00***
Fixed rate	***0.12***	***1.79***	***2.01***	***24.95***	***1.21***	***0.02***
0.0<≤1.5	0.06	0.55	0.21	22.57	0.46	0.01
1.5<≤3.0	0.04	2.45	2.46	25.09	1.64	0.03
3.0<≤5.5	0.02	3.89	6.12	31.10	2.43	0.04
Total bonds	**99.23**	**5.42**	**5.53**	**0.13**	**2.32**	**0.06**
Total	**100.00**	**5.40**	**5.51**	**0.12**	**2.31**	**0.06**

Financial Instruments- Analysis of the values and of the Value at Risk

Type	Currency	Composition % on quoted value	VaR interest/price %	VaR Exchange rate %	VaR Total %
Shares	Danish Crown	0.01	35.72	0.17	35.88
	Norwegian Crown	0.00	43.07	5.51	48.59
	Swedish Crown	0.01	21.25	4.50	25.75
	US Dollar	0.04	20.33	7.03	27.36
	Euro	7.65	14.25	0.00	14.25
	Swiss Franc	0.17	14.50	4.51	19.01
	UK Sterling	0.16	17.09	5.79	22.88
	Japanese Yen	0.01	26.18	10.09	36.27
Total listed shares		**8.05**	**14.38**	**0.26**	**14.64**
Bond funds	Euro	1.35	0.94	0.00	0.94
Bonds	US Dollar	0.22	0.63	7.11	7.75
	Euro	80.87	1.08	0.00	1.08
	Swiss Franc	0.15	0.22	4.57	4.79
	UK Sterling	0.00	0.00	6.02	6.02
	Japanese Yen	0.00	0.33	10.11	10.44
Time deposits	Euro	1.18	0.00	0.00	0.00
Total Securities		**83.77**	**1.06**	**0.03**	**1.09**
Derivatives on shares	Euro	0.41	(39.01)	0.00	(39.01)
Total Derivatives		**0.41**	**(39.01)**	**0.00**	**(39.01)**
Shares	US Dollar	0.01	16.40	7.04	23.44
	Euro	3.16	17.25	0.00	17.25
Total non-listed shares		**3.17**	**17.25**	**0.02**	**17.27**
Total		**95.40**	**2.55**	**0.05**	**2.60**
	Other assets	4.60	2.62	0.01	2.63
	US Dollar	0.01	2.62	7.03	9.65
	Euro	4.59	2.62	0.00	2.62
Total		**100.00**	**2.55**	**0.04**	**2.60**

Financial Instruments- Analysis of the values and Risk Capital

Type	Currency	Composition % on quoted value	RC interest/price %	RC Exchange Rate %	VaR Total %
Shares	Danish Crown	0.01	92.40	0.83	93.23
	Norwegian Crown	0.00	96.71	25.29	122.00
	Swedish Crown	0.01	69.97	20.98	90.95
	US Dollar	0.04	62.60	31.57	94.17
	Euro	7.65	49.11	0.00	49.11
	Swiss Franc	0.17	50.92	21.01	71.93
	UK Sterling	0.16	53.88	26.47	80.35
	Japanese Yen	0.01	81.57	43.38	124.96
Total listed shares		**8.05**	**49.42**	**1.19**	**50.61**
Bond funds	Euro	1.35	4.43	0.00	4.43
Bonds	US Dollar	0.22	2.83	31.92	34.75
	Euro	80.87	5.52	0.00	5.52
	Swiss Franc	0.15	1.00	21.28	22.28
	UK Sterling	0.00	0.00	27.48	27.48
	Japanese Yen	0.00	1.68	43.48	45.16
Time deposits	Euro	1.18	0.00	0.00	0.00
Total Securities		**83.77**	**5.41**	**0.12**	**5.53**
Derivative on shares	Euro	0.41	(122.19)	0.00	(122.19)
Total Derivatives		**0.41**	**(122.19)**	**0.00**	**(122.19)**
Shares	US Dollar	0.01	61.57	31.57	93.14
	Euro	3.16	58.74	0.00	58.74
Total non-listed shares		**3.17**	**58.75**	**0.08**	**58.83**
Total		**95.40**	**10.35**	**0.21**	**10.56**
	Other assets	4.60	10.73	0.05	10.78
	US Dollar	0.01	10.72	31.57	42.29
	Euro	4.59	10.73	0.00	10.73
Total		**100.00**	**10.36**	**0.20**	**10.57**

The above table shows the analysis of the financial instruments 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 and the Risk Capital of the portfolio are 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.

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 510 million is illustrated below. This amount increases to approx. Euro 1,063 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 474 million. The negative effect would increase to approx. Euro 915 million for an increase in interest rates of 100 b.p.

Interest rate risk

				31/12/2008			
(in Euro millions)	Total Fair Value	Composition % on quoted value	Increase of 50 b.p. in %	Decrease of 50 b.p. in %	Increase of 100 b.p. in %	Decrease of 100 b.p. in %
Euro	**17,357.95**	**99.54**	**(2.73)**	**2.94**	**(5.26)**	**6.11**
Euro Bond funds	133.41	0.77	(1.10)	1.13	(2.17)	2.28
Corporate Euro	3,953.24	22.67	(3.40)	3.70	(6.54)	7.76
Government Euro	13,271.29	76.11	(2.54)	2.73	(4.91)	5.66
Non Euro Area	**79,744.23**	**0.46**	**(1.15)**	**1.19**	**(2.25)**	**2.44**
Total bonds	**17,304.28**	**99.23**	**(2.73)**	**2.94**	**(5.27)**	**6.12**
Total	**17,437.69**	**100.00**	**(2.72)**	**2.93**	**(5.25)**	**6.09**

For comparative purposes, the similar table relating to the sensitivity values as reported in the previous year is shown below.

