
FIRST QUARTER REPORT 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 168,692,679 FULLY PAID-IN – TAX, VAT AND
FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE
ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL
17, 1925

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

THE BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti*	<i>Chairman</i>
Giulia Maria Ligresti*	<i>Vice Chairman</i>
Massimo Pini*	<i>Vice Chairman</i>
Antonio Talarico*	<i>Vice Chairman</i>
Fausto Marchionni*	<i>Chief Executive Officer - General Manager</i>
Andrea Brogгинi	
Mariella Cerutti Marocco	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Ezio Toselli	
Oscar Zannoni	
Alberto Marras	<i>Secretary of the Board and the Executive Committee</i>

THE BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino	<i>Chairman</i>
Giancarlo Mantovani	<i>Statutory Auditor</i>
Marco Spadacini	<i>Statutory Auditor</i>
Maria Luisa Mosconi	<i>Alternate Auditor</i>
Alessandro Malerba	<i>Alternate Auditor</i>
Rossella Porfido	<i>Alternate Auditor</i>

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGER

Fausto Marchionni

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

*** Members of the Executive Committee*

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

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

The Chairman and the Chief Executive Officer 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 principals of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 16, 2005 - the exclusive competence to this latter of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

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

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

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INTRODUCTION

The consolidated quarterly report at March 31, 2008 is prepared in accordance with the provisions of Regulation No. 11971 of May 14, 1999, as supplemented by Consob Resolution No. 14990 of April 14, 2005. In addition, Legislative Decree No. 195/2007 partially amended the contents of the quarterly reports, the details of which will be issued in a further decree. While awaiting this decree it was considered appropriate to present the figures in continuation with the minimum requirements of the previous regulation and therefore in accordance with Consob Communication No. 8041082 of April 30, 2008.

In particular:

- The present quarterly report was prepared in accordance with International Accounting Standards IAS/IFRS issued by the IASB (International Accounting Standard Board), approved by the European Union and used for the consolidated financial statements at December 31, 2007.
- The information disclosed is in accordance with article 154, paragraph 5, of Legislative Decree No. 58/98, in all cases ensuring comparability with the previous interim and annual reports;
- In the preparation of the income statement and net financial position, consideration was taken of the instructions for the format of the consolidated financial statements as per Isvap Regulations No. 7/2007;
- All the data and accounting statements are prepared on a consolidated basis. The income statement data is compared with the relative data of the same period of the previous year; the balance sheet and financial position data are compared with the end of the previous year. For the purposes of comparison, the accounting principles applied were those utilised for the preparation of the last consolidated financial statements, to which reference should be made, and are in compliance with international accounting standards IAS/IFRS issued by the IASB, approved by the EU and interpreted by the official bodies.

The quarterly financial statements have not been audited.

All of the amounts are reported in millions or thousands of Euro.

Key Group data

(in Euro millions)	Q1 2008	Q1 2007
Net profit ^(*)	155	167
Total Gross premiums written	3,004	2,806
of which:		
Gross Non-Life premiums written	1,850	1,849
Gross Life premiums written	1,154	957
Investment policies written	159	47
APE	100	80
Combined ratio – Non-Life sector	93.05	91.50
Expense ratio of the Non-Life sector	21.38	19.86
Expense ratio of the Life sector	6.45	5.75
(in Euro millions)	31/03/2008	31/12/2007
Investments	35,982	38,021
Net technical reserves - Non-Life division	10,795	10,906
Net technical reserves - Life division	18,275	19,532

^(*)The result includes the minority interest share.

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

International economic overview

In the first quarter of 2008, the world economy saw a significant slowdown, caused largely by the worsening of the US macroeconomic and financial situation: the American economy in fact entered 2008 in a particularly weak phase, strongly affected by the real estate crisis which continues to gradually reduce growth forecasts.

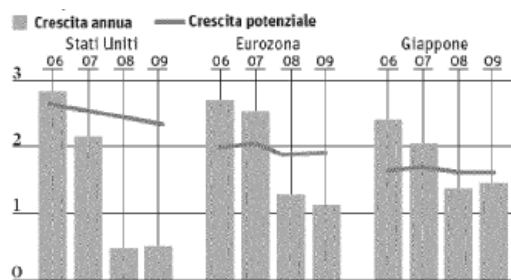
The continuing crisis in the international financial markets, the slowdown of world trade combined with a deceleration of the US economy, the weakness of the labour market and the persistent volatility of the raw material prices all contribute to the deterioration of the economic prospects for the current year.

For the International Monetary Fund, the crisis which commenced with the US “subprime” mortgages would appear to be more serious than it first appeared in 2007: the “credit shock” since August is in fact estimated at around Euro 1,000 billion, as the write-downs caused by this crisis are added to the losses resulting from the deteriorating international economic cycle, increasing instability on the world financial markets.

The International Monetary Fund now forecasts that the United States will only grow by 0.5% in 2008 and by 0.6% for 2009.

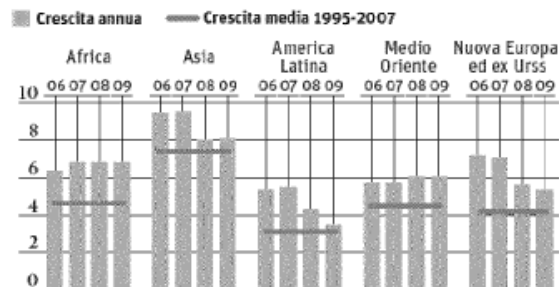
The emerging countries have up to now resisted the crisis better, with forecasts that growth will slow down from 8% in 2007 to 6.7% in 2008, remaining however well above the historical level of growth for all these areas. China and India will gradually slowdown, however still maintaining strong expansion growth, of 9.3% and 7.8% respectively.

Graph 1 – Growth of the developed economies
(Data in %)



Source: *IlSole24Ore*

Graph 2 – Growth of the emerging economies
(Data in %)



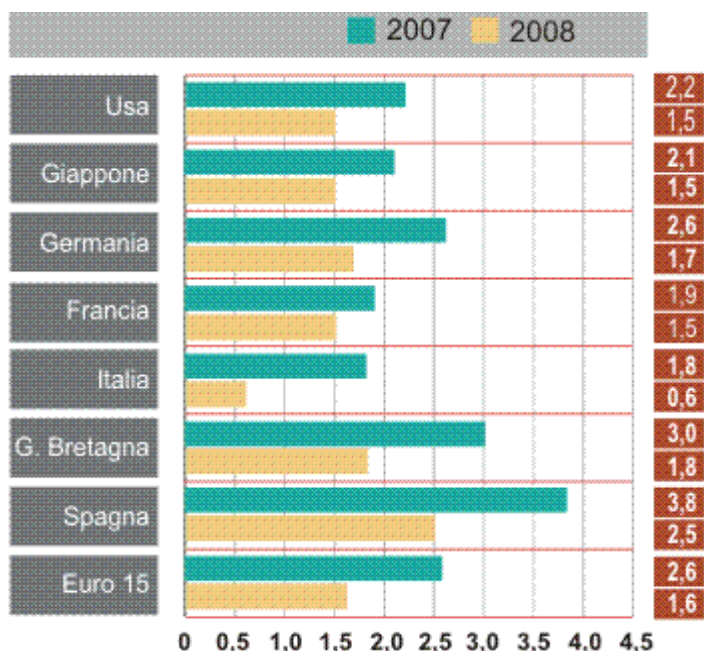
Source: *IlSole24Ore*

After the declines in the second half of March, the price of “brent” petroleum continues to rise, from approx. USD 56 per barrel in January 2007 to approx. USD 126 on May 9, 2008. The impact of the higher oil prices in Europe is alleviated by the appreciation of the Euro, which in April, reached levels of around USD 1.6. Finally, at the beginning of March, gold reached USD 1,000 per ounce on international markets. This is not due to production difficulties which limit the offer, but to the financial crisis and to the widespread climate of uncertainty which currently characterises international markets, driving the demand for “safe haven” assets.

The European and Italian market

The European economy will see a slowdown in growth in 2008 and 2009, returning to growth below 2% in the following years. These are the opinions contained in the “April 2008 Report on the medium term prospects of the international and Italian economy” by Prometeia. The slowdown will be greater in Italy, with forecast growth of 0.5% in 2008 and 1% in 2009. The slowdown in the two-year period 2008-2009 will be driven by lower consumption, while exports, although declining, will maintain a growth rate of around 3%. Investments in machinery and plant, stagnating already since 2007, are forecast to decrease by 0.8% in 2008. The expectations of the International Monetary Fund are also negative for the Italian economy, with a recovery only from 2010, one year later than the Euro Zone area.

Graph 3 – GDP comparison



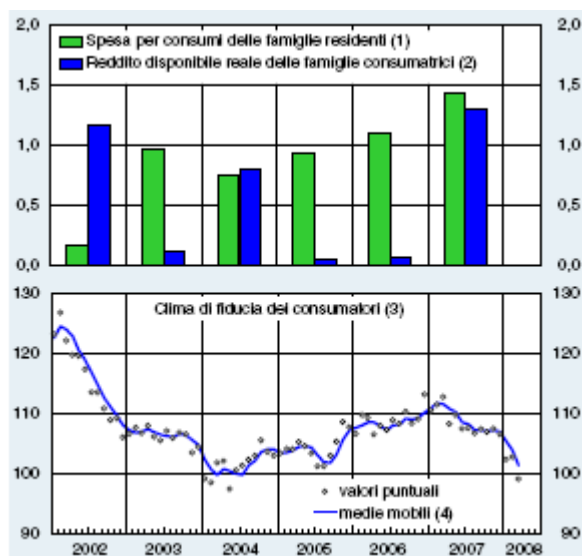
Source: national statistics and *Ilsole24Ore*

In March 2008, according to the data published by Eurostat, the consumer price index in the Euro Zone area increased by 3.6% compared to the same month in the previous year (3.3% in February), significantly accelerating in all the main European Countries. In this context, the inflation rate in Italy was 3.3% on an annual basis, rising from 2.9% in February. The rises in energy and food products also had an impact on the sustained rise in inflation.

The European Central Bank, in defending price stability, maintained base interest rates unchanged in the Euro Zone at 4%, against the policy of the Federal Reserve which in April further reduced the short-term interbank rates to 2%, from 3.50% at the beginning of the year, the lowest level since November 2004.

According to the data published by the European Commission, consumer confidence remains unchanged in March in the Euro Zone, at -12, the lowest level since the end of 2005. Among the main Countries, in Italy the consumption of large purchase items is significantly lower than the average in the Euro Zone. The forecasts on the future ability of households to save also deteriorated, although the expectations of the general economic outlook improved slightly.

Graph 4 - Consumption, income and consumer confidence in Italy
(growth rate, percentage points, indices)



Source: elaboration on ISAE and Istat data

- (1) quantities at indexed prices: percentage change on the previous year
- (2) deflated with the deflator of the household consumer spending and estimates of the Bank of Italy for 2007
- (3) Indices: 1980 = 100, seasonally adjusted
- (4) three month moving average at period end

The insurance sector

According to data published by Ania, in 2007 total premiums written by Italian insurance companies amounted to Euro 99.1 billion, a decrease of 7% compared to 2006. This result was impacted by the slowdown in the Life sector (-11.4%), only in part off-set by a small increase of premiums in the Non-Life sector (+1.3%).

Ania also underlines that, in the Life sector, a significant portion of premiums were written by Italian companies operating abroad through branches in Ireland and Luxembourg: the premiums written by these companies were over Euro 10 billion, an increase of approx. 75% on 2006. Therefore, adding these values to the premiums written, the total decrease of the Life sector would amount to 5% (instead of 11.4%), while the total premiums written would be a reduction of 2.7% (instead of 7%).

The percentage of the premiums written on the Gross Internal Product also recorded a decrease, from 7.2% in 2006 to 6.5% in 2007.

The Non-Life Insurance Sector

At national level, the Non-Life Segment premiums written in 2007 amounted to Euro 37.7 billion, an increase in nominal terms of 1.3% on 2006. This increase is a little lower than the growth recorded in 2006, when premiums grew by 2.4%. The more contained growth in 2007 is due to a decrease in the premiums written in the Motor TPL segment which in 2007 decreased by 1.0% (growth of 1.2% in 2006), accounting for 48.4% of the total Non-Life premiums (49.5% in 2006). Considering that the estimated growth of vehicles in circulation was approx. 1.7% in 2007, the average insurance policy therefore decreased by 2.7% compared to the previous year. In relation to the other Non-Life Classes, the premiums increased by 3.8% in 2007, compared to 4.1% in 2006.

In relation to the new registration market, after the growth in February (+8.7%), the European automotive market in March incurred a sudden halt. According to the data published by Acea, within the enlarged European Union of 27 Countries, a total of 1,654,214 new cars were registered in March, a decrease of 9.5% compared to 1,827,128 in March 2007. The decrease in Italy was more marked (-18.8%), with only 212,326 new cars registered. In the first quarter of 2008, the decrease in the European market was 1.7% (4,153,822 units) and in Italy 10% (663,532 units).

With particular reference to the direct compensation system we recall that, in 2007, in the case of accident each insurance company was free to compensate its own clients damaged with the amount considered most appropriate and then subsequently reimbursed (by a “clearing house” created to reconcile the balances between insurance companies) only for a pre-established figure, whose value, respectively of Euro 1,800, Euro 2,000 and Euro 2,300 (and Euro 3,250 for small personal injury up to a maximum of 9 invalidity points) refers to the three territorial areas in which the Italian provinces are divided.

Also from January 2008, in order to reduce the cost of the Motor TPL costs for motorcycles (a sector characterised by high expenses for personal injuries), the Technical Committee created by the Economic Development Ministry decided to divide the direct compensation system following road accidents into two parts: the Insurance Companies will pay separately compensation for personal injuries and property damage . In particular, the flat-rate in the “clearing house” which will be applied by the insurance companies on the settlements on claims (incurred or provoked by their clients), will be Euro 1,415 for property and vehicle damage and Euro 3,250 for small personal injuries to drivers.

