2009 CONSOLIDATED FINANCIAL STATEMENTS

FONDIARIA-SAI S.P.A.

FONDIARIA-SAI S.P.A. – TURIN HEADQUARTERS – CORSO G. GALILEI, 12 – FLORENCE HEADQUARTERS – VIA LORENZO IL MAGNIFICO, 1 – SHARE CAPITAL € 167,043,712 FULLY PAID-IN – TAX, VAT AND TURIN COMPANY REGISTRATION OFFICE NO.: 00818570012 – AUTHORISED TO CARRY OUT INSURANCE ACTIVITIES IN ACCORDANCE WITH ART.65, LEGS. DECREE NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925.

5 YEAR OVERVIEW CONSOLIDATED

Euro/thousand

	2005	%	2006	%	2007	%	2008	%	2009	%
TOTAL PREMIUMS										
MOTOR TPL	4,210,494	44.30	4,307,043	43.18	4,190,572	35.27	4,048,099	35.18	3,910,836	31.78
NON-LIFE DIVISION	2,933,822	30.87	2,997,751	30.05	3,127,573	26.32	3,249,984	28.25	3,258,780	26.48
LIFE DIVISION	2,360,942	24.84	2,670,472	26.77	4,564,123	38.41	4,208,340	36.57	5,137,011	41.74
TOTAL	9,505,258	100.00	9,975,266	100.00	11,882,268	100.00	11,506,423	100.00	12,306,627	100.00
APE	-		244,410		402,757		379,158		464,863	
premiums relating to investment policies	717,752		882,541		171,982		297,452		51,814	
CLAIMS PAID and related charges	6,614,224		7,063,900		8,166,014		9,894,498		8,317,931	
GROSS TECHNICAL RESERVES										
UNEARNED PREMIUM RESERVE	2,490,917		2,567,470		2,621,820		2,696,189		2,730,646	
CLAIMS RESERVE	8,949,726		9,083,916		8,969,398		8,570,978		8,924,047	
OTHER TECHNICAL RESERVES	10,825		10,501		14,463		14,444		13,542	
LIFE TECHNICAL RESERVES	13,908,135		15,264,706		19,737,383		18,039,925		20,049,815	
TOTAL	25,359,603		26,926,593		31,343,064		29,321,536		31,718,050	
TECHNICAL RESERVES/PREMIUMS	266.8%		269.9%		263.8%		254.8%		257.7%	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	3,922,539		4,453,774		4,550,883		3,804,044		4,102,164	
NET PROFIT/(LOSS)	586,350		600,768		620,050		90,764		-391,513	
	4,508,889		5,054,542		5,170,933		3,894,808		3,710,651	
INVESTMENTS	30,065,020		33,812,476		38,020,751		33,437,833		34,215,873	
AVERAGE NUMBER OF EMPLOYEES OF THE GROUP	5,852		5,991		6,154		7,714		8,005	

MAIN EVENTS IN 2009

- **Acquisition of Atahotels, 29/05/2009**: Following the preliminary contract signed at the end of 2008 by Fondiaria-SAI and Milano Assicurazioni for the purchase from Sinergia Holding di Partecipazioni S.p.A. and Raggruppamento Finanziario S.p.A. of 100% of Atahotels S.p.A., on 29/5/2009 the purchase operation was finalised for a total amount of Euro 25 million, respectively for a holding of 51% and 49% in Atahotels.

- **Shareholding in IGLI S.p.A., 11/06/2009**: Fondiaria-SAI S.p.A. signed an agreement for the supplementation and renewal until 12/6/2010 of the shareholder pact signed on 8/3/2007 and renewed on 12/3/2008 in relation to the holding in IGLI S.p.A., a company which holds 29.96% of the ordinary share capital of Impregilo S.p.A., listed on the MTA segment of the Italian Stock Exchange. The agreement relates to the governance of IGLI S.p.A., as well as the rights deriving from the shareholding of IGLI S.p.A. in Impregilo S.p.A.

- **Reorganisation of the activities of Immobiliare Lombarda S.p.A., 17/06/2009:** The Board of Directors of Fondiaria-SAI S.p.A. and of Milano Assicurazioni S.p.A. approved