				31/12/2007		
(in Euro millions)	Total Fair Value	Composition % on quoted value	Increase of 50 b.p. in %	Decrease of 50 b.p. in %	Increase of 100 b.p. in %	Decrease of 100 b.p. in %
Euro	**18,516.88**	**99.59**	**(1.99)**	**2.12**	**(3.87)**	**4.39**
Euro Bond funds	142.48	0.77	(1.09)	1.12	(2.17)	2.27
Corporate Euro	1,987.19	10.69	(1.80)	1.88	(3.53)	3.84
Government Euro	16,387.22	88.14	(2.02)	2.16	(3.92)	4.47
Non Euro Area	**76.24**	**0.41**	**(1.23)**	**1.27**	**(2.41)**	**2.61**
Total bonds	**18,450.64**	**99.23**	**(2.00)**	**2.13**	**(3.88)**	**4.40**
Total	**18,593.12**	**100.00**	**(1.99)**	**2.12**	**(3.86)**	**4.38**

BancaSai

With reference to the subsidiary BancaSai, in 2008 the trading portfolio operations were limited to four operations on its own account, undertaken within the ambit of a policy and within a double limit system (general limits imposed on the portfolio and specific limits related to the strategies).
The policy for the management of the trading portfolio provides that the operations on the trading portfolio complies with the limit of VaR 95% at 10 days equal to Euro 40 thousand: in the case that strategies are authorised capable of generating a significant price risk it is the task of the Risk Management Department to create necessary measurement and monitoring instruments of the V.a.R.
The Treasury and Finance Office is in charge of the management of the trading portfolio, while the Risk Management Department is responsible for the measurement and monitoring of the risk.

Within the organisational process of the portfolio management, the Treasury Office operates exclusively within the strategy lines defined, which are authorised by the Board of Directors after evaluation by the Risks Committee on the basis of an instruction prepared by the Risk Management Department, which assesses the risk profile, the absorption of capital, and prepares the necessary control instruments.

The operations undertaken are arbitrage and relate to the spot purchase and simultaneous forward sale of equity securities: the infrequency of the operations and their short time period (always less than 20 days) does not justify the development of a complete monitoring and reporting system. The interest rate risk is considered negligible. Due to the nature of the structure, the operations generated a negligible price risk.

At the end of 2008, there are no instruments within the trading portfolio, and during the year the only operations authorised were those described in the previous point.

Risk Capital of the Life Sector

Within the risk management, the risk capital measures the capital absorbed by the business in terms of unexpected losses, determining the solvency capital, its cost 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.

An analysis is undertaken quarterly 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 are prevalently valued among the financial risk capital, while for the technical risks both the mortality risk and the risk of redemption were examined.

From the analysis made through the internal model of the Life actuarial reserves of the Group, the total capital absorbed in terms of financial and technical risk capital was approx. 2.86% (1.96% at December 31, 2007). The effect of any change of this magnitude on the Life reserves would have an impact on the Group Net Equity of approx. 10.18% (5.69% at December 31, 2007). The principal reason for the increase in the risk capital compared to the previous year is due to the increase in market volatility during 2008. As also illustrated in the previous tables, the bond risk capital in fact increased by approx. 50%, while the equity doubled compared to 2007.

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 76% 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.

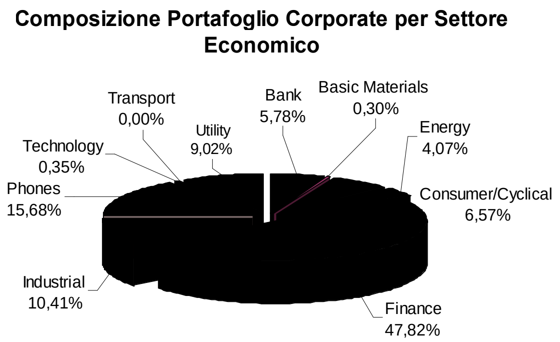
In relation to reinsurers, the choice made refers to the quality and solvency of the counterparties, with reference, in the choice, to the rating assigned by Standard & Poor's.
In relation to the Group companies operating in the banking sector, the credit risk is contained through constant monitoring 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.

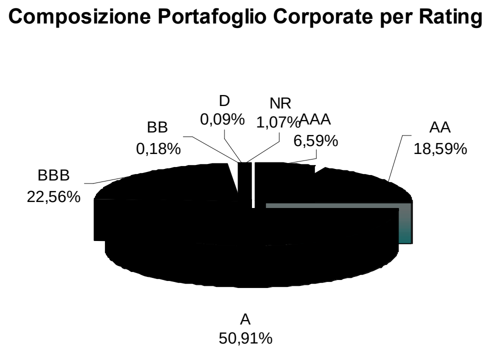
Finally, with reference to the real estate sector, following the credit valuations, requests are made for guarantees, sureties or deposits, from the operators or buyers in the real estate transactions.

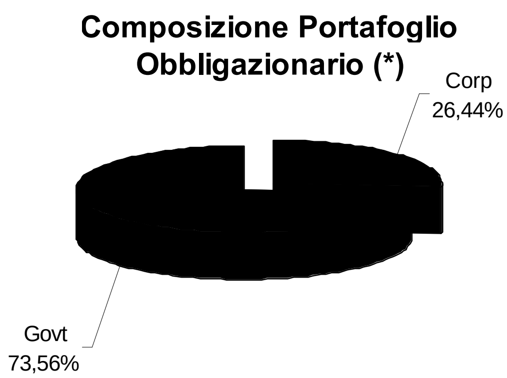
Composition of the Bond portfolio

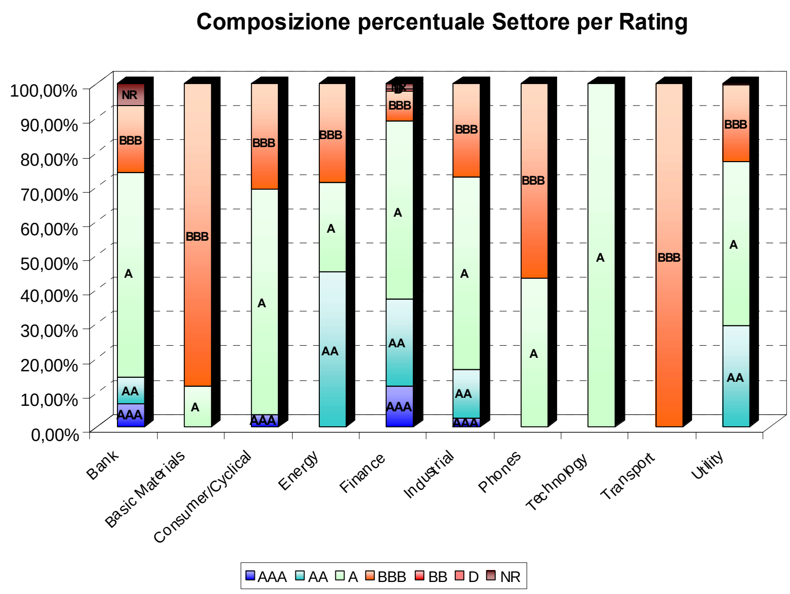
The graphs below show the composition of the corporate portfolio of the Group.
The analysis is divided by economic sector and by corporate rating of the issuer.
An overview of the portfolios analysed is made through graphs and histograms, whose fundamental risks (in terms of exposure) are identified 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