The insurance trade association ANIA, in a meeting held in March with the Price Authority, highlighted that during 2007 the average price of the Motor TPL insurance decreased according to preliminary estimates by 2.1% on the previous year (see Table 1). In 2006 and in 2005, the decrease was respectively 0.8% and 1.5%.

Table 1: Average price of Motor TPL insurance

Year	Premiums written (Euro millions) Source: ISVAP	Number of vehicles in circulation (thousands) Source: ACI	Index of the average price of vehicle coverage	Annual change %
2003	17,622	49,101	100.0	3.1
2004	18,062	50,100	100.5	0.5
2005	18,171	51,152	99.0	(1.5)
2006	18,387	52,175	98.2	(0.8)
2007	18,313	53,073	96.2	(2.1)

Source: ISVAP, ACI

The decrease in prices is attributable to both increased competition in recent years and the effects of some measures contained in the Bersani Decree, such as the abolition of the maximum discounts, the bonus class given to an additional vehicle acquired within a household and the delay of attributing the malus class until the payment of the claim and not on notification.

These measures have resulted in a reduction in the prices in the period, as they permitted a high number of policyholders to avail of greater discounts and of a more favourable class than that previously available before the introduction of the law, contributing to a decrease in the premiums written by the insurance companies (-0.7% in the first nine months of 2007 according to the estimates of Isvap), in spite of an increase in the number of insurance policies written of 1.7% in 2007.

Therefore, these criteria have contributed to reduce the average price of the coverage (in terms of premiums written on the total number of vehicles in circulation censored by Aci), but have not had any effect on the individual insurance tariff levels.

In relation to the compensation costs, ANIA also reported that it was necessary to await the relative data for the year 2007. However, the preliminary results on the claims managed by Consap, within the direct compensation procedure, are encouraging, as they indicate a substantial stability in the average costs of the non-life sector compared to the previous year.

It is evident, in any case, that the medium term prospects depend largely on the trend of the compensation costs. The policyholders, aware of the social impact of the Motor TPL insurance, have suggested the necessity, through the various consumer associations, to create the conditions for a gradual reduction of the costs of the system taking action, in particular:

- on the direct compensation structure, to improve the potential with the objective to eliminate unnecessary costs on the settlement of claims and to introduce corrective action in the compensation procedures between insurance companies (the flat-fee must be differentiated by type of vehicle, not by type of damage), as this is not efficient for the containment of the costs;
- on the conditions of road safety, which despite the actions already undertaken, are still well behind the European objectives for the reduction of road accident victims by 2010;
- on fraud, through a specialised advertising agency, for the insurance sector, also strengthening judicial structures throughout the country;
- on the alternative conciliation procedures for Motor TPL disputes, with the contribution of the Consumer Associations;
- on the compensation for personal injury, which has waited more than two years for the implementation of the economic and legal medical valuation of “serious injuries”.

After the introduction from January 1, 2008 of the multi-mandate agencies, the insurance companies must offer the brokers greater advantages to compete on the insurance market. From research carried out by Iama Consulting on a sample of 700 agents, the prices and the quality of the products are important factors. The broker will therefore only invest in his enterprenial capacity if there is greater quality in the range of products to sell. In fact, they prefer to be tied to only one brand in exchange for assistance services and training. Within the agencies, there will be new professional appointments, for which training will have a greater role; 73% of those interviewed wished to see this in order to strengthen the portfolio, while 67% of the sample expressed a desire to acquire greater independence.

The insurance companies must also confront a new trend: the volatility of consumers. Up to the present, the insurance markets have been relatively static: on average, clients maintain a policy for 9.2 years. According to a study carried out by Capgemini and Efma entitled the World Insurance Report 2008 (WIR 2008), which analysed the situation in the 10 largest insurance markets worldwide, the average duration period has decreased. In Great Britain, for example, the loyalty to insurance companies lasts 3 years for motor insurance and 5 years for household insurance, while in Spain full life contracts remain with the same company for 6.4 years and only 4.2 years for term life contracts. In Italy, the Motor TPL policies and the health coverage last an average less than eight years.

The principal reasons for the increased volatility are related to the growing competitiveness between insurance companies, greater access to information (especially through the internet), greater transparency (also due to regulatory norms) and finally to the introduction of new products based on the needs of particular sections of the market such as the motor insurance “pay per use” market.

The Life insurance sector

National premiums written in the Life Segment in 2007 amounted to Euro 61.4 billion, a reduction of 11.4% on 2006.

In particular, sales in the traditional policies of Class I - Human life recorded a decrease of 17% (with premium volumes of Euro 27.2 billion). In relation to the financial insurance policies, those of Class III - Linked policies and Class V - Securitisation, the decrease was 7.7%. In particular, Class V recorded a decrease of 50%, with total premiums written of approx. Euro 4.5 billion. Premiums in Class III however recorded an increase of 6.1%, thanks to the expansion of the new classic unit policies. The increase in this class would have been stronger (+18.3%) including the premiums written by the companies operating in LPS, for which the premiums were exclusively concentrated in the linked policies. In relation to the class VI - Pension funds, premiums increased by 152.5%, amounting to Euro 0.7 billion. It is recalled that this class includes the open pension funds (both individual and collective) and the resources managed on behalf of the traded funds.

In February, new Life business - individual policies sector - recorded premiums written of Euro 3.7 billion, a decrease of 19.8% on the same month in 2007. In the first two months of the year, premiums in Life new business amounted to Euro 6.2 billion, a decrease of 17.9% on the same period of the previous year.

On premiums written of Euro 429 million there was a significant increase by the financial brokers' channel (13% of the entire market). From January, the premiums reached Euro 605 million, an increase of 69.1% compared to the same period of 2007. In February the premiums of class I and class V recorded contrasting performances compared to the same month of 2007: class I, with premium volumes of Euro 1.6 billion, grew by 27.0% while class V, amounting to Euro 134 million, decreased by 10.6%. In the first two months of 2008 the premiums relating to these Classes amounted to approx. Euro 3 billion; a large part of the new business is attributable to class I products (Euro 2.8 billion) which since the beginning of the year have grown by 11%.

In line with the previous month, February also recorded a decrease in the “linked” segment (-39.5% compared to February 2007); only the index policies, with premiums written of Euro 0.9 billion, recorded a positive performance (+9.8%), while the units, with premiums amounting to Euro 1 billion, more than halved. Since the beginning of the year, the amount of premiums of these policies was above Euro 3 billion - distributed equally between unit and index policies - below the level of the same period of the previous year (-32.8%). In the first two months of 2008 the premiums/contributions to the individual open pension funds amounted to approx. Euro 20 million; including the PIP products, the premiums/contributions amounted to Euro 48 million (Euro 13 million in 2007).

The Life segment presents, although to a lesser extent, similar problems to the asset management segment. The causes for the decline are in fact due to the non-competitive returns of the financial and traditional policies currently available, the high management costs and the limited differentiation among the financial products on the market. Account should also be taken of some regulations, such as Mifid and the regulations on the brokers issued by Isvap and Consob, which in the previous year deviated resources away from the more strictly commercial activities.

The year 2008 will again be a year of transition, which will see the beginning of the foundations for a better performance in the Life sector. The Employee leaving indemnity reform resulted in growth in Class VI, which includes open pensions and the financial management of the closed funds operated by insurance companies. A recovery is expected in the revalued policies, subject to lower restrictions based on the Mifid regulation, and the size of the securitisation policies to businesses will decrease.

Asset Management

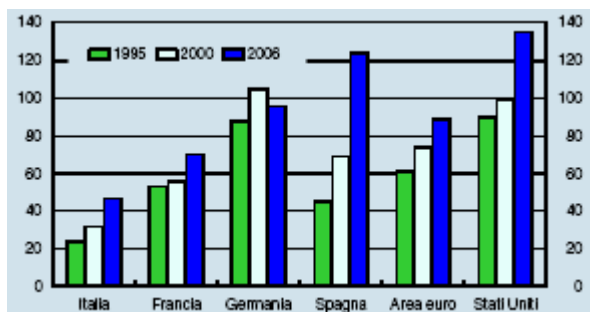
Since the beginning of the decade, the growth in loans to Italian households increased (11.5% on average per year for overall loans and over 15% for those relating to home purchases) and above that within the Euro Zone.

In particular, the loan to property value in 2006 reached an average of approx. 70%; it was also possible to obtain much bigger loans thanks to the lengthening of the duration of the contracts, with the average duration of the loan in 2006 being over 20 years.

Despite the growth in the period, the total debt of Italian households in 2007 was approx. 50% of disposable income, significantly lower than the average recorded in the Euro Zone (close to 90%) and in a large part of the industrialised world (Graph 5).

During the decade the ratio between total debt and disposable income increased for the indebted households: the average value was 37% in 2006 (27% in 2000); the average value was above 95% (60% in 2000) (Graph 5). The increase related to all income levels and was largest for households with mortgages.

Graph 5 – Household debt ⁽¹⁾
(% of disposable income)



Source: Bank of Italy for Italian data, Banque de France for France, Deutsche Bundesbank for Germany, Banco de Espana for Spain, Federal Reserves System - Board of Governors, Flow of Funds Accounts of the United States for the USA, BCE for the Euro Zone.

(1) the data refers to households and non-profit institutions servicing families.

With reference to the asset management sector, in March 2008 the open fund management system recorded outflows of Euro 10.3 billion. The assets invested in mutual Funds and Sicav at the end of the first quarter amounted to Euro 509 billion.

The subscriptions for the Liquidity funds were positive for the third consecutive month, amounting to Euro 435 million. Euro 90.5 billion is held in the category. On the other hand, the Hedge funds were negative for approx. Euro 190 million, which maintained stable assets at over Euro 36.3 billion.

Also in March, the bond funds were the products most impacted by redemptions; these amounted to approx. Euro 4.6 billion. The monthly losses for the equity products amounted to a little less than Euro 3.3 billion; at the end of the month, the total assets invested in equity products was approx. 20% of the total and amounted to Euro 98 billion.

The Balance and Flexible funds incurred outflows of Euro 1 billion and Euro 1.7 billion respectively. The assets of the Balance and Flexible funds amounted to Euro 26 billion and Euro 61 billion respectively at the end of March.

The Italian funds saw redemptions of Euro 7.8 billion, with total funds under management of Euro 292 billion. The foreign funds recorded redemptions of Euro 1.5 billion, with total funds of Euro 38 billion.

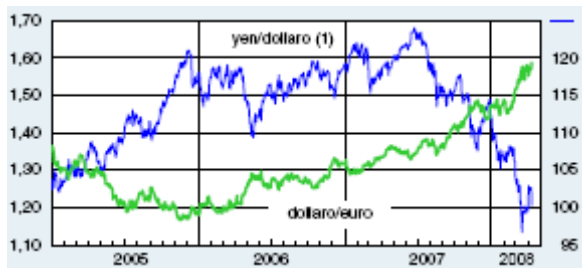
Investment management

Since the beginning of the year, the conditions on the international financial markets have deteriorated. The US mortgage subprime crisis intensified and extended, impacting the higher quality and commercial building mortgages. The weakening of the so-called “monoline insurers” (companies that provide credit risk protection on some financial activities, among which structured products) led to fears of a lowering of the credit rating of these companies, which would have also reduced the credit rating of the instruments guaranteed by these companies, amongst which the bonds issued by many local US administrations.

The expectations of lower growth in the principal world economic areas and, especially the re-composition of the portfolio in favour of more liquid and less risk oriented activities resulted in a further decrease in the returns of the public securities of the industrialised countries. In the United States, although within expectations of a rise in inflation, the ten-year yields decreased to 3.5% at the beginning of April, the lowest level since the middle of 2003.

In addition, at the beginning of April, the US currency, affected by the expected lower economic growth and a reduction of interest rates reached a new historic low against the Euro at USD 1.59, and in March fell below 100 yen, the lowest value since 1995 (Graph 6). Since the end of the last year, the depreciation in effective nominal terms was 4%.

Graph 6 - Exchange rate
(daily data)

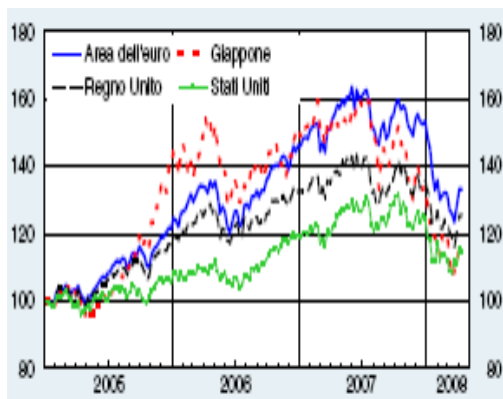


Source: C.E.B.

The world's stock markets recorded large decreases: from January equity prices in the principal world markets decreased between 7% and 15% (Graph 7) - generally more marked in the banking segment and in the financial services companies.

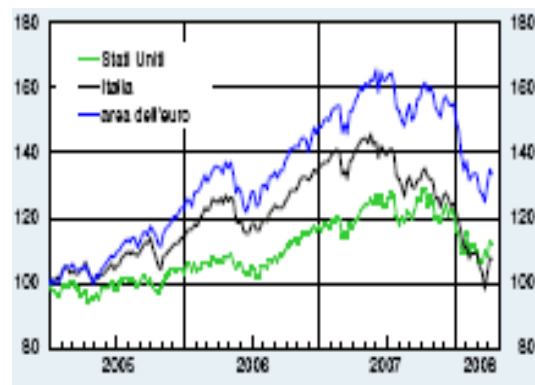
In the first quarter of 2008, the Italian stock exchange index decreased by 18%, in line with the average in the Euro Zone (Graph 8). The decrease is principally due to an increase in the premium for the risk requested by investors, but a slowdown in company profits also contributed. The decrease concerned all sectors except base materials, which benefited from rises in raw materials.