(*) carrying value and including structured 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 daily treasury needs of 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

(in Euro millions)

	31/12/2008	**31/12/2007**
up to 1 year	978	881
from 1 to 5 years	769	495
from 6 to 10 years	38	23
Over 10 years	1,062	821
Total	**2,846**	**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

(in Euro millions)

	31/12/2008	31/12/2007
up to 1 year	2,007	2,420
from 1 to 5 years	9,878	12,879
from 6 to 10 years	5,585	5,236
Over 10 years	4,271	4,256
Total	**21,742**	**24,791**

The total, which refers to the direct business, includes actuarial reserves for Euro 13,846 million (Euro 14,987 million at December 31, 2007), technical reserves where the investment risk is borne by the policyholders and from the management of pension funds for Euro 4,245 million (Euro 4,559 million at December 31, 2007), liabilities from financial contracts issued by insurance companies for which the investment risk is borne by the policyholders for Euro 3,227 million (Euro 4,773 million at December 31, 2007), and from the management of the pension funds for Euro 174 million (Euro 177 million at December 31, 2007) and deposit accounting for Euro 16 million (equivalent amount at December 31, 2007).
Also included is the reserve for sums to pay equal to Euro 233 million at December 31, 2008 (Euro 279 million at December 31, 2007), 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

(in Euro millions)

	31/12/2008	31/12/2007
up to 1 year	6,031	6,075
from 1 to 5 years	3,717	3,951
from 6 to 10 years	848	1,034
Over 10 years	461	434
Total	**11,058**	**11,494**

The total includes the premium reserve for Euro 2,636 million (Euro 2,618 million at December 31, 2007), the claims reserves for Euro 8,408 million (Euro 8,862 million at December 31, 2007) and the other technical reserves represented by the ageing reserve of the health class for Euro 14 million (Euro 14 million at December 31, 2007).

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 31/12/2008 of the above-mentioned derivatives and the consequent adjustment to fair value of the Available-For-Sale shares by Company are listed below.

(Euro thousand)	Assets for hedging contracts	Liabilities for hedging contracts	AFS Shares Hedged
Fondiaria-SAI S.p.A.	64,818	-	(64,818)
Milano Assicurazioni S.p.A.	21,347	-	(21,347)
Total	**86,165**	**-**	**(86,165)**

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 2008, relating to Fondiaria-SAI, against write-downs of Euro 58,193 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 2008 there was a decrease in the derivative liabilities of Euro 8,776 thousand against sales of Unicredito shares, Euro 4,312 thousand against Monte dei Paschi shares and the realisation of the receivable for Euro 2,734 thousand against the closure of hedging contracts on Generali shares and Euro 16,141 against the closure of hedging contracts on Mediobanca shares.
In relation to Milano Assicurazioni, against net write-downs for Euro 27,896 thousand of the shares hedged, revaluations were made of a similar amount on the derivatives hedged.

The impact 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 hedge, 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 760 million (Euro 379 million at 31/12/2007).
At the reporting date, the fair value of the IRS was estimated at around Euro -8 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 31/12/2008 are as follows:

(Euro thousand)

Company	**Notional**	**Maturity**	**Fixed rate %**	**Variable rate**	**Fair value at 31/12/2008**
Fondiaria-SAI	200,000	July 23, 2013	3.970	Euribor 6m Act/360	(5,808)
Fondiaria-SAI	100,000	July 23, 2013	3.930	Euribor 6 m Act/360	(2,738)
Fondiaria-SAI	100,000	July 23, 2013	3.990	Euribor 6 m Act/360	(2,987)
Fondiaria-SAI	150,000	July 14, 2016	3.180	Euribor 6 m Act/360	4,258
Milano	50,000	July 14, 2016	3.180	Euribor 6 m Act/360	763
Tikal	20,000	Dec. 31, 2009	3.160	Euribor 6 m Act/360	(148)
Tikal	58,000	Dec. 31, 2009	3.120	Euribor 6 m Act/360	(406)
Tikal	25,000	Dec. 30, 2016	3.185	Euribor 6 m Act/360	(89)
Immobiliare Lombarda	28,571	Dec. 31, 2012	3.770	Euribor 6 m 30/360	(583)
Immobiliare Lombarda	28,571	Dec. 31, 2012	3.695	Euribor 6 m 30/360	(537)

Tikal R.E.
In relation to the underlying derivative instruments hedging an increase in interest costs relating to the 2005 Loan, following the significant advanced repayments of the debt made after the sales, it was considered necessary to cancel part of the Interest Rate Swap of a nominal value of Euro 50 million subscribed on November 17, 2005.
The amount repaid was Euro 30 million and this operation generated a profit of Euro 0.2 million for the Fund.
Finally, in accordance with the provisions of the 2007 Loan, the Tikal Fund on December 4, 2008 signed an Interest Rate Swap, commencing from June 30, 2009, to hedge a notional Euro 25 million, equal to approx. half of the debt.

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, during the year two Range Accrual Swap contracts for a positive impact on the Income Statement of Euro 231 thousand and a negative impact of Euro 56 thousand expired.
At December 31, 2008, the Group no longer had Range Accrual Swap contracts in place.

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 4,815 thousand for Fondiaria-SAI and Euro 3,704 thousand for Milano Assicurazioni which were recorded in the Income Statement of the year under

asset and financial charges.