Graph 7 - Share prices⁽¹⁾



Source: Thomson Financial Datastream (January 1, 2005 = 100)
(1) Dow Jones Euro Stoxx for the Euro Zone, Standard & Poor's 500 for the United States, Nikkei 225 for Japan, FTSE All Share for the UK.

Graph 8 - Share prices⁽²⁾



Fonte: Bloomberg (December 31, 2004 = 100)
(2) Indices: Mib historical for Italy, Dow Jones Euro Stoxx for the Euro Zone, Standard & Poor's 500 for the United States.

The growth in bank loans in Italy remains high (9.9% in February), reflecting the sustained growth in demand for loans from companies, while there was a slowdown in demand for household loans.

According to the quarterly report on banking credit in the Euro Zone (Bank Lending Survey) conducted at the beginning of January, in the last quarter of 2007, the turbulences on the financial markets resulted in rigid criteria being applied for the provision of company loans, especially those related to company restructuring. The prudence in the granting of loans is principally reflected in an increase in margins, in particular in the most high-risk loans.

In the first quarter of 2008, the credit institutions further tightened credit conditions for large companies.

Relating to the recent weakness of the markets, it is also noted that, despite the fact that the financial crisis arising from the subprime mortgages provoked alarm in the Life insurance sector, according to the data of Isvap, the Italian insurance system has an exposure to the subprime mortgages of Euro 657 million at the end of February, a significant decrease compared to Euro 810 million at the end of September, equal to 0.1% of the technical reserves.

At the end of February, the net gains of the sector on the investments amounted to approx. Euro 10 billion, a growth compared to Euro 9 billion at the end of 2007

The Italian insurance sector is therefore almost immune from the subprime crisis due to the innate prudence of the policyholders, both in the underwriting of their risks and their investments, and to the good supervision actions undertaken by the boards.

Real Estate management

From the first Report on the 2008 Real Estate Market of Nomisma, it emerges that the final months of 2007 and the beginning of 2008 saw an acceleration to the end of the longest real estate cycle since the war.

The slowdown had been imminent for a number of years and occurred rapidly in the second half of 2007, together with the beginning of the American financial and economic crisis: the intentions to purchase a home in the final months of 2007 reached the lowest levels of the last real estate cycle, amounting to around 2.2%, with prices of homes increasing by 5.1% in the large cities and 5.9% in the medium size cities during 2007.

The analysis shows that the most significant changes in prices were in the large cities (-1.5%), followed by the provincial capitals (-0.9%) and the suburbs (-0.8%), which continued to record better performances.

Regulatory framework

With reference to the principal regulatory norms concerning the Italian insurance market in recent months, the following information is provided. The information is outlined in greater detail in the annual accounts.

Liberalisation

In the 2007 annual accounts detailed information is provided on the new regulations for the Motor TPL segment in relation to liberalisation (ref. Law 248/06 and 40/07).

The insurance companies, through the president of the representative body of insurance companies, requested the new Government to review some regulatory decisions included in the “Bersani” decrees, in particular those relating to the direct Motor TPL compensation and to the abolition of the single mandate agencies, as, apart from the political positions taken, it is the general opinion that any legislative provisions require prior consultation with the representatives of the industry, in order to involve the market in the regulatory process.

In particular, with reference to the prohibition to exclusively distribute the Non-Life Class policies, Ania holds that competition is also achieved through the development of instruments which permit maximum transparency on the characteristics and obligations of the distributors, on the contents of the contracts and on the price of the policies.

The insurance brokerage activity therefore should be considered in terms of a community, eliminating anachronistic restrictions which limit the activity of the brokers to the category they belong to and, within the requirements of correctness and transparency, leaving the governance of their relations with the insurance companies as a private sphere.

Versatility of the pension funds

The employee subscribing, tacitly or explicitly, to the complementary pension, pursuant to Legislative Decree 252/2005 will not have the possibility to return to the old settlement, but may change within the integrated pension system. This versatility permits a change in subscription from one pension form to another after two years from the subscription to a complementary pension form.

With a document signed on April 24, 2008 at the labour ministry, Abi, Ania, Assogestioni, Assofondipensione and Assoprevidenza agreed the guidelines which allow versatility within the subscription to pension funds. This relates to a “best practice” code which will facilitate the versatility within the Employee leaving indemnity and of the contributions from one pension fund to another, voluntarily or due to a job change by employees.

The ABI-ANIA Federation

Through two extraordinary shareholders' meetings, respectively of ABI and ANIA, in April the statutory changes were made to the Association of Bankers and those of Insurance Companies which will permit, including formally, the establishment of the ABI-ANIA federation.

The respective executive committees also approved in February the draft by-laws of the Federation, which are proposed in relation to its dealings with the Institutions, political and monetary authorities, Industry associations, and of the public positions of ABI and ANIA in terms of economic and social policies.

Class Action

From July 1, 2008, the class action regulations for the protection of consumers will enter into force, which arises from the intention to provide large groups greater access to take legal redress and greater protection in those cases where the interest at stake is too small to undertake individual legal action.

CONSOLIDATION SCOPE

At 31/03/2008, the Fondiaria-SAI Group, including the Parent Company, was made up of 124 Companies, of which 22 operated in the insurance sector, 2 in the banking sector, 49 in the real estate and agricultural sectors and 20 in the financial services sector, 3 in the SIM and SGR sectors and the remaining companies are various service companies.

The total number of subsidiaries fully consolidated is 88 and the number of companies consolidated under the Net Equity method is 16, while the remaining companies are maintained at carrying value given their insignificant amount to the Group.

There are 99 subsidiary companies, of which 41 are controlled directly by the Parent Company. The company has 18 overseas offices.

For the entire first quarter of 2008, the consolidation scope of Fondiaria-SAI Group changed due to the purchase of 83.32% of the Serbian insurance company DDOR Novi Sad, which is consolidated for the first time from the present quarter.

At the same time as the acquisition of control of DDOR Novi Sad, a controlling interest was acquired in its subsidiaries DDOR Auto, DDOR Vestans and DDOR Penzija Plus. From the present quarter the subsidiary Po Vita is deconsolidated following the agreement reached, in March, for the sale of 50% of the investment to Credit Agricole Assurance Italia S.p.A.

ACCOUNTING PRINCIPLES

The quarterly report applied the IAS/IFRS accounting standards utilised for the preparation of the consolidated financial statements for the year ended December 31, 2007.

For detailed information on the accounting principles utilised, reference should be made to the consolidated financial statements at December 31, 2007.

However the quarterly report applies a greater valuation approach and makes greater use of simplifications; consequently methods are utilised which, although making greater use of estimates, are in any case appropriate to substantially comply with the accounting principles at the year-end.

In particular, for the direct technical reserves we report:

- **Non-Life Premium Reserve**

In relation to this reserve, any component of the reserve for the risks in course is prudently maintained unchanged, in the Classes in which it was accrued where the claims ratio is stable compared to the previous report.

Where there is a deterioration of this ratio, in the calculation procedure as per ISVAP circular No. 360/D the data at March 31 is inserted. In the case of abnormal trends in the premiums, prudent provisions are made based on the expected claims.

■ **Non-Life Claims Reserve**

The multi-phase technical valuation process incurs some variations in terms of procedure simplification principally for the partial analytical review of the residual loadings, compared to the end of the year.

However, the valuation of the open claims of the current generation in the Motor TPL class is still strongly impacted by the commencement of the new direct compensation procedures. From February 2007, a new procedure is in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

The period of time since the commencement of the new compensation procedures, which present strong elements of change from the past, has not permitted a complete and definitive valuation on the relative economic and financial impact and its precise effect on the future performance of the results.

Consequently the current generation was determined utilising the operational indicators of the period. Therefore, the reserve for the current year 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 personal injury 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.

For the claims of previous years, already recorded in reserves, observation was made of the trends relating to the claims settled in the period, distinguishing those between the direct compensation regime compared to those of the No Card regime, verifying the appropriateness of the reserve recorded at December 31, 2007 and making specific revaluations, after taking into consideration the sufficiency parameters on the settlements.

In the Non-Life Division, for both the current generation and previous generations, the non-life estimate of the settlement structure was supplemented utilising the parameters already utilised for the 2007 annual accounts, where there were not significant changes compared to the consolidated trends statistically.

OPERATIONAL PERFORMANCE

INCOME STATEMENT

The operational performance for the quarter compared to the same quarter of the previous year is shown below. This result is not impacted by seasonal or cyclical components considering the continuity and the nature of the insurance accounts.

(Euro thousand)	31/03/2008	31/03/2007	31/12/2007
Net premiums	2,962,082	2,749,424	11,501,073
Commission income	27,696	28,684	119,597
Net Income from financial instruments recorded at fair value through profit or loss	(313,881)	19,657	(255,725)
Income from investments in subsidiaries, associates and joint ventures	30,304	3,641	29,056
Income from other financial instruments and property investments	316,061	275,427	1,465,855
- Interest income	217,191	201,914	865,404
- Other income	44,392	27,925	247,389
- Profits realised	54,446	45,537	352,852
- Valuation gains	32	51	210
Other revenues	101,351	88,829	481,690
TOTAL REVENUES	3,123,613	3,165,662	13,341,546
Net charges relating to claims	2,043,149	2,180,712	9,359,735
Commission expenses	14,813	13,893	70,777
Charges from investments in subsidiaries, associates and joint ventures	1,514	89	5,537
Charges from other financial instruments and property investments	87,333	57,058	351,480
- Interest expense	28,112	22,248	118,036
- Other expenses	16,650	14,486	63,630
- Losses realised	32,071	11,110	129,333
- Valuation losses	10,500	9,214	40,481
Management expenses	481,905	432,807	1,868,120
- Commissions and other acquisition expenses on insurance contracts	372,096	334,780	1,475,846
- Investment management charges	2,851	3,235	13,754
- Other administration expenses	106,958	94,792	378,520
Other costs	256,073	196,967	793,691
TOTAL COSTS	2,884,787	2,881,526	12,449,340
PROFIT BEFORE TAXES	238,826	284,136	892,206
Income taxes	83,981	116,722	273,235
NET PROFIT	154,845	167,414	618,971
PROFIT FROM DISCONTINUED OPERATIONS	-	-	1,080
CONSOLIDATED PROFIT	154,845	167,414	620,051
GROUP NET PROFIT FOR THE PERIOD	136,341	135,458	506,966
MINORITY INTERESTS SHARE	18,504	31,956	113,085

The key financial results for the first quarter of 2008 are as follows:

- The **consolidated net profit** amounted to Euro 155 million, a small decrease compared to the same period of 2007, impacted by significant write-downs on financial instruments of Euro 66 million. The net profit for the period includes the gain from the sale of the investment in the subsidiary Po Vita amounting to Euro 29 million;
- **The technical performance of the insurance activities** reports stability in the **Non-Life Division**. The technical account in the segment, in accordance with the traditional reporting statements, reports a profit of approx. Euro 126 million (Euro 153 million in the first quarter of 2007), with stable contributions from both the Motor classes and the Other classes. The segment pre-tax profit was Euro 183 million (Euro 226 million in the first quarter of 2007).
In relation to the **Life Division**, the good performance was confirmed in the premiums written for the traditional type policies (+27.3% at Group level). However, the application of international accounting standard IFRS 4 also resulted in the reversal of premiums for approx. Euro 159 million, relating to index and unit linked policies for which a significant insurance risk was not identified. The pre-tax profit of the life division amounted to Euro 53 million (Euro 55 million in the first quarter of 2007) and includes the gain of Euro 29 million relating to the above-mentioned sale of Po Vita Assicurazioni.
Excluding this gain the result reports a strong decrease due to the greater write-downs on financial instruments, whose size was however limited taking account of the high exposure of the segment to market performances;
- The **real estate sector** recorded a pre-tax loss of approx. Euro 4 million (pre-tax profit of Euro 6 million in the first quarter of 2007) due to depreciation and financial charges and to the absence of significant sales in the period;
- The **Other Activities sector**, which includes the companies operating in the financial and asset management sectors, report a pre-tax profit of Euro 6.8 million (loss of Euro 2.7 million in the first quarter 2007);
- **Management expenses** amounted to Euro 482 million (Euro 433 million in the first quarter of 2007) and represent approx. 15.5% of premiums written, confirming the result in the first quarter of the previous year (approx. 15.6%);
- Excluding the contribution of the financial instruments recorded at fair value through profit or loss, the **total gross income from investments** amounted to Euro 316 million (Euro 275 million in the first quarter of 2007). This amount is adjusted by Euro 87 million for corresponding charges, of which Euro 28 million for interest expense. This amount also includes Euro 22 million of net gains to be realised on securities and real estate property. The balance of the valuation gains and losses, principally relating to depreciation on buildings, amounted to a loss of Euro 10 million;
- **Interest expense** amounting to approx. Euro 28 million, refers almost entirely to financial debt (Euro 22 million in the first quarter of 2007);
- **Financial instruments recorded at fair value through profit or loss** amounted to a loss of Euro 314 million (income of Euro 20 million in the first quarter of 2007). Contributing to this result was a loss of Euro 267 million of net charges relating to contracts where the risks are borne by the policyholders: these amounts are therefore off-set by similar positive changes in the commitments towards policyholders;

- **Income from investments in subsidiaries, associated and joint venture companies** refers almost exclusively to the above-mentioned gain realised on the sale of the investment in the subsidiary Po Vita;
- **Other revenues and costs** amounted to a net charge of Euro 155 million (net charge of Euro 108 million in the first quarter of 2007). This residual balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation, prior year income and charges as well as net changes in provisions for risks and charges;
- The **tax charge for the period** decreased compared to the first quarter of 2007 considering the exemption of the gain realised on the sale of Po Vita. Excluding this effect, the tax rate for the period was in line with the first quarter of 2007.