Following the advanced closure of some Credit Default Swap contracts, Euro 963 thousand was received by Fondiaria-SAI and Euro 586 thousand by Milano Assicurazioni, recorded under income in the income statement. 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 Default Swaps remain open:

(Euro thousand)

Company	Notional	Maturity	Counterparty	Issuer hedged	Cost
Fondiaria-SAI S.p.A.	15,000	June 20, 2011	BNP Paribas	Banco Popolare sub..	100 bps per year
Fondiaria-SAI S.p.A.	6,000	June 20, 2013	Royal Bank of Scotland	Casino Guichard Perrachon	161 bps per year
Fondiaria-SAI S.p.A.	10,000	June 20, 2013	H.V.B.	Merrill Lynch	162.5 bps per year
Fondiaria-SAI S.p.A.	6,000	March 20, 2013	JP Morgan	Citigroup	188 bps per year
Fondiaria-SAI S.p.A.	25,000	Feb.20, 2013	Morgan Stanley	Republic of Serbia	295.2 bps per year
Milano Assicurazioni S.p.A	6,000	June 20, 2013	Royal Bank of Scotland	Casino Guichard Perrachon	161 bps per year
Milano Assicurazioni S.p.A	10,000	June 20, 2013	H.V.B.	Merrill Lynch	162.5 bps per year
Milano Assicurazioni S.p.A.	6,000	March 20, 2013	JP Morgan	Citigroup	188 bps per year
Milano Assicurazioni S.p.A.	10,000	Sept. 20, 2013	Royal Bank of Scotland	Koninklijke	94 bps per year

In addition at 31/12/2008, the Parent Company has the following contracts:

Purchase and sale of Forward Variance Swap contracts on the Eurostoxx50 index; purchase of 1,000 contracts from Goldman Sachs strike 25.45 maturity June 20, 2009 and simultaneous sale to BNP Paribas strike 25.65. 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 31/12/2008 amounting to Euro 10 thousand.

Purchase and sale of Forward Variance Swap contracts on the Eurostoxx50 index; purchase of 1,418 contracts from Société Generale strike 23.50, maturity on June 19, 2009 and simultaneous sale to JP Morgan, strike 25.53. The position is a gain from valuations at December 31, 2008 amounting to Euro 142 thousand.

Purchase and sale of Forward Variance Swap contracts on the Eurostoxx50 index; purchase of 1,432 contracts from Société Generale, strike 23.30, maturity on June 19, 2009 and simultaneous sale to JP Morgan of 382 contracts at strike 26.80 and sale to Credit Suisse of 1,050 contracts at strike 27.25. The position is a gain from valuations at December 31, 2008 amounting to Euro 277 thousand.

Sale of call options on Muenchener Rueckver shares with maturity on January 16, 2009. The amount received was Euro 108 thousand. The gain from valuations at December 31, 2008 amounted to Euro 103 thousand.

Milano Assicurazioni at December 31, 2008 has the following contracts:

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 500 contracts from Goldman Sachs strike 25.45 maturity on June 20, 2009 and simultaneous sale to BNP Paribas strike 25.65. 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 31/12/2008 amounting to Euro 5 thousand.

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 710 contracts from Société Generale strike 23.50 maturity on June 20, 2009 and simultaneous sale to JP Morgan strike 25.53. The position is a gain from valuations at December 31, 2008 amounting to Euro 71 thousand.

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 716 contracts from Société Generale strike 23.30 maturity June 20, 2009 and simultaneous sale to JP Morgan of 190 contracts strike 26.80 and sale to Credit Suisse of 526 contracts strike 27.25. The position is a gain from valuations at December 31, 2008 amounting to Euro 138 thousand.

The call options on Commerzbank shares with maturity on January 16, 2009 were sold. The amount received was Euro 87 thousand. The gain from valuations at December 31, 2008 amounted to Euro 87 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 31/12/2008, the company held the exchange rate and interest rate options reported below:

- 1 purchase option contract on EURO/USD foreign exchange with fair value of Euro 19 thousand
- 1 sales option contract on EURO/USD foreign exchange with fair value of Euro 19 thousand
- 13 purchase option contracts on interest rates. The fair value was Euro 3,975 thousand
- 13 sales option contracts on interest rates. The fair value was Euro 4,173 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 6,496 thousand while for those sold, the fair value was Euro 5,696 thousand. The negative changes to the income statement were Euro 609 thousand on the options acquired and Euro 114 thousand on the options sold.

PART F - Amounts, timing and level of uncertainty in the cash flows relating to insurance contracts

For greater disclosure to the readers of the accounts, with reference to the provisions of paragraphs 38 and 39 of IFRS 4 and separately for the Non-Life and Life sectors, the objectives in the management of the risks related to the insurance contracts and the policies adopted to contain them, the contractual clauses and the general conditions therein which have a significant effect on the amount, on the timing, as well as on the level of uncertainty of future cash flows therein is reported below.

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 Cusotmer 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.

The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit corrective interventions in a timely manner against any modifications of the technical trends and which could result from the introduction of the 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 niche markets.

On March 1, 2008, the Group launched the new motor product "NUOVA 1ª GLOBAL" with common tariffs and conditions for all the commercial networks. The strength of the new products, which are differentiated in the vehicle and pleasure boat lines, provide for the most complete and current coverage in terms of flexibility, content and price, as well as for the clarity of the contracts and the inclusion of the most recent regulatory developments.

Land vehicles

In the Land Vehicle sector, which is traditionally a very interesting business area, 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 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 objective and subjective aspects 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

The processes adopted by the Group to optimise the control of the exposures to catastrophic risks is reported below.

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.

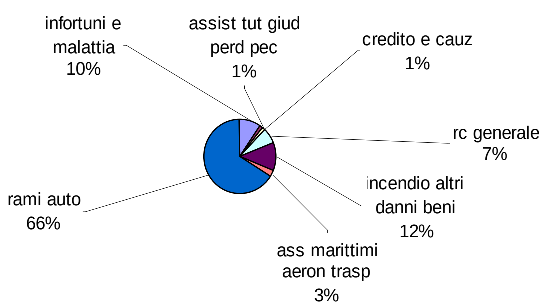
The results are subsequently analysed with the assistance of international operators, in order to achieve adequate protection based on the two models utilised.
Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance cover per event.