The table below shows the profit before taxes in each sector. The real estate sector principally refers to the results of the Immobiliare Lombarda Group, of the subsidiary Nit S.r.l., and of the Tikal R.E. Closed Real Estate Fund. The Other Activities sector relates to the subsidiary companies operating in the financial services and banking sector, among which BANCASAI, Banca Gesfid, SAI Mercati Mobiliari, Saifin-Saifinanziaria and Sainternational.

(Euro thousand)	Non-Life	Life	Real Estate	Other Activities	IC Inter-sector	Total 31/03/2008	Total 31/03/2007
Net premiums	1,815,052	1,147,030				2,962,082	2,749,424
Net charges relating to claims	(1,176,124)	(867,025)				(2,043,149)	(2,180,712)
Net commissions	-	4,993		8,262	(372)	12,883	14,791
Net income from subsidiary and associated companies	180	30,159	(1,491)	(58)		28,790	3,552
Net income from investments	78,032	138,312	(1,108)	13,118	372	228,726	218,369
Net Income from financial instruments recorded at fair value through profit or loss	(15,571)	(301,311)	(15)	3,016		(313,881)	19,657
Management expenses	(389,057)	(75,674)	(51)	(17,124)		(481,906)	(432,807)
Other income and charges	(129,184)	(23,645)	(1,474)	(419)		(154,722)	(108,138)
Profit before taxes	183,328	52,839	(4,139)	6,795	-	238,823	284,136
Income taxes for the period						(83,981)	(116,722)
Net Profit						154,842	167,414
Profit from discontinued operations						-	-
Consolidated profit						154,842	167,414
Minority interest share						18,501	31,956
Group net profit						136,341	135,458

NON-LIFE INSURANCE SECTOR

The Fondiaria-SAI Group, in the first quarter of 2008, recorded premiums of Euro 1,850 million (+0.04% on the first quarter of 2007). The breakdown by class is shown in detail in the following table:

(Euro thousand)	31/03/2008	31/03/2007	Cge. %
NON-LIFE DIVISION			
Accident & health	178,998	172,133	3.99
Marine, aviation and transport insurance	61,668	53,216	15.88
Fire and other damage to property	204,548	176,573	15.84
General TPL	125,151	123,669	1.20
Credit & Bonds	24,963	21,141	18.08
General pecuniary losses	5,234	7,204	(27.35)
Legal expenses	4,550	4,161	9.35
Assistance	10,669	9,670	10.33
TOTAL NON-LIFE DIVISION - MOTOR	615,781	567,767	8.46
Land vehicle TPL	1,042,250	1,095,623	(4.87)
Motor vehicles – other classes	189,273	184,022	2.85
TOTAL MOTOR	1,231,523	1,279,645	(3.76)
TOTAL DIRECT PREMIUMS	1,847,304	1,847,412	(0.01)
INDIRECT PREMIUMS	2,425	1,485	63.30
TOTAL NON-LIFE DIVISION	1,849,729	1,848,897	0.04

The premiums written in the first quarter of 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. The contribution to premiums written was approx. Euro 29.5 million. Therefore, on a like-for-like consolidation basis, total premiums would have decreased by approx. 1.6%.

The performance of the premiums is affected, in the Motor TPL class, by the continual effects of the liberalisation measures contained in the Bersani decree, which contributed, as described in detail in the section relating to the insurance market, to a further decrease in the average premium. In addition, the tariffs in place are aimed more at a territorial re-equilibrium and to the convergence of the tariffs between the different divisions, rather than to increasing tariff levels.

Relating to the Parent Company, it is expected that the coming months will see a recovery from the decreases due to the effect of a more uniform comparison with the previous year and due to the actions undertaken by the Company.

In relation to the Other Classes, against a drive in the Retail segment in line with the objectives of the plan, there was limited development in the Corporate sector whose underwriting criteria were subjected to compliance with rigorous selection policies.

The Parent Company in the first quarter of 2008 recorded total direct premiums of Euro 929.7 million (-3%), of which 630.4 million (-5.6%) in the Motor Classes.

The subsidiary Milano Assicurazioni S.p.A. reached premiums at group level of Euro 655 million (-3.6%), recording a decrease of 6.6% in the Motor Classes and an increase of 4.5% in the Non-Life Classes.

The claims paid of the direct business, for the first quarter of 2008 amounted to Euro 1,315 million (+4.3%), of which Euro 721 million related to the Parent Company (Euro 713 million in the first quarter of 2007).

The ratio of claims to premiums in the period was 64.7% approx., an improvement on the first quarter of 2007 (66.4%). The ratio of management expenses on premiums rose to 21.4% (19.9% in the first quarter of 2007), principally due to the higher charges incurred for the amortisation of the long-term commissions capitalised in previous years, in which there was not a corresponding increase in volumes of new capitalised policies, also following the abolition of the restriction of long-term contracts as per the Bersani Decree.

The combined ratio was 93.0% (91.5% in the first quarter of 2007). This is affected by the amount of the other technical charges, which principally increased due to the abolition of the tacit extension on the Motor TPL contracts.

The table below shows the principal technical indicators in the first quarters of 2008 and 2007.

<i>(Data shown in %)</i>	31/03/2008	31/03/2007
Loss ratio	64.7	66.4
Expense ratio	21.4	19.9
Combined operating ratio	86.1	86.3
OTI ratio (*)	6.9	5.2
Combined ratio	93.0	91.5

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

The trend of the claims paid and reported in the various Classes is shown below. The Motor TPL Division claims paid also includes the charges incurred for the management of the claims as “Operator” (claims incurred) within the new direct compensation system, net of those recovered as a flat-rate in the Consap compensation procedure. With reference to the 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 Operation” system.

(*) The table excludes the data of DDOR Novi Sad

	Claims paid (Euro thousand)			Claim reported Number		
	31/03/2008	31/03/2007	Cge. %	31/03/2008	31/03/2007	Cge. %
Accidents	52,494	50,060	4.86	25,926	26,139	(0.81)
Health	45,214	43,134	4.82	54,704	53,455	2.34
Railway	4	-	-	-	-	-
Aviation	36	131	(72.52)	10	4	150.00
Maritime	1,587	1,704	(6.87)	85	86	(1.16)
Merchandise transport	2,538	2,649	(4.19)	612	713	(14.17)
Fire and other natural elements	49,975	49,638	0.68	11,810	12,117	(2.53)
Other property damage	55,204	54,926	0.51	35,124	32,921	6.69
Motor TPL	1,517	13	11.569.23	4	22	(81.82)
Maritime TPL	-	80	(100.00)	-	16	(100.00)
General TPL	83,290	84,910	(1.91)	22,928	25,385	(9.68)
Credit	36	190	(81.05)	-	-	-
Bonds	7,558	11,559	(34.61)	348	325	7.08
Pecuniary losses	980	1,086	(9.76)	934	1,212	(22.94)
Legal expenses	399	336	18.75	485	465	4.30
Assistance	4,317	3,770	14.51	20,843	16,862	23.61
TOTAL NON-LIFE DIVISION -	305,149	304,186	0.32	173,813	169,722	2.41
Motor TPL	920,549	869,908	5.82	254,723	252,804	0.76
Land vehicles	93,165	87,306	6.71	72,432	68,689	5.45
TOTAL MOTOR	1,013,714	957,214	5.90	327,155	321,493	1.76
TOTAL NON-LIFE DIVISION	1,318,863	1,261,400	4.56	500,968	491,215	1.99

The new management process of the Direct Compensation claims in the first three months of 2008 report good levels of efficiency, with further improvements in the indicators.

In particular, the settlement period of the material damage improved compared to the period as required by law, and increasingly provide a service of excellence.

The commencement of the IES roll out of the Agencies of the Nuova Maa division also began in the first quarter of 2008: at the end of March, 213 Agencies were activated out of a total of 327 and the project was completed by the end of April.

The IES claims management IT system was extended to all the claims offices and agencies of the Group companies.

The model has the following principal objectives:

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

With reference to the operating performance of the Motor TPL Class it should be noted that the data for the first quarter of 2008 is not completely uniform and therefore not comparable with the same period of the previous year.

In particular, the start up from February 1, 2007 of the new direct compensation procedure resulted in a series of charges - IT, organisational and procedural - with a consequent delay of the traditional processing of the data relating to the claims.

In fact, from February 2007 a new direct compensation procedure is in place in the Motor TPL class, which in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company. In relation to this it should be noted that, from January 1, 2008, the regulations for the calculation of the flat rate reimbursements were significantly modified. In particular, the single flat rate for the direct compensation convention was replaced by two separate flat rates, separately applied for material damage and for any personal injury to the driver.

Shortly after the start-up of the new settlement procedures, a further element was introduced, which contributes to the difference in the historical data of the management indicators and requires further caution in expressing a definitive opinion on the economic impacts deriving from the new settlement regime.

With reference to the Parent Company the claims caused in the Motor TPL class increased by approx. 3.7%, this latter data affected by the timing in the changeover to the direct compensation procedure.

In relation to the technical performance it should be noted that, against claim ratios of the current generation substantially in line with the previous year, the previous year generations are impacted by a prudent reserve allocated to the 2007 Card generation, and for the No Card part, in the absence of significant issues of sufficiency and/or insufficiency.

The performance of the CVT Class was also positive given that the performance is still affected by the reduction of the tariffs and the current economic environment which penalises the demand for non-obligatory guarantees.

The result of the class however shows an improvement compared to the first quarter of 2007 due to the good margins on the new business.

With reference to the Non-Motor Classes of the Parent Company the direct Italian premiums written amounted to Euro 299 million, an increase of 2.9% compared to the first quarter of 2007. The number of claims reported increased by 2.8%.

The technical performance reports a strong improvement compared to the first quarter of 2007 due to the absence of significant claims, although the limited period does not permit the use of this data as a projection for the full year.

Milano Assicurazioni reported total premiums written in the first quarter of 2008 of Euro 656.9 million, a decrease of 3.8% compared to the first quarter of 2007 (Euro 683 million).

The direct premiums written – comprising almost the total portfolio, amounted to Euro 655.2 million (-3.6%), of which Euro 463.4 million in the Motor Division, which recorded a decrease of 6.6% on the first quarter of 2007 and Euro 191.8 million in the Other Divisions, with growth of 4.5%.

The performance of the Motor Division continues to be affected by the restructuring of the portfolio with negative technical performances and from the effects of the Bersani Decree, which requires the assignment to further vehicles acquired by a customer or a family member the same class assigned to the first vehicle, instead of the entry class indicated by the company.

The restructuring actions of the portfolio undertaken have however achieved the expected benefits in terms of the performance of the claims reported, which fell by 8.3% compared to the first quarter of 2007.

The growth in the other Non-Life Classes reflects the first results of the actions undertaken to strengthen the presence in the business areas which offer the best profitability prospects, in particular in the retail segment.

In the first quarter of 2008, 178,965 claims were reported, compared to 185,825 claims reported in the first quarter of 2007 (-3.7%). Relating to the Motor TPL class the claims reported in the first quarter of 2008 were 98,489, compared to 107,346 claims reported in the first quarter of 2007 (-8.3%).

The claims paid at March 31, 2008, gross of outward reinsurance, amounted to Euro 494.7 million, compared to Euro 465.7 million in the same period of the previous year (+6.2%).

The total technical performance of the Non-Life Classes was very positive and an improvement on the first quarter of the previous year, with a combined ratio of 91.9% compared to 92.6% in the first quarter of 2007.

The Land Vehicle class continues to perform very satisfactory, in spite of the price pressures at market level in a sector that, for a number of years, has achieved good profitability.

Also the other Non-Life Classes report an overall good performance and an improvement on the first quarter of the previous year including in the General TPL class, which begins to benefit from the notification actions taken and from reform of the contracts made by the individual companies to protect the positions on the most critical policies underwritten.

With reference to the subsidiary **Sasa**, the first quarter of 2008 recorded premiums of Euro 117 million, an increase of 10.2%. The Motor TPL Class reports a decrease of 5.2% (Euro 60.3 million compared to Euro 63.6 million in the first quarter of 2007), which adds to the decrease of the Land Vehicle Class (-6.2%) which amounts to Euro 9.5 million.

The growth therefore is principally in the Non-Motor Classes and in particular to the Injury and Health classes (respectively of 36.7% and 47.3%) due to the greater commitment of the company to the retail sector and the Affinity Group.

On the other hand, the decrease in the Motor Classes is due to the significant reform activity of the portfolio, principally in the broker segment which, in accordance with the development plans of the company is offset by the opening of new agency sales points.

The number of claims reported increased by 6.1%, with a significant increase in the Motor TPL (+17%). This increase is due to a sharp rise in the cases reported, following the introduction of the new "Direct Compensation" procedure.

Excluding this factor, the increase of the reported claims is estimated at around 13% against a similar increase in the total number of vehicles insured.

The result for the period was Euro 4.1 million (Euro 3.5 million in the first quarter of 2007).

In spite of the strong competitive pressures, it is considered that the year 2008 can achieve an increase in premiums written both in the Motor and Non-Motor Sectors with the stabilisation of the technical performances and an improvement of the combined ratio.

With reference to **Siat**, the operational performance in the first quarter of 2008, compared to the same period in the previous year, reports a marginal improvement in the technical balance, principally related to the Goods segment.

In fact, in accordance with the expectations, this sector benefits increasingly from the technical profits related to the portfolio of the Group's agency network, which from 2006 and for almost all of the portfolio, is underwritten by the company as indirect business.

In addition, the substantial stability of the technical result of the Land Vehicle segment is offset by a deterioration in the Non-Transport Classes in the run-off phase and, with the exclusion of the Motor segment, substantially delegated to third parties.