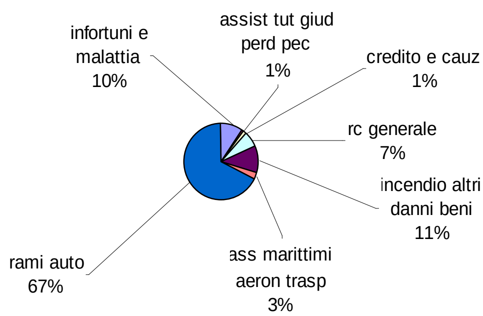
The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.
The potential risk concentration following the bankruptcy of a single policyholder in the Bonds Class is 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:

2008



2007



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 redefined in order to improve the quality of service offered to the client 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.

Also during 2008, the maintenance of the Group policies, already realised in the previous years, confirmed the maintenance of the separation of the portfolio, with a prevalence of risks assumed in Exclusive Delegation. In fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.

With reference to the Bond Class, in 2008 the policy relating to the underwriting of risks On Behalf of Others is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

In relation to other delegations: in 2008 the level of the premiums collected was 8.9%, an increase on 2007 (8.3%); the level of the total costs of the claims was 7.2%, a decrease on the previous year which amounted to 8.3% and confirms the positive trend of recent years.

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, form 29A).

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 were 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)

(in Euro millions)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006***	**2007**	**2008**	**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	3,008.9	
Within one year	2,697.2	2,857.9	3,021.6	3,107.4	3,109.8	3,299.7	3,011.2		
Within two years	2,744.9	2,922.0	3,047.3	3,056.6	3,092.9	3,358.4			
Within three years	2,755.3	2,942.7	3,077.3	2,989.2	3,165.0				
Within four years	2,774.9	2,996.3	3,117.1	3,030.8					
Within five years	2,813.4	2,996.1	3,144.3						
Within six years	2,844.5	3,043.3							
After seven years	2,859.7								
Estimated final costs	2,859.7	3,043.3	3,144.3	3,030.8	3,165.0	3,358.4	3,011.2	3,008.9	24,622
Payments	2,712.0	2,833.5	2,894.6	2,730.0	2,724.0	2,652.3	2,217.2	1,366.8	20,130
Amount to reserve	147.7	209.8	249.8	300.8	441.0	706.1	794.0	1,642.2	4,491

CLASS 13 (General TPL)

(in Euro millions)	2001	2002	2003	2004	2005	2006*	2007	2008	Total
Estimated costs									
At the end of the year	265.4	297.9	309.7	321.9	341.0	382.0	373.0	372.5	
Within one year	274.3	278.7	338.2	321.8	347.7	337.9	354.8		
Within two years	278.4	284.1	309.7	335.2	342.2	379.2			
Within three years	281.5	290.8	318.5	341.1	352.7				
Within four years	292.7	297.4	322.4	349.2					
Within five years	297.0	304.6	329.3						
Within six years	302.5	305.0							
After seven years	300.7								
Estimated final costs	300.7	305.0	329.3	349.2	352.7	379.2	354.8	372.5	2,743
Payments	209.6	200.7	206.5	202.1	185.7	183.0	136.4	120.6	1,445
Amount to reserve	91.0	104.3	122.8	147.0	167.0	196.2	218.5	252.0	1,299

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
- "amount 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 2008, compared with the number of claims reported in the various years.

Generation	Claims Reported	Number of claims open	% on reported claims
1999	981,312	1,208	0.12
2000	1,017,239	1,654	0.16
2001	996,787	2,612	0.26
2002	987,098	4,100	0.42
2003	959,946	5,807	0.60
2004	929,973	6,990	0.75
2005	929,388	10,416	1.12
2006	912,798	20,782	2.28
2007	882,694	36,799	4.17
2008	828,451	203,283	24.54

Excluding the CID agent claims reported since February 1, 2007 with the introduction of the direct compensation which are considered the claims caused (NO CARD + CARD DEBITOR).

Card management from 1/2/2007

Generation	Claims Reported	No. of Claims open	% on reported claims
2007	428,094	6,927	1.62
2008	537,499	80,474	14.97

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 empirical method suggested by article 11 of ISVAP Regulation 16 of 4/3/2008. 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 through official ISTAT statistics on the mortality of the Italian population, adapted on the basis of the mortality history of the portfolio of the policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or not. The amount insured is underwritten on the basis of fixed and standard rules, the so-called "underwriting grid". This grid is structured on the basis of a different step-up of capital insured for which there are different types of events of a health nature in accordance with the "International Guidelines" in the medical field.
There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.
In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.
In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.
It is also noted that for amounts above a certain threshold, the underwriting of the risk is subject to the presence of explicit acceptance by the reinsurer.
In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.
The trend of the technical performance on the portfolio confirms that historically applied in terms of personalisation of the statistical base adopted compared to the general ISTAT. The longevity risk is currently marginal - typically related to the portfolio relative to annuities - due to the non significant presence of this type of contract in the portfolio 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 the most updated base statistics and a careful evaluation of constant guaranteed financial returns monitored on the markets. The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by 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 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-SAI, Milano Assicurazioni, Popolare Vita. In relation to BPM Vita, the data was provided directly by the insurance company which in any case utilised 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. 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 31/12/2008

Division		**Capitalisation**	**Prod. Of Risk**	**Savings & pension**	**Total**
Fondiaria-SAI	Number of policies	38,511	96,447	240,577	375,535
	Mod. point elaborated	20,375	28,567	47,781	96,723
Milano Ass.ni	Number of policies	19,370	89,055	107,814	216,239
	Mod. point elaborated	12,822	37,362	45,839	96,023
BPM Vita	Number of policies	314	654	102,713	103,681
	Mod. point elaborated	17	16	135	168
Popolare Vita	Number of policies	1,569	-	38,579	40,148
	Mod. point elaborated	200	-	1,506	1,706
Total	**Number of policies**	**59,764**	**186,156**	**489,683**	**735,603**
	Mod. point elaborated	**33,414**	**65,945**	**95,261**	**194,620**

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 31/12/2008

Division	Reserve elaborated	Total reserve	% elaborated
Fondiaria-SAI S.p.A.	6,210,132	7,025,429	88.4
Milano Ass.ni S.p.A.	3,080,265	3,402,758	90.5
BPM Vita	1,675,170	1,675,170	100.0
Po Vita	1,244,537	1,294,980	96.1
Total	12,210,104	13,398,337	91.1

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.

For the contracts with specific assets, the discount rate was taken from the effective return of the assets to cover the reserves, taking into account the credit risk related to the individual securities comprised in the basket. The credit risk is valued based on the probability of default assigned by Standard & Poor.

In the estimate of the amounts paid following the redemption by clients of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific 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.

The discounting of the future cash flows described above permitted the determination of the commitments of the Company in accordance with the “best estimate” basis at the moment of the valuation. This amount is defined in the “LAT Reserve” table below.

With regard to the assumptions, reference was made where possible to the company experience and the Italian insurance market in addition to economic-financial scenarios at the valuation date.

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.

LAT valuation at 31/12/2008

(Euro thousand)

DIVISION		CAPITALIS.	PROD. OF RISK	SAVINGS & PENSION	TOTAL
Fondiaria-SAI	LAT Res.	2,083,394	934,642	3,709,810	6,727,846
	Tot. per Accounts	2,162,410	993,327	3,953,111	7,108,848
	Balanced Res.	2,140,354	981,005	3,904,071	7,025,429
	Additional Res.	11,170	5,120	20,375	36,665
	Expenses Res.	10,886	8,612	34,273	53,771
	DAC	-	1,409	5,608	7,017
Milano Ass.ni	LAT Res.	559,588	843,586	1,919,479	3,222,654
	Tot. per Accounts	585,585	880,874	1,984,680	3,451,138
	Balanced Research.	581,647	866,917	1,954,194	3,402,758
	Additional Res.	118	11,671	24,260	36,049
	Expenses Res.	3,820	4,322	10,457	18,599
	DAC	-	2,036	4,233	6,269
BPM Vita	LAT Res.	244,932	608	1,312,047	1,557,587
	Tot. per Accounts	247,151	1,329	1,436,800	1,685,279
	Balanced Res.	246,733	1,225	1,427,212	1,675,170
	Additional Res.	21	1	2,078	2,100
	Expenses Res.	397	102	7,509	8,008
	DAC	-	-	-	-
Popolare Vita	LAT Res.	109,833	-	1,185,679	1,257,777
	Tot. per Accounts	110,034	-	1,183,552	1,293,586
	Balanced Res.	109,301	-	1,185,679	1,294,980
	Additional Res.	407	-	4,411	4,818
	Expenses Res.	327	-	3,119	3,446
	DAC	-	-	9,658	9,658

Notes:

- Revaluation of services: According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: 1.75 %.
- Discount rate: EuroSwap Curve at the valuation date, except where specified beforehand.
- 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 the duration of the policies, in a range between : 1.29% and 20.00%.
- Management expense between Euro 20 and Euro 47 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.

LAT Valuation – Index & Unit at 31/12/2008

(Euro thousand)

DIVISION		UNIT-LINKED	INDEX-LINKED	TOTAL
Fondiaria-SAI	LAT Res.	62,943	250,231	313,174
	Tot.per Accounts	64,504	251,428	315,932
	Class D Res.	63,334	246,911	310,245
	Additional Res.	736	380	1,116
	Expenses Res.	435	4,138	4,573
Milano Ass.ni	LAT Res.	-	225,963	225,963
	Tot.per Accounts	-	228,291	228,291
	Class D Res.	-	224,101	224,101
	Additional Res.	-	7	7
	Expenses Res.	-	4,183	4,183
BPM Vita	LAT Res.	-	318,655	318,655
	Tot.per Accounts	-	319,675	319,675
	Class D Res.	-	315,455	315,455
	Additional Res.	-	1,082	1,082
	Expenses Res.	-	3,137	3,137
Popolare Vita	LAT Res.	139,576	3,279,190	3,418,766
	Tot.per Accounts	140,576	3,285,828	3,426,404
	Class D Res.	140,037	3,247,796	3,387,833
	Additional Res.	539	9,994	10,533
	Expenses Res.	-	28,038	28,038

Notes:

- Revaluation of services: According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: 1.75%.
- Discount rate: EuroSwap Curve at the valuation date, except where specified beforehand.
- Frequency of interruption of the recurring premiums: percentage of renewal premiums equal to 100% for all the recurring premiums with amounts lower than Euro 1,500, 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: the frequency of the eliminations vary, according to the duration of the policies, in a range between: 1.29% and 20.00%.
- Management expense: 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 approx. half (48%) equal to Euro 8,842.4 million relate to policies with guaranteed returns between 1% and 3%, while approx. 24% (equal to Euro 4,397.0 million) relate to policies with guaranteed return between 3% and 5%.
In comparison, the reserves for contracts without guarantees are modest (Euro 202.9 million) while, compared to the previous year, the reserves with guarantees at fixed interest rates on maturity increased from Euro 2,709.6 million in 2007 to Euro 4,130.2 million in 2008 and the reserves for contracts with guarantees related to specific assets also increased from Euro 12.8 million in 2007 to Euro 807.9 million in 2008.

Insurance reserves of the Life segment: guarantee return (*)

(in Euro millions)	**(**) 2008**	**(***) 2007**
Reserves with guaranteed annual interest rate	**13,248.1**	**13,925.8**
0% - 1%	8.7	252.4
from 1% to 3%	8,842.4	8,955.1
from 3% to 5%	4,397.0	4,718.3
Reserves without guaranteed interest rate	**202.9**	**102.8**
Reserves related to specific assets	**807.9**	**12.8**
Reserves with guaranteed interest rate on maturity	**4,130.2**	**2,709.6**
Total	**18,389.1**	**16,751.0**

(*) The total includes the amount of the direct gross actuarial reserves and the technical reserves where the investment risk is borne by the policyholders.
(**) Companies considered: Fondiaria-SAI, Milano Assicurazioni (including the former SASA Vita), BPM Vita and Popolare Vita (including former Novara 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 utilising 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 relating to the details of the operations and the information relating to the income statements of the companies acquired.