In general terms, the market continues to be characterised by strong competition (in particular, for the Goods segment) and from a small decrease in the premiums (less evident in the Land vehicle sector). Relating to the claims, there were no serious events in the first quarter of 2008. In relation to the outward reinsurance, there were no changes compared to the recent past, with the continued interest of the professional operators in the technical aspects of the policies underwritten.

The premiums written amounted to approx. Euro 46.9 million, a decrease compared to the same period of the previous year (approx. Euro 48.3 million). The principal reasons for this reduction is due to the contraction of the premiums in the Motor segment (from Euro 1.7 million in the first quarter of 2007 to Euro 0.1 million in the first quarter of 2008) and to the further depreciation of the US Dollar (currency in which a large part of the Transport market is denominated, in particular for the Land vehicle segment) against the Euro. These premiums confirm an almost exclusive concentration in the "Transport" segment and a disengagement in the Motor and other classes.

The claims reported in the Transport Classes is in line with the past and, as previously indicated, does not include any serious claims. At the same time, the claims reserve in the "Transport" sector is maintained with the normal sufficiency. The management expenses were stable.

In relation to the subsidiary **Liguria Assicurazioni** the premiums written in the period grew by 35.7% (+39.5% in the Motor Classes and +24.9% in the Non-Motor Classes). This result is due to the expansion policies which began in the previous year and which resulted in the opening of 18 new agencies in the first quarter of 2008. The Non-Life Classes report good growth relating to Injury (+40.1%), Adb (+42.0%) and Bonds (+19.9%).

The current generation claims reported increased by a total of 14.0% (+15.5% in the Motor Classes and +6.4% in the Non-Motor Classes). In particular in the Motor TPL Class the frequency reported an improvement compared to the first quarter of 2007 from 7.8% to 7.4%. The settlement speed increased from 34.3% to 53.1% in the first quarter of 2008. However, this indicator is not comparable with the first quarter of 2007 following the new settlement system for the non-life division introduced by the CARD.

The total technical balance in the quarter including reinsurance amounted to Euro 2.6 million compared to Euro 2.3 million in the first quarter of 2007. There was a small improvement in the Motor Classes and a further improvement in the other Non-Life Classes.

The administration expenses before the allocations amounted to Euro 3.7 million (Euro 3.2 million in the first quarter of 2007) with a percentage of premiums written of 5.4% (6.2% in the first quarter of 2007).

In relation to the asset management, the investment policy of the financial flows generated in the quarter continued to give preference to Government bonds, prevalently at variable rates. The total amount invested reached Euro 267 million compared to Euro 241 million at the end of 2007 and recorded net income of Euro 1.2 million compared to Euro 1.3 million in the first quarter of 2007.

The net profit in the quarter was Euro 1.5 million (net profit of Euro 1.3 million in the first quarter of 2007).

Purchase of 83.32% in the share capital of DDOR NOVI SAD

On the awarding of the tender for the sale of the company DDOR Novi Sad on November 26, 2007 and on the completion on November 30, 2007 of the purchase contract of 83.32% of the share capital of the above-mentioned company with the Deposit Insurance Agency of Serbia, as shareholder and representative of a group of minority shareholders, and having obtained all the authorisations requested, Fondiaria-SAI acquired on January 31, 2008 the above-mentioned holding, against the payment of the purchase price of approx. Euro 220 million. It is expected that DDOR Novi Sad will shortly make a request for admission of its shares for quotation on the OTC market of Belgrade and, subsequently, Fondiaria-SAI will launch a residual offer in accordance with the purchase contract.

DDOR is the second largest insurance company in the Serbian market with a market share of approx. 30% and expected premiums written in 2007 of over Euro 159 million, a growth of 13% compared to 2006 (Euro 140 million). The company reported a net profit of Euro 2 million in 2007 (Euro 9 million in 2006).

For Serbia, which has recently signed with the European Union an agreement of association and stabilisation, the first step towards entry into the EU expected for 2014, Italy represents the principal commercial partner with a share of 15% of total exports. The Serbian market also reports a significant presence of direct foreign investments, especially in the financial sector where the most important credit institutions of the country are controlled by foreign groups, and in particular Italian banking groups, which own the first and fifth largest banks in the country.

The company has a presence throughout the country with a network of over 100 direct sales point for a total of approx. 1,000 brokers, to which is added a network of 60 branches thanks to the recent bancassurance agreement with Metalsbanka, the second largest independent bank in the country and which holds 15% of DDOR. The commercial presence is particularly concentrated in the richest regions of the country - Vojvodina and central Serbia. DDOR - with 700,000 customers - is a historic and affirmed brand, and is the leading private operator in the Serbian insurance market behind the state company Dunav (approx. 37% market share). The Serbian market, with an expected growth in GDP in 2007 of 7%, a decrease in inflation and a stable currency with the Euro, has interesting opportunities as the insurance business is still underdeveloped (the ratio between insurance premiums and GDP is 1.8% compared to 7.2% in Italy and an 8% EU average).

The price paid for control of DDOR is in line with market averages and highlights the commitment of Fondiaria-SAI to only undertake international growth opportunities where they are based on a concrete forecast of creation of value for its shareholders.

Fondiaria-SAI with this operation completes a first step in the expansion strategy announced on international markets, acquiring the leadership in a market where there is a significant growth potential in the insurance sector and which has few further opportunities of entry by foreign operators, and at the same time laying the foundations for further growth in Eastern Europe.

For the first quarter of 2008 the income statement is consolidated from the date of acquisition of control. In the period considered the company recorded premiums of Euro 29.1 million and registered claims in the period of Euro 16.2 million. The claims ratio to premiums amounted to 72.8%. In the first quarter of 2008 premiums written increased by 10.7% compared to the first quarter of 2007. The result for the period was a loss of Euro 3.5 million and includes the first effects of the asset strengthening following the recent acquisition by the Group.

Motor Repair Project

Fondiaria-SAI incorporated 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 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.

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.

LIFE INSURANCE SECTOR

The premiums written in the Life Division amounted to Euro 1,154.7 million, an increase of 20.7% compared to the first quarter of 2007.

The breakdown by category of activity is shown below:

(Euro thousand)	31/03/2008	31/03/2007	Cge. %
LIFE DIVISION			
II – Insurance on human life expectancy	414,976	326,017	27.29
III – Insurance to which points I and II are connected to investment funds	626,810	306,552	104.47
IV - Health insurance as per art. 1 letter d) EU Dir. 79/267	369	25	1.376.00
V – Securitisations as per art. 40, Legislative decree 174/95	112,085	322,941	(65.29)
TOTAL	1,154,240	955,535	20.80
INDIRECT PREMIUMS	441	1,030	(57.18)
TOTAL GENERAL	1,154,681	956,565	20.71

The premiums written in the first quarter of 2008 no longer include the contribution (equal to 50% of the premiums written) of the subsidiary Po Vita as the holding was sold in the first quarter of 2008. The period however saw the new partnership with Banco Popolare Group become fully operational, through the subsidiary Popolare Vita, which recorded premiums written of Euro 597 million.

The total premiums, including the investment contracts of the Life Division, amounted to Euro 1,313.4 million, an increase of 30.8%.

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
II – Insurance on human life expectancy	20.6	226.0	246.2	492.8
III – Insurance to which points I and II are connected to investment funds	3.9	53.1	69.2	126.2
IV - Health insurance	0.1	6.8	0.0	6.9
V – Securitisations as per art. 40, Legislative decree 174/95	0.2	193.9	7.3	201.4
Total	24.8	479.8	322.7	827.3

The gross Life sums paid, including inward reinsurance amount to Euro 833.1 million (Euro 568.8 million in 2007), an increase of 46.5%.

The increase on the same period of the previous year is largely due to the contribution of the subsidiary Popolare Vita S.p.A. of Euro 143.8 million.

The direct premiums written by the Parent Company in the first quarter of 2008 amount to approx. Euro 289 million (-27.6%). The significant decrease of the premiums written by the Parent Company is a consequence of the reduction of premiums (prevalently in class V) from large Corporate clients, whose profit margins and remuneration are no longer attractive for the Company.

In the first quarter of 2008, the individual life premiums written by the distribution network were focused largely on the products related to the Separated Management, and principally single premiums, which were characterised by a guaranteed minimum return and protection of the investment, with particular attention paid to the important segment of the life capital maturity policies and securitisation and the Index Linked policies, of which the WORLD CUP edition in March was popular with customers.

In the first quarter of the year the new Term-Life insurance tariff DEDICATA was launched which introduced the differentiation of the policyholders according to their health behaviour and the study took place of a new constant single premium revaluable product OPEN PIU which was made available to the agency network at the beginning of April.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, in the first three months of the year there was a small increase in the new contracts on the previous year.

For the Corporate segment, the expected drastic reduction of the distribution of securitisation products for the "Institutional" Clients was confirmed as was a trend toward advanced redemption of these policies; this action by the policyholders is clearly attributed to the general financial market situation considering also the liquidity crisis within the system.

Therefore, it does not seem likely that there will be an inversion in this trend in the short-term period, which will result in a residual distribution on smaller clients and therefore with more contained amounts.

The application of clauses inserted for a number of years in the contracts and penalising advanced redemption in many cases permitted a recovery of profitability.

The good results continue within the Pre-Existing Pension Funds for employees, principally targeting the inflow of funds into our contracts of the Leaving Indemnity quota to be allocated to the Funds, which this year, unlike the previous year, involves the full financial year.

In the same sector, the implementation of the necessary tariff reforms is progressively taking place to adjust the financial and demographic bases to the updated statistical information; the operation is generally accepted by the counterparties without particular difficulties thanks also to the presence of flexible underwriting, in the renewal of the Conventions, where necessary.

For the products related to the leaving indemnities (VALORE TFR and VALORE TFM), the new distribution was substantially maintained, while the recurring annual premiums of the previous contracts recorded an expected decrease attributable to the obligation to allocate to the Inps Treasury Fund, relating to companies with at least 50 employees.

For the risk coverage segment, the market share of the insurance deriving from collective negotiations was maintained, with renewal for the year in course of the coverage and a substantial maintaining of the portfolio, while some agreements for the coverage of loans provided by credit institutions begin to take place, and therefore in the presence of a high onerous underlying financing rate.

In relation to the Open Pension Funds, in the first quarter of the year new subscriptions continued and at the same time there was a consolidation in the contribution flows, principally due to the subscriptions in the previous years.

Total Italian direct premiums written in the Life Division of the subsidiary **Milano Assicurazioni** in the first quarter of 2008 amounted to Euro 249.6 million, an increase of 15.3% compared to the same period of the previous year, which recorded total premiums of Euro 216.4 million.

The increase is due to the change in the consolidation method of Bipiemme Vita, which in the first quarter of 2007 was consolidated 50% under the proportional method and is now fully consolidated following the acquisition of control in June 2007.

On a like-for-like basis, and therefore considering the full consolidation of Bipiemme Vita in the first quarter of 2007, the premiums written report a decrease of 7.6%, principally due to the decision to subordinate the underwriting of the securitisation contracts with institutional clients.

The performance of the traditional type products referring to the agency channel was positive, with a growth of approx. 12%, in line with the policy to give preference to these products with greater insurance content, capable of producing higher profit margins and, through the loyalty of the clientele, increase the value of the portfolio over the long-term period.

With reference to the subsidiary **Popolare Vita S.p.A.** we report that in the first quarter the operating activities through the Banco Popolare Group branches became fully operational.

The premiums written, in accordance with IAS/IFRS accounting principles, amounted to Euro 597 million. The premiums, including the investment contracts, increased to Euro 734 million (Euro 74 million in the first quarter of 2007). The distribution of the premiums by product type is absorbed almost entirely (98%) by Unit and Index-Linked type structures, which are preferred by the banking channel.

The results for the quarter, in accordance with Italian GAAP, was a loss of approx. Euro 1 million due to the write-downs on the securities portfolio of approx. Euro 4 million. The result in accordance with IAS/IFRS was however positive.

In the first quarter of 2008, **Bipiemme Vita** continued its leadership in the insurance market, focusing its activity on the rationalisation of the product portfolio, renewed and simplified to better meet the needs of the customers, and the careful planning of the guaranteed capital and annuity policies, in spite of the turbulence on the financial markets.

The key data for the first quarter of 2008, in accordance with IAS/IFRS accounting criteria, are summarised as follows:

- The premiums written were positive in the first quarter of 2008, amounting to Euro 128 million (Euro 114 million in the first quarter of 2007), of which Euro 127 million related to Life policies and Euro 1 million to Non-Life policies;
- The sums paid amounted to Euro 41 million (Euro 26 million in the first quarter of 2007), of which Euro 40 million were in the Life Division and Euro 1 million in the Non-Life Division;
- The net profit amounted to Euro 0.4 million (Euro 4.9 million in the first quarter of 2007).

The premiums written of **Sasa Vita** in the first quarter of the current year recorded a decrease of 62% compared to same period in the previous year. This decrease derives from the timing of the first issue of the Index 2008 which was recorded in April (approx. Euro 9.7 million), compared to the 2007 first issue which was recorded in March. In addition, the decrease in the premiums written, both in relation to the coverage of mortgages and small loans and single premiums will be recovered in the coming months due to the actions undertaken.

In spite of a decrease of the premiums in the Term-Life insurance policies in the class V segment, a recovery of the premiums commenced deriving from a decisive expansion of the number of Financial Companies conventioned.

In May, the second Index launch will take place which can absorb the capital deriving from an index in maturity, whose results are expected to be very satisfactory for the Clients.

Various negotiations are underway with new brokers which can undertake targeted sales.

In addition in June a sales campaign of Term-Life insurance policies will commence.

It is expected that these initiatives will absorb the decrease of the premiums written during the first half of 2008.

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 withdrawal became effective from March 31 after obtaining all the authorisations by 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 collect 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.

REAL ESTATE SECTOR

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.

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

(Euro thousand)	31/03/2008	31/03/2007
Profits realised	40	4,931
Total revenues	38,190	44,340
Interest expense	5,695	3,771
Result before taxes	(4,139)	5,874
Investment property	1,004,112	993,065
Financial liabilities	408,490	445,542

The pre-tax result of the sector was a loss of Euro 4.1 million compared to a profit of Euro 5.9 million in 2007. The result includes the depreciation and interest expense for the period, not offset by any income to be realised.

Among the principal operations undertaken in the first quarter of 2008 were:

- The **Immobiliare Lombarda Group's** activities continued, which are aimed at upgrading the property portfolio and increasing returns, simultaneous to the development of the real estate projects. The revenues in the quarter amounted to approx. Euro 16 million. A loss of Euro 6.4 million was reported in the period (loss of Euro 0.6 million in the first quarter of 2007).
- The **Tikal R.E. Fund** in January signed the preliminary purchase from the related party Sinergia Seconda Srl of the following buildings: the entire office building, located at Milan, via dei Missaglia,97, building A2, with a down-payment of Euro 2.5 million; a portion of an office building, located in Rome, via Vincenzo Bellini, 14 with a down-payment of Euro 0.5 million. This operation was completed in April, with the payment by the fund of Euro 4 million for the site in Rome and Euro 20 million for site in Milan. The net profit for the period was Euro 1.8 million.
- In January 2008, the associated company **IGLI S.p.A.** signed an equity swap agreement with Abn-Amro on 3% of **Impregilo S.p.A.** which required Immobiliare Lombarda, as pro-rata financial support, to provide an interest bearing shareholder loan of Euro 18 million.

Renewal of the shareholder agreement relating to IGLI S.p.A.

On March 12, 2008, Immobiliare Lombarda S.p.A. signed an agreement with Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A which governs, among other matters, the renewal until June 12, 2009 of the shareholder agreement signed on March 8, 2007, whose expiry was originally fixed at June 12, 2008, relating to the respective holdings in IGLI S.p.A., a company which has a 29.548% holding in the ordinary share capital of Impregilo S.p.A., listed on the Milan Stock Exchange.

It is recalled that Immobiliare Lombarda S.p.A. has a total holding in the company IGLI S.p.A. of 33.3% of the share capital and that the shareholder agreement relates to the governance of IGLI S.p.A. as well as rights deriving from the holding by IGLI S.p.A. in the share capital of Impregilo S.p.A.

The effectiveness of the renewal of the agreement is subject to the European Commission by June 12, 2008 having informed Immobiliare Lombarda S.p.A., Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A that the agreement is not a concentration pursuant to EU Regulation No. 139/2004, or rather, having informed the parties that the agreement is a concentration pursuant to EU Regulation No. 139/2004, has adopted an authorisation measure.

OTHER SECTORS

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

The pre-tax result of the sector was a profit of approx. Euro 7 million (loss of Euro 3 million in the first quarter of 2007). The positive result derives from the contributions of Banca Gesfid, Finsai International and Finitalia.

In particular, in this context the quarterly result of **BANCASAI** recorded a loss of Euro 591 thousand (Euro 1,490 thousand in the first quarter of 2007).

During the quarter, BANCASAI continued the completion of the services to its clientele in the areas of current accounts, payment services, credit and debit cards, home banking and loans. At the end of the first quarter of 2008 the number of current accounts amounted to 14,338 (13,838 at March 31, 2007). The loans due from clients, net of the relative doubtful debts, amounted to Euro 439,319 thousand, compared to Euro 268,544 thousand at the end of the fourth quarter of 2007. The customer funds from clients in the period amounted to Euro 580,917 thousand (Euro 543,387 thousand in the first quarter 2007).

In addition the placement of financial services continued (mutual funds, SICAV, securities and fund asset management), which recorded a decrease compared to the previous quarter both in terms of gross amounts (Euro 30,673 thousand compared to Euro 59,708 thousand in the first quarter of 2007) and net amounts (Euro -33,362 thousand compared to Euro -22,303 thousand in the first quarter of 2007). The total result deriving from the net outflow of the managed savings products is due to the activities undertaken by the Florence Branch for Euro -10,370 thousand, by the Genoa Branch for Euro - 956 thousand and for Euro - 22,036 thousand by the insurance sales networks.

The brokerage margin increased in the period from Euro 4,201 thousand in 2007 to Euro 5,541 thousand; the increase is principally due to the increase in the interest margin for Euro 1,361 thousand. The increase in the brokerage margin principally derives from the increase in the loans to private individuals and companies and a strong growth in the traditional banking activities.

Sai Mercati Mobiliari Sim S.p.A. in the first quarter of 2008 recorded a loss of Euro 445,977; the difficult financial markets resulted in a negative impact on the size of the orders from the clients, and therefore the economic outlook on the financial performance is not encouraging for the growth in volumes. There was a good performance in the company's own trading desk where the first quarter recorded growth in both volumes and profit terms.

Finitalia S.p.A. operates in the consumer credit sector, providing personal loans for the purchase of insurance products to the best clients of the Group, through its insurance agencies.

In the first quarter of 2008, the net profit was Euro 411 thousand (Euro 377 thousand in the fourth quarter of 2007). Both the interest margin and the brokerage margin improved as adjusted for provisions on prudent credit risks. The credit consumption market reports a small increase in operations compared to the same period of 2007. According to Assofin the value of the operations reported in the first two months of 2008 increased by 6% compared to an increase of 14% in the first two months of 2007. Consequently also the number of operations incurred a sudden slowdown from +10% in 2007 to +1% in 2008.

The loans of the subsidiary in the first quarter grew by 6% compared to 2007, while the number of operations increased by 24% thanks to the greater activity related to the insurance premium loans through the credit card My Cash Card.

In relation to the loan book, it is noted that the stock at the beginning of 2008 increased from Euro 175 million at the end of 2007 to Euro 180 million. The percentage of the delinquencies were stable, amounting to approx. 3.2%.

The signals from the loan markets indicate however a period of difficulty also attributable to the national and international economic environment.

The good performance of the insurance premiums on loans to Businesses and small and medium sized companies is reported, which appears well placed for the potential growth of this sector.

Banca Gesfid S.A., a Swiss private bank, in the first quarter of 2008 reported a profit of Euro 2,609 thousand (Euro 2,877 thousand in the first quarter of 2007). The good result was principally generated from commission income of Euro 7,620 thousand (Euro 8,188 thousand in the first quarter of 2007), interest on loans of Euro 866 thousand and net income of Euro 467 thousand deriving from financial operations on metals and currency.

The customer and interbank loans and receivables amount to Euro 92.5 million (Euro 89.8 million at March 31, 2007), against bank customer payables of Euro 56.7 million (Euro 61.1 million at March 31, 2007).

Agreements with Banca Italease

Fondiarria-SAI and Banca Italease on January 8, 2008, following the changed conditions in the prospects of the industrial partnership resulting from the well documented matters concerning the Italease Group and of the position taken by the Bank of Italy, jointly resolved the sales/purchase contract and the related agreements, signed on April 26, 2007, which provided:

- The initial acquisition by Banca Italease of a share of 50% in the share capital of BANCASAI;
- The acquisition by Banca Italease of a share of 80% in the share capital of SAI Asset Management SGR (formerly Effegestioni SGR);
- The incorporation of an insurance joint venture in the Life division through the initial acquisition by Banca Italease of a minority share in the share capital of Effe Vita.

Within the complex agreements which resulted in the joint resolution of the above-mentioned contracts, Fondiarria-SAI and Banca Italease signed, also on January 8, 2008, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fondiarria-SAI Group through the branches and networks of the agents and conventioned intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

For Fondiarria-SAI, the agreement represents a further growth opportunity in the Life classes through an innovative distribution strategy based on the “alternative” networks not in competition with the traditional networks of Fondiarria-SAI (agents/bank branches) which continue to remain strategic for the growth policies of the Company.

On February 20, 2008, Fondiarria-SAI ceded the distribution agreement with Banca Italease to its subsidiary EFFE VITA S.p.A. (100% subsidiary of Fondiarria-SAI), taking into account that EFFE VITA S.p.A. is the insurance company of the Fondiarria-SAI Group which acts as a vehicle for the realisation of distribution agreements with banks in the Life Division.

ASSET AND FINANCIAL MANAGEMENT

INVESTMENTS AND LIQUIDITY

The investments, tangible fixed assets and liquidity at March 31, 2008 compared to December 31, 2007 and March 31, 2007 are shown below.

(Euro thousand)	31/03/2008	31/12/2007	Cge. %	31/03/2007
INVESTMENTS				
Investment property	2,176,279	2,142,923	1.56	2,147,700
Investments in subsidiaries, associated and joint venture companies	287,876	270,025	6.61	275,598
Investments held to maturity	-	-	-	-
Loans and receivables	1,808,997	1,333,262	35.68	1,238,732
Available-for-sale financial assets	21,705,030	23,335,001	(6.99)	23,469,731
Financial assets at fair value through profit or loss	10,003,893	10,939,541	(8.55)	7,279,571
Total Investments	35,982,075	38,020,752	(5.36)	34,411,332
Other fixed assets: Buildings and other fixed assets	1,260,896	1,201,862	4.91	1,181,331
Total non-current assets	37,242,971	39,222,614	(5.05)	35,592,663
Cash and cash equivalents	689,659	701,195	(4.62)	692,358
Total non-current assets and cash equivalents	37,932,630	39,923,809	(5.04)	36,285,021

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

(Euro thousand)	31/03/2008	31/12/2007	Cge. %
Available-for-sale financial assets	21,705,030	23,335,001	(6.99)
Equity securities	2,580,883	3,096,783	(16.66)
Fund units	796,202	842,180	(5.46)
Debt securities	18,325,115	19,393,263	(5.51)
Other financial investments	2,830	2,775	1.98
Financial assets at fair value through profit or loss	10,003,893	10,939,541	(8.55)
Equity securities	257,278	286,123	(10.08)
Fund units	1,359,587	1,793,540	(24.20)
Debt securities	7,821,287	8,323,615	(6.03)
Other financial investments	565,741	536,263	5.50

The account **Investment property** includes the buildings held by the Group for investment purposes, therefore held for rental to third parties or for capital appreciation. The gross carrying value was Euro 2,450 million, of which Euro 691 million related to the land component, while the depreciation provision amounted to Euro 274 thousand. The increase in the first quarter, amounted to Euro 44 million, is due for Euro 21 million to the payment on account on the future acquisitions of the Tikal R.E. Fund relating to the buildings under construction in Pero (MI), for Euro 3 million deriving from the consolidation of the subsidiary DDOR Novi Sad ADO, while the residual amount refers to incremental costs in the period.

The account **Investments in Subsidiaries, Associated and Joint Venture Companies** includes the investments in associated companies, which were valued under the equity method, in addition to the carrying value of some investments in subsidiaries which are not fully consolidated, either due to the insignificant value for the purposes of a true and fair presentation of the accounts or as the companies are under restructuring or are non operating.

The most significant investments are those held by the Parent Company in the subsidiary Fin. Priv. S.r.l. for Euro 51 million and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 43 million, as well as that held by Immobiliare Lombarda in Igli (Euro 106 million), City Life (Euro 46 million) and Progetto Alfiere (Euro 5 million).

The **Loans and Receivables** includes debt securities of Euro 103 million (Euro 102 million at December 31, 2007), time deposit operations for Euro 419 million (Euro 30 million at December 31, 2007) and loans on life policies of Euro 65 million (Euro 67 million at December 31, 2007). They also include the reinsurance deposits at the ceding companies for Euro 32 million (Euro 32 million at December 31, 2007) and receivables from sub-agents for the indemnities paid to the former agents for Euro 209 million (Euro 209 million at December 31, 2007).

The account also includes loans provided by Finitalia to its customers for Euro 175 million (Euro 169 million at December 31, 2007), as well as the receivables of the subsidiaries BANCASAI and Banca Gesfid from other credit institutions for deposits and loans to the bank's customers for Euro 482 million (Euro 472 million at December 31, 2007).

The account also includes a loan of approx. Euro 166 million (Euro 165 million at 31/12/2007) 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 period was approx. Euro 1.3 million.

With reference to the **Investments held to maturity**, the Group did not consider it appropriate, in line with the management strategy of the portfolio, to record any financial instrument under this category.

The **available-for-sale financial assets** include bonds and equity securities 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.

In particular, the account includes debt securities of Euro 18,325 million (Euro 19,393 million at December 31, 2007), equity securities of Euro 2,581 million (Euro 3,097 million at December 31, 2007), as well as units in investment funds of Euro 796 million (Euro 842 million at December 31, 2007) and other financial investments of Euro 3 million (Euro 3 million at December 31, 2007). The decrease of the available-for-sale financial assets is due to the deconsolidation of Po Vita S.p.A. of Euro 861 million, while the contribution of the newly consolidated DDOR Novi Sad ADO contributed Euro 27 million.

The **Financial assets valued at fair value through profit or loss** includes the securities held for trading as well as those designated by the group in this category.

This account includes the investments and the financial instruments relating to insurance contracts or investments issued by insurance companies for which the investment risk is borne by the policyholders.

The account therefore includes debt securities of Euro 7,821 million (Euro 8,324 million at December 31, 2007), equity securities of Euro 257 million (Euro 286 million at December 31, 2007), units in investment funds of Euro 1,360 million (Euro 1,794 million at December 31, 2007) and other financial investments of Euro 566 million (Euro 536 million at December 31, 2007). The decrease of the financial assets valued at fair value through profit or loss is in part due to the deconsolidation of Po Vita S.p.A. (contribution to consolidation at December 31, 2007 of Euro 1,166 million): limited the contribution of the newly acquired DDOR Novi Sad (Euro 7 million).

In relation to the composition of the financial instruments reference should be made to the table on the investment situation below.

In relation to the **Tangible fixed assets**, they also include the property inventories for which the criteria of IAS 2 was applied. In particular this account includes over Euro 756 million (Euro 746 million at December 31, 2007) relating to the investment properties of the subsidiary Immobiliare Lombarda S.p.A.

Net technical reserves

The net technical reserves are as follows:

(Euro thousand)	31/03/2008	31/12/2007	Cge. %	31/03/2007
Non-Life technical reserves				
Unearned premium reserve	2,513,577	2,498,348	0.61	2,406,676
Claims reserve	8,258,153	8,393,164	(1.61)	8,469,532
Other reserves	16,326	14,463	12.88	10,498
Total Non-Life reserves	10,788,056	10,905,975	(1.08)	10,886,706
Life technical reserves				
Actuarial reserves	13,870,151	14,804,316	(6.31)	13,699,317
Reserve for sums to pay	244,117	277,110	(11.91)	207,116
Technical reserves where the investment risk is borne by policyholders	4,307,819	4,559,320	(5.52)	1,349,883
Other reserves	(140,005)	(108,964)	28.49	144,786
Total Life Reserves	18,282,082	19,531,782	(6.40)	15,401,102
Total	29,070,138	30,437,757	(4.49)	26,287,808

The technical reserves of the Non-Life Division at March 31, 2008 include the unearned premium reserve of Euro 2,514 million, calculated under the pro-rata basis, and the claims reserve of Euro 8,258 million.

The other technical reserves of the Non-Life Division include the ageing reserve of the health division, calculated in accordance with the national regulations: this is created against the greater insurance risk due to the ageing of the policyholders.

The contribution of the newly acquired DDOR Novi Sad ADO totalled Euro 120 million.

The technical reserves of the Life Division are those relating to insurance contracts and investment contracts with discretionary participation elements as per IFRS 4. This account does not include the liabilities relating to the policies (prevalently index and unit-linked) which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities. The decrease of the Life technical reserves is attributable, for Euro 1,327 million, to the deconsolidation of Po Vita S.p.A. The contribution of the newly acquired DDOR Novi Sad ADO totalled Euro 7 million.

In addition, the technical reserves of the Life Division decreased, compared to the value calculated in accordance with Italian GAAP, by Euro 268 million due to the accounting of the deferred liabilities towards policyholders, consequent of the application of the shadow accounting technique as per IFRS 4.

Financial liabilities

Within the financial liabilities a separation was made between operating debt and financial debt. In particular the operating debt relates to the financial liabilities where there is a correlation with a specific asset account.

The breakdown of the financial liabilities is shown below:

(Euro thousand)	31/03/2008	31/12/2007	Cge. %	31/03/2007
Financial liabilities				
Sub-ordinated liabilities	815,459	820,007	(0.55)	805,423
Financial liabilities at fair value through profit or loss	3,956,700	5,031,453	(21.36)	4,663,074
Other financial liabilities	1,706,234	1,334,227	27.88	1,407,584
Total financial liabilities	6,478,393	7,185,687	(9.84)	6,876,081

For the **Subordinated liabilities** account, reference should be made to the section below on debt.

The account **Financial liabilities valued at fair value through profit or loss** includes at March 31, 2008 Euro 3,872 million (Euro 4,950 million at December 31, 2007) relating to liabilities from financial contracts issued by insurance companies, treated under the deposit accounting method which, substantially, requires the recognition in the income statement of only the profit margins and the recording under financial liabilities of the premiums written.

The reduction is due in part to the deconsolidation of Po Vita S.p.A. (contribution to consolidation at December 31, 2007 of Euro 673 million).

The **Other financial liabilities** include Euro 371 million (Euro 354 million at December 31, 2007) relating to customer deposits at the subsidiary BANCASAI and Banca Gesfid, In addition, Euro 178 million (Euro 181 million at December 31, 2007) relates to the payable for a nominal amount of Euro 180.4 million by the subsidiary Sainternational and repayable exclusively in Intesa SanPaolo shares owned.

The account also includes Euro 16 million (Euro 16 million at December 31, 2007) relating to investment contracts signed by life policyholders valued in accordance with the amortised cost method. It also includes Euro 139 million (Euro 51 million at December 31, 2007) relating to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari. The residual refers principally to deposits with reinsurers.

GROUP DEBT

Information is provided below of the financial debt accounts, 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)	31/03/2008	31/12/2007	Change
Subordinated loans	815.5	820.0	(4.5)
Mandatory SAInternational	183.6	180.7	2.8
Bank and other borrowings	628.6	346.6	282.0
Total debt	1,627.6	1,347.3	280.2

The account **Subordinated loans** includes the loan of the Parent Company received from Mediobanca in July 2003 while at the same time repaying the previous loan agreed on December 12, 2002.

The loan, of a nominal amount of Euro 400 million, was undertaken to increase the constituting elements of the solvency margin.

With regard to the subordinated loan of Euro 400 million already in place with Mediobanca, the Parent Company agreed with this latter, with prior authorisation from Isvap:

- some contractual changes to the subordinated loan, among which, the reduction of the interest rate, from Euribor at 6 months +265 basis points to Euribor at 6 months +180 basis points;
- a further subordinated loan for a fixed period of 20 years totalling Euro 100 million at an interest rate of Euribor at 6 months +180 basis points, with the same conditions of the previous subordinated loan;
- the signing, on July 14, 2006, of a new subordinated loan totalling Euro 300 million, half by Fondiaria-SAI and half by Milano Assicurazioni. This loan provides for interest at Euribor at 60 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.

The account “Subordinated loans” also includes the subordinated loans of BPM Vita received during 2003. This relates to four subordinated loans totalling Euro 16 million divided 50% with Banco Popolare di Milano and 50% with Banca di Legnano. Two loans expire on June 27, 2008 and have an interest rate of Euribor at 12 months increased by 0.75%; while the other two loans have an undetermined expiry and an interest rate at Euribor at 12 months increased by 2.50%.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. launched a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010. The securities to service the loan are listed on the Luxembourg Stock Exchange.

The bonds, of a total nominal value of Euro 180,400 thousand, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, 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 payables and other lenders**, amounting to Euro 628.6 million, the most significant amounts are reported below:

- Euro 251.8 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, while awaiting more favourable market conditions for the placement of the hybrid bond which has already been described in the section relating to debt at December 31, 2007. The loan was received in one single amount on January 25, 2008.
- Euro 239.3 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. These relate to the renegotiation of the debt of the acquired Immobiliare Lombarda, in accordance with the merger project which represented one of the requirements. During 2007, the subsidiary received a bank loan of Euro 83 million against the acquisition of the investments in IGLI S.p.A., Sintesi Seconda S.r.l. and S.E.I.S. S.p.A. The loans are generally based on Euribor at 6 months with a credit spread of 0.9%. The maturity dates are variable up to December 31, 2012. These loans are subject to some covenants which must be respected for the duration of the loans;
- Euro 106.7 million refers to the loan of the Tikal R.E. Closed Real Estate Fund with Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants. The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and incremental returns. The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p. The Fund, since the previous year, has utilised two credit instruments, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 11.3 million refers to the debt received from credit institutions by the subsidiary SCAI;
- The residual amounts relates to other insignificant payable positions;

INVESTMENT MANAGEMENT

At operating level, the activities undertaken by Fondiaria-SAI in the first quarter, in the bond segment, saw low levels of trading in the Non-Life portfolio, and targeted purchases of between 1 and 1.5 years, in consideration of the negative curve of the forward Euro returns due to the benchmark rate of 4% set by the European Central Bank.

The Covered Bonds Portfolio were also rebalanced, as were issues with rating AAA and higher returns compared to the Italian bond securities on many maturities within three years, favouring the presence especially in the Non-Life segment.

In the Life segment, against an overall reduced exposure in duration terms, the Corporate quota increased significantly, developing a careful Stock picking activity on the one hand and participation of new issues on the other.

Benefit was taken from a particularly stressed asset class in terms of valuations and prices to obtain good returns, in targeted sectors, without excessive duration.

On the equity side, the first quarter of 2008 saw strong pressure on all the international equity markets. Given the scenario of high volatility and strong uncertainty, the activity undertaken by the Company in the first quarter at equity level, was characterised by a reduction of the equity holdings by approx. 20% at the beginning of January. This reduction principally characterised sectors related to the economic cycle (cyclicals and industrials), but also more defensive sectors such as utilities which had reached excessive valuations.

With reference to the Parent Company, the bond sector represents, at the end of the first quarter of 2008, 71.7% of the total portfolio, with a total duration of 4.9.

The Non-Life Division is composed of 66.1% of fixed income bonds, 25.8% variable rate and a residual 8.1% in Time Deposits.

The total duration of the portfolio is 1.62 years and the return on the Non-Life portfolio is equal to 4.21%.

The Life Division has a higher fixed rate asset allocation (85.1%), compared to the variable quota of the same class (14.9%), with a total duration of the portfolio of 5.94 years and a return of 4.98%.

With reference to Milano Assicurazioni, the bond sector represents, at the end of the first quarter of 2008, 78.7% of the total portfolio, with a total duration of 3.7.

The Non-Life Division is composed of 74.6% of fixed income bonds, 18.1% at variable rate and a residual 7.3% in Time Deposits.

The total duration of the portfolio is 1.57 years and the return on the Non-Life portfolio is equal to 4.56%.

The Life Division has an asset allocation of a fixed rate of 77.8%, a higher variable quota (22.2%), with a total duration of the portfolio of 5.51 years and a return of 5.23%.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At March 31, 2008 and at December 31, 2007, the Parent Company holds treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(Euro thousand)	31/03/2008		31/12/2007	
	Number	Book value	Number	Book value
Treasury shares held by:				
Fondiarria-SAI	1,780,000	60,352	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	11,362,557	298,558	11,362,557	298,558
Saving treasury shares held by:				
Fondiarria -SAI	800,000	16,739	568,051	12,403
Total	800,000	16,739	568,051	12,403
Shares of the holding company held by:				
Fondiarria-SAI	18,340,027	30,499	18,340,027	35,671
Milano Assicurazioni	9,157,710	15,229	9,157,710	17,812
Saifin - Saifinanziaria	66,588	111	66,588	130
Total	27,564,325	45,839	27,564,325	53,613

OTHER INFORMATION

Sales organisation and personnel

The personnel of the Fondiaria-SAI Group at March 31, 2008 is as follows:

	31/03/2008	31/12/2007
Italian companies	6,180	6,101
of which Parent Company:	2,660	2,623
Foreign companies	2,346	90
Fondiaria-SAI S.p.A. Group	8,526	6,191

The significant increase in the number of employees in the first quarter of 2008 is due to the acquisition of the company DDOR Novi Sad on January 31, 2008.

In addition the employees of the foreign companies include 578 brokers.

With reference to the first quarter of 2008, the national distribution of the Fondiaria-SAI Agents was as follows:

	SAI Mandate	Fondiaria Mandate	Total at 31/03/2008	Total at 31/12/2007
North	408	251	659	664
Centre	148	161	309	312
South	220	142	362	362
TOTAL	776	554	1,330	1,338

With reference to the Group it is noted that in the first quarter of 2008 there were 3,885 agencies (3,769 at December 31, 2007), operating through 2,958 sales points (2,934 at December 31, 2007) representing the traditional distribution channel.

The increase in the number of agencies is also due in this case to the acquisition of the company DDOR Novi Sad which in the first quarter of 2008 had 74 agencies.

Stock options plans, information on warrants and dividends

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.

Consequently, in accordance with IFRS 2 “Share-based payments”, the implicit costs relating to the above stock option plan were determined. Through appropriate evaluation models, the fair value of the options were determined, consequently increasing personnel costs by Euro 2.2 million, and also recording this in a net equity reserve.

As the plan involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also recorded in the financial statements of these companies for their share. On the other hand, the consolidated financial statements of Fondiaria-SAI do not include the cost of the options assigned to the executive directors and management of its parent company. The total cost of the plan is estimated, for the Fondiaria-SAI Group, at Euro 36 million, of which Euro 26 million was expensed in previous years.

(in Euro)	Number options granted	Residual life	Value of option	Total cost	Cost at 31/03/2008
Tranche A	5,178,560	0	2,792	14,345,862	-
Tranche B	3,883,920	1	2,708	10,433,218	1,298,800
Tranche C	3,883,920	2	2,809	10,822,218	898,560
Total Fondiaria-SAI Group	12,946,400			35,601,298	2,197,360
Options granted to the holding company	2,053,600				
Total	15,000,000				

In the quarter, no stock options were converted, while a total of 264,268 warrants were presented for conversion. Following the exercise of these options a total of 66,067 ordinary shares were issued (receiving Euro 2.08 per share, of which Euro 1.08 as share premium, totalling Euro 137 thousand).

We recall, in addition, that on May 22, 2008, following the allocation of the 2007 net profit as approved by the Shareholders’ Meeting on April 23, 2008, the dividend will be paid of Euro 1 per ordinary share and Euro 1.052 for each saving share.

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.

Fondiaria-SAI Group Corporate/industrial restructuring project

In the meeting of January 30, 2008, following a careful examination of the current strategic commercial position of the Group on the market, in view of the numerous acquisitions in recent years which has changed the competitive scenario (also due to recent regulations), as well as the recent trend in financial markets, the Board of Directors of Fondiaria-SAI examined an overall industrial/corporate reorganisation project of the Group concerning the real estate activities managed by the subsidiary Immobiliare Lombarda S.p.A., in addition to the activities of some subsidiary insurance companies.

In particular, the possibility was examined of undertaking a project to internalise all of the real estate activities managed by the subsidiary Immobiliare Lombarda through a market operation to acquire all of the share capital of the company, the delisting of the company and the subsequent restructuring of the real estate activities within Fondiaria-SAI and Milano Assicurazioni.

The complex project, as previously described, also includes a restructuring of the non-listed companies with a direct commercial presence on the market, concentrating the activities undertaken by the subsidiaries SASA Assicurazioni e Riassicurazioni S.p.A. (hereafter: SASA), SASA VITA S.p.A. (hereafter: SASA VITA) and LIGURIA ASSICURAZIONI S.p.A. (hereafter: LIGURIA), into the subsidiary Milano Assicurazioni, through the conferment/merger of these companies.

In the above-mentioned meeting of January 30, 2008, the Board therefore approved the launch by Fondiaria-SAI of a voluntary public purchase and exchange offer (hereafter “Offer” or “Public and Exchange Offer”) concerning all of the ordinary shares of Immobiliare Lombarda not held by the Group (and therefore with exclusion of the holdings held by Fondiaria-SAI, equal to 50.1%, and of the subsidiary Milano Assicurazioni, equal to 11.1%) and corresponding to a share of approx. 38.8% of the share capital of the company.

The Board meeting of February 19, 2008 of Fondiaria-SAI therefore approved the Offer document pursuant to articles 102 and thereafter of Legislative Decree No. 58/98 and the subscription procedure to the Offer which were filed at Consob on the same date.

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 will not reconstitute the floating capital and will be obliged to acquire the remaining shares from the shareholders of Immobiliare Lombarda which make a request, at a price determined by CONSOB in accordance with law.

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 will provide 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 holds, directly and indirectly, a total of 3,695,830,683 ordinary shares of Immobiliare Lombarda, equal to 90.02% of the share capital.

Compliance with the Compulsory Purchase will take place as soon as Consob determines the relative price.

BORSA ITALIANA S.p.A. will delist the shares from the Stock Market on the conclusion of the procedure to comply with the compulsory purchase by Fondiaria-SAI.

Some aspects of the Offer and the underlying reasons for the operation are outlined below. Reference should be made to the Offer document for further information.

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.

Fondiarria-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 Fondiarria-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 Fondiarria-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 Fondiarria-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 Fondiarria-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 Fondiarria-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 the phases of the operation, the controlling interests of Fondiarria-SAI in Milano Assicurazioni, indispensable to maintaining the requisites for the tax consolidation and the inter-group VAT liquidation procedure, Fondiarria-SAI has acquired, through equity loan operations at market conditions authorised by Isvap, the temporary availability of Milano Assicurazioni shares held by the subsidiary FONDIARIA NEDERLAND BV and SAI HOLDING ITALIA S.p.A., for a total holding of 2.47% of the share capital.

We also report that the Board of Directors of Immobiliare Lombarda, in the meeting held on February 26, 2008, examined, among other matters:

- The Offer documents approved by the Board of Fondiaria-SAI on February 19, 2008 and transmitted them to Consob on the same date, as well as made them available to Immobiliare Lombarda;
- The fairness opinion given by the financial advisor LEONARDO & CO. S.p.A. appointed by the Board of Directors of Immobiliare Lombarda.

On the completion of the examination of this documentation, the Board of Directors of Immobiliare Lombarda, in order to provide the shareholders of this latter and the market with all the necessary information to assess the Offer as well as its own valuation on the Offer, approved the communication pursuant to article 103, paragraph 3, of the Consolidated Finance Act and article 39 of the Issuers' Regulations. This communication, modified and integrated in accordance with the requests of Consob, was published as an attachment to the Offer document.

In particular, as announced to the market by Immobiliare Lombarda on February 26, 2008, the Board of Directors of Immobiliare Lombarda agreed with the following opinion of its financial advisor:

"... Leonardo & Co. S.p.A. is of the opinion that at the present date, the Payment of the Offer in terms of offer price and share swap with the Milano Assicurazioni shares, is not fair for Immobiliare Lombarda from a financial viewpoint.

However, for completeness of analysis, in order to provide the Board of Directors with all the necessary elements for a full appreciation of the financial conditions of the Offer, as well as the implicit share swap, the following matters should be taken into consideration:

- *Expected dividends: Against the Immobiliare Lombarda share price, whose profit estimates do not allow the forecast of the distribution of dividends in the short term period, also in consideration of the necessity of self financing by the Company of its development projects, the Milano Assicurazioni share price has a significant historical dividend yield, which has been in constant growth over the last 5 years and has good dividend prospects for the coming years. The share price also appears to be better value compared to shares of comparable companies; it in fact presents a price/earnings ratio of approx. 7.7, the lowest among listed Italian insurance companies.*
- *Immobiliare Lombarda share price: The prospects on the performance of the Immobiliare Lombarda share price are characterised by strong uncertainty related (i) to the general negative trend of real estate, and for which an expansive phase in the short/medium term period is not expected (ii) to the characteristics of the Immobiliare Lombarda real estate portfolio, with a strong project development component, which results in fluctuations of the share price more than proportional to the fluctuations in the real estate market (iii) to the fact that the current stock exchange performance incorporates the positive effects of the offer, rendering therefore uncertain the estimates of the performance of the share price at the end of the offer period;*
- *Liquidity of the Immobiliare Lombarda share price: Analysing volumes, quantities and prices over a 6-month period, the Immobiliare Lombarda share price has scarce "liquidity" (turnover ratio equal to 34.8%). The operation under examination would also result in a further contraction of the floating capital and therefore would render the sale of significant quantities on the market difficult without having a negative effect on the share price."*

On the examination of the second phase of the project, as described at the beginning, in the meeting of January 30, 2008 in which the launch of the Offer was approved, the Board of Directors of Fondiaria-SAI examined and approved the guidelines of the corporate/industrial reorganisation of the Fondiaria-SAI Group, which concerns the activities of some insurance companies belonging to the Group and the real estate activities managed by Immobiliare Lombarda.

The possibility was examined to undertake a restructuring of the non-listed companies of the Fondiaria-SAI Group with a direct commercial presence on the market concentrating the activities undertaken by SASA, SASA VITA and LIGURIA in Milano Assicurazioni through conferment/merger of these companies.

Specifically, the project provides:

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-emption right, in accordance with article 2441 of the civil code, fourth paragraph, for the parent company Fondiaria-SAI, to be paid through conferment in kind of the investments held by Fondiaria-SAI in excess of the 51% of the direct share capital held in Immobiliare Lombarda.

The above operations 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 then presented for approval to the relative extraordinary shareholders' meetings, which deliberated also on the evaluations made by the experts required by current regulations.

The operation is subject to authorisation by Isvap.

The industrial advantages which these operations will create are as follows:

- Rationalise the commercial presence of the entire Group in the market, in view of the numerous acquisitions made in recent years and the increased level of competition in the 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 holding of the assets from the strong expansion by external lines realised by the Group in recent years.

Within Milano Assicurazioni, there will be an even greater concentration of the coordination of the brands of the distribution networks of non-listed companies, with a direct commercial presence on the market in order to combine:

- The benefits deriving from the synergies/optimisation of the costs expected from the merger of SASA and SASA VITA and from the conferment of LIGURIA. With regard to LIGURIA, a conferment is preferable to a merger also due to the conditions contained in the purchase contract of this latter, agreed around two years ago;
- The competitive/organisational benefits from the application of SASA and LIGURIA of the know-how within Milano Assicurazioni in valuing the agency networks of the Group connected to matters in terms of brand and/or agency mandate and/or territorial presence;
- The maintaining of the commercial identity and of the appropriate autonomous operations in order to preserve the typical flexible approaches to the markets which characterises these companies and which has permitted a loyal agency network and achievement of excellent results in terms of premium growth.

The operations relating to SASA, SASA VITA and LIGURIA will therefore take place with the integration of the further conferment into Milano Assicurazioni of the direct investments held by Fondiaria-SAI in Immobiliare Lombarda in excess of 51% of the share capital. The realisation of this operation, as well as the further objective of delisting Immobiliare Lombarda on the successful outcome of the Purchase and Exchange Offer, will permit the Fondiaria-SAI Group to achieve greater efficiency compared to the current situation in the internal allocation of capital and of the risks and returns of the three principal business areas of Immobiliare Lombarda: *facility management, property management and project development*.

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%.

Also, the Board of Directors of Milano Assicurazioni, in the meeting of January 30, 2008, examined the industrial/corporate restructuring project mentioned above and approved the guidelines, emphasising also the strategic importance for Milano Assicurazioni and taking into account, in particular, that the operation would also permit Milano Assicurazioni to obtain the following additional benefits:

- Significant increase in the capitalisation of Milano Assicurazioni following the merger/conferment, with consequent improvement in the liquidity of the share and the re-rating of the share within the Midex;
- Increase of the consolidated premiums written by Milano Assicurazioni of approx. Euro 700 million without any financial investment by the Company and shareholders.

The Fondiaria-SAI Board of Directors' meeting of February 27, 2008 appointed KPMG 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 by the advisor chosen by them met with the management and the advisor, and discussed in detail the activities undertaken. This activity was undertaken in order to guarantee not only adequate and complete information, which could have been undertaken by only one advisor, but in particular so that the independent directors may, where considered appropriate, in the interests of the Company and in accordance with best market practices, would have a detailed exchange of opinion with their chosen advisor, including during the preparation of the opinion.

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 and corresponding to the central values from the application of the principal methods as set out by KPMG ADVISORY S.p.A.

The Board of Fondiaria-SAI also deliberated 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 the rights option, 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 the rights option, 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.

The extraordinary shareholders' meeting called to deliberate the two operations could be held, once authorisation has been approved by Isvap, in October 2008.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Commencement of a partnership with the GPA Group for the distribution of insurance products through the network of the CAAF.

Within the agreement with the controlling shareholder of the GPA insurance brokerage group for the development of an industrial partnership, Fondiaria-SAI acquired 10% of the share capital of the three principal companies of the Group GPA (GPA GROUP, MEDIORISCHI S.P.A., DOWNALL S.P.A.) at a total price of Euro 10 million.

The agreement provides that Fondiaria-SAI, as a shareholder of the GPA group and provider of Non-Life insurance products, develops, together with other insurance partners, the distribution of policies through the network of the CENTRAL TAX ASSISTANCE of the ITALIAN CONFEDERATION WORKERS' TRADE UNION (CISL), with which the GPA Group has established a joint venture.

The agreement, which draws on the extended network of the Tax Assistance Centres of the CISL (over 2,000 throughout Italy which assist 2.3 million subscribers, on a total of 4.4 million associates), through the professional capacity of the CAAF consultants intends to value the extensive knowledge of the client and their needs to define a specific targeted and personalised insurance product, with many benefits for the clients and the insurance companies. Through this and similar initiatives, the GPA Group expects total premiums brokered when fully operational of approx. Euro 700 million annually.

For the Fondiaria-SAI Group, the partnership with the GPA represents – in a period of progressive saturation of the market – an opportunity for further growth in the Non-Life classes through an innovative distribution strategy based on the “alternative” networks not in competition with the traditional networks of Fondiaria-SAI (agents/bank branches) which continue to remain strategic for the growth policies of the Group. The agreement will also permit Fondiaria-SAI to consolidate, with regard to that already undertaken, the volumes of the “traditional” activities undertaken in the insurance brokerage sector with the GPA Group.

OUTLOOK

The Fondiaria-SAI group is undergoing, since the beginning of the year, a period of profound transformation, following the approval of the corporate and industrial restructuring project, whose guidelines were approved by the Board of Directors of the Parent Company on January 30, 2008. The operation, already described in detail in the previous sections, has the objective to rationalise the commercial presence of the entire Group on the market, identifying a specific mission for the companies involved in the restructuring and valuing the assets from the external growth undertaken by the Group in recent years.

With particular reference to the Non-Life Division, during 2008 the actions programmed to improve the quality of the policy portfolio will continue, maintaining the levels of excellence which distinguish our company in the Motor TPL class, in order to achieve good financial returns in a context which we believe will continue to be characterised by a contraction of the premiums written following the introduction of legislative measures.

Further positive effects will derive from the “Auto Presto & Bene” project which is aimed at improving the service to clients and to containing the material damage costs, through the inclusion of the Company in the spare parts distribution chain, with the consequent creation of value.

In 2008, the specialist centres will be further reinforced, commencing from the transport sector and right through to the welfare sector, in which there are still areas of partnership possible between the public and private sector, with the capacity of this latter to satisfy the personalised and professional needs of the clientele.

In the Life Division the objective is to grow the inherent value of the portfolio acquired, through incentives for the sale of traditional annual and recurring premiums, to equilibrate the margins and to retain customer loyalty over the long-term period. The underwriting of securitisation products will be confined to the obtaining of appropriate profit margins.

Within the context of the turbulences on the international and financial markets, we will continue the particularly prudent investment strategies, thanks to the ability to combine secure results and astute financial choices which make the best of the market opportunities.

The limited period of time since the beginning of the year does not allow for definitive forecasts on the operational results for the entire year.

The economic and competitive environment is without doubt challenging, but the Group is capable of meeting these opportunities and challenges with success. Based on the results achieved to date, a cautious optimism remains however on the results of the year which, excluding non-recurring and currently unforeseen events, are expected to be satisfactory.

Milan, 13/05/2008

*For the
Board of Directors
The Chairman*

Jonella Ligresti

**DECLARATION IN ACCORDANCE WITH ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE
DECREE 24/02/1998, N. 58**

The undersigned Pier Giorgio Bedogni, as Executive Responsible for the preparation of corporate financial documents of Fondiaria-SAI S.p.A.

affirms

that pursuant to the provisions of article 154 bis of the “Finance Act for Financial Intermediaries” the accounting information contained in the Quarterly Report at 31/03/2008 corresponds to the underlying accounting documents, records and accounting entries.

Milan, 13/05/2008

*The Executive Responsible for the
the preparation of the corporate accounting documents*

Pier Giorgio Bedogni