Purchase of 99.99% of DDOR NOVI SAD ADO

As described in detail in the Directors' Report, on January 31, 2008, the Parent Company purchased 83.32% of the Serbian insurance company DDOR NOVI SAD ADO: subsequently, following the takeover bid, whose subscription period terminated on October 29, 2008, and the conclusion of the procedure to exercise the purchase of the remaining shares, the Parent Company held 99.99% of the share capital.
The acquisition was made in cash for a total payment of Euro 267 million.
The cost of the operation was compared with the fair value of the current and potential assets and liabilities of the company acquired.
The data of the financial statements in foreign currencies are shown below converting them to the exchange rate at January 31, 2008.

The difference was allocated as follows:

(Euro thousand)	
Goodwill	188,823
VOBA	48,041
Deferred tax liabilities	4,804

The VOBA (Value Of Business Acquired) represents the cash flows which will be generated, within a defined time period, by the insurance portfolio acquired: this asset will be amortised based on the receipt of the future cash flows related to the portfolio acquired.

A summary of the book values of the company acquired are reported below:

(Euro thousand)	Book value	Fair Value adjustments	Total Fair Value
Intangible assets	1,369	48,041	49,410
Investments	41,265		41,265
Cash and cash equivalents	35,116		35,116
Receivables and other net assets	100,896	(4,804)	96,092
Net technical reserves	(142,762)		(142,762)
Financial liabilities	(583)		(583)
Provisions	(77)		(77)
Net assets acquired	35,224	43,237	78,461
Minority interest share			8
Acquisition price			267,276
Goodwill			188,823

The net cash flow of the acquisition was as follows:

(Euro thousand)

Payment in cash	(267,276)
Cash and banks acquired	35,116
Net cash outflow	**(232,160)**

The acquisition of DDOR NOVI SAD ADO contributed negatively to the consolidated results of the Fondiaria-SAI Group for Euro 11,195 thousand: this amount includes the quota of amortisation of the gain attributed to the VOBA for Euro 7,340 thousand net of the fiscal effect.

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)	31/12/2008		31/12/2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Holding company	-	417	-	428
Associated companies and joint ventures	76,633	2,825	71,230	-
Group companies	6	20	2	21
Other related parties	371,026	68,383	216,081	15,621

(in Euro thousands)	31/12/2008		31/12/2007	
	Income	**Charges**	**Income**	**Charges**
Holding company	565	1,910	415	1,716
Associated companies and joint ventures	13,693	2,950	6,963	-
Group companies	5	-	5	-
Other related parties	16,318	110,692	7,240	64,285

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 period 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 were:

- Euro 35 million due from Garibaldi S.c.s. for an interest-bearing loan granted by Milano Assicurazioni S.p.A.;
- Euro 22 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 4 million with Sviluppo Centro Est 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 47 million with IM.CO S.p.A. by Milano Assicurazioni S.p.A. in relation to:

\- Euro 39 million for payments on account in the year and in previous years to IM.CO. S.p.A. in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola).

\- Euro 8 million as payment on account in the year for improvements on buildings constructed by IM.CO. S.p.A. at Via Lancetti in Milan, already owned by Milano Assicurazioni. We recall that the operation, undertaken in 2003, resulted in the sale of the land to IM.CO S.p.A. and the purchase from IM.CO of the completed real estate complex which would be built by the same company at a price of Euro 36 million excluding VAT.

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.

During 2008, the building was completed and, following the signing of the relative notary deed, the total cost was Euro 48 million (including the relative price of connections between the buildings, already in the previous year, agreed at Euro 6 million) was transferred from the account *Assets in progress and payments on account* to the account *Buildings for third party use.*

- Euro 1 million to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for capital expenditures on properties.
- Euro 85 million payments on account in the year and in previous years to *Avvenimenti e Sviluppo Alberghiero S.r.l.* in relation to Via Fiorentini, Rome. We recall that this operation, completed in 2003 and described in detail in the directors' report in that year, resulted in the sale of the land to *Avvenimenti e Sviluppo Alberghiero s.r.l.* and the purchase from *Avvenimenti e Sviluppo Alberghiero s.r.l.* of the 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 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 36 million of Immobiliare Lombarda S.p.A. with I.C.E.IN S.p.A. for Euro 15 million, IM.CO. S.p.A. for Euro 15 million and Marcora Costruzioni S.p.A. for Euro 6 million as down-payments on extraordinary maintenance and future constructions.
- Euro 10 million of payments on account paid by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for future planning work on the Castello Area (Florence) and Euro 62 million paid by the subsidiary Meridiano Risparmio S.r.l. to the company Europrogetti S.r.l. for the purchase of a building.
- Euro 20 million incurred by the subsidiary Villa Ragionieri S.r.l. with IM:CO. S.p.A. against the advancement of work on buildings;

- Euro 6 million by TIKAL R.E. Fund to I.C.E.IN. S.p.A. against improvement work on a building owned by the fund and Euro 69 million paid in the year to the company IM.CO. S.p.A. in relation to "future" real estate acquisitions which related to the realisation of a hotel-congress complex located in the municipality of Pero (Milan) – Via Keplero. The costs incurred in 2008 amounted to payments on account of Euro 45 million and the balance agreed but not yet paid of Euro 24 million. The real estate complex was available to the fund from November 5, 2008, following the completion for a total cost of Euro 134 million.
- Euro 5.4 million incurred by the subsidiary Campo Carlo Magno S.p.A. with I.C.E.IN S.p.A. against further expansion, restructuring and improvement 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 I.C.E.IN. S.p.A. for Euro 20 million, Marcora Costruzioni S.p.A. for Euro 16 million and IM.CO. S.p.A. for Euro 12 million and Atahotels S.p.A. for Euro 2 million, as well as the subsidiary Villa Ragionieri to IM.CO for Euro 13 million for invoices to be received against work undertaken.

Income from the Associated Companies and Joint Ventures relates principally to the interest on loans provided to the associated company Garibaldi S.c.s. from Milano Assicurazioni S.p.A. for Euro 2 million and dividends issued by the associated company Fin.Priv. to Fondiaria-SAI S.p.A. for Euro 3 million and to revenues from construction for Euro 5 million of Immobiliare Lombarda to the associated company Tre Torri Contractor, which was awarded the management contract for the realisation of the "New Citylife Urban Pole" in Milan.

The income from Other Related Parties principally refers to income from insurance premiums of Euro 9 million and the income from leases agreed with Atahotels S.p.A from Campo Carlo Magno S.p.A. for Euro 2 million and from Tikal R.E. Fund for Euro 4 million.

The other charges from Other Related Parties principally refer to the fees to Directors for offices covered in companies of the Group for Euro 30 million and salaries of senior management for Euro 4.6 million.

Finally, Euro 68 million was incurred by Immobiliare Lombarda (Euro 61 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:

(Euro thousand)	**31/12/2008**	**31/12/2007**
Remuneration	12,883	14,050
Bonus and other incentives	8,500	6,000
Non-monetary benefits	64	73
Total	**21,447**	**20,123**

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	609.3
	Deloitte & Touche S.p.A.	Group Fondiaria-SAI	181.4
b) certification work	Deloitte & Touche S.p.A.	Fondiaria-SAI	478.1
	Deloitte & Touche S.p.A.	Group Fondiaria-SAI	49.9
c) fiscal consulting	-	-	-
d) other services	Deloitte & Touche S.p.A.	Fondiaria-SAI	222.6
Total fees in the year			1,541.3

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	2,676.6
b) certification work	Deloitte & Touche S.p.A.	Subsidiary companies	1,422.6
c) fiscal consulting	Deloitte & Touche S.p.A.	Subsidiary companies	-
d) other services	Deloitte & Touche S.p.A.	Subsidiary companies	96.4
Total fees in the year			4,195.6

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 consolidated financial statements 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:

	2008	2007
US Dollar	1.3917	1.4721
UK Sterling	0.9525	0.73335
Japanese Yen	126.14	164.93
Swiss Franc	1.485	1.6547
Serbian Dinar	89.3912	-

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 standards, for the year 2008 the ratio between the constituting elements and the amount of the correct solvency margin requested was approx. 127% (147% at December 31, 2007).

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

1. 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) 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 the period January 1, 2008 – December 31, 2008.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2008 is based on a Model defined by Fondiaria-SAI in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. It is also noted that:

3.1 the consolidated financial statements at December 31, 2008:
   a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
   b) correspond to the underlying accounting documents and records;
   c) were prepared in accordance with article 9 of Legislative Decree No. 38/2005 and the ISVAP terms, regulations and circulars and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the consolidated companies.

3.2 The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 24, 2009

The Chief Executive Officer

Prof. Fausto Marchionni

The Executive Responsible for
the preparation of the corporate accounting documents

Mr. Pier Giorgio Bedogni

Report of the independent boards

Report of the Board of Statutory Auditors

Dear Shareholders,

Your Company has prepared the Consolidated Financial Statements at December 31, 2008 applying international accounting standards (IAS/IFRS) and applying the format for the accounts 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.
These financial statements are presented together with the Directors' Report, containing information on the operational performance of the Group.

The Consolidated Financial Statements and the Directors' Report also contain exhaustive and detailed information on the operational performance of the Parent Company and of the consolidated companies, on the principal sectors of activities of the Group (non-life and life insurance, real estate and other activities), on the asset and financial management, on the litigation in course, on the significant events after year-end and on the outlook.

We have undertaken adequate controls on the Consolidated Financial Statements at December 31, 2008 of the Fondiaria-SAI Group and we verified:

- the correct application of the accounting principles and of the valuation criteria. In particular compliance with the consolidation principles and regulations in relation to the formation of the consolidation area and the reference date of the data;
- the adequacy of the organisational-procedural structure of the Parent Company in order to manage the information flows and the consolidation operations and therefore the correctness of the accounting results of the subsidiary companies and the information transmitted from the companies included in the consolidation;
- the adequacy and conformity of the presentation and disclosures required by the IAS/IFRS standards issued by the IASB and approved by the European Union, and in turn integrated with specific regulations issued by the Supervision Authority.

We also report that the Auditors' Report of Deloitte & Touche S.p.A., issued on April 6, 2009, does not report any exceptions and/or irregularities.
The Board also reports that the audit opinions on the subsidiary companies are in accordance with the provisions of Legislative Decree No. 58/1998 and Consob Resolution No. 11971 of May 14, 1999. We also attest that the voluntary audits of the subsidiary companies, not subject to compulsory audit in accordance with local regulations, are in accordance with the above-mentioned provisions.

The Consolidated Financial Statements prepared in thousands of Euro, report a net profit and Group net equity respectively of Euro 2,934,779 and Euro 87,409 thousand. For the determination of the components contributing to these results, the Consolidated Financial Statements provide exhaustive comments on the principal accounts.

Finally, we attest that the structure of the consolidated financial statements are considered correct and conform with legislative requirements.

Turin, April 7, 2009

The Board of Statutory Auditors
Dr. Benito MARINO
Dr. Giancarlo MANTOVANI
Dr. Marco SPADACINI

Auditors' Report

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RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 156 DEL D.LGS. 24.2.1998, N. 58 E DELL'ART. 102 DEL D.LGS. 7.9.2005, 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 delle relative note esplicative, di FONDIARIA-SAI S.p.A. e sue controllate ("Gruppo FONDIARIA-SAI") chiuso al 31 dicembre 2008. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché al Regolamento emanato in attuazione dell'art. 90 del D.Lgs. n. 209/2005 compete agli amministratori di 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 4 aprile 2008.

3. A nostro giudizio, il bilancio consolidato di FONDIARIA-SAI S.p.A. al 31 dicembre 2008 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.

4. La responsabilità della redazione della relazione sulla gestione, in conformità a quanto previsto dalle norme di legge e dai regolamenti, compete agli amministratori di FONDIARIA-SAI S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dall'art. 156, comma 4-bis, lettera d), del D. Lgs. n. 58/1998. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione è coerente con il bilancio consolidato di FONDIARIA-SAI S.p.A. al 31 dicembre 2008.

DELOITTE & TOUCHE S.p.A.

Enrico Ciai
Socio

Torino, 6 aprile 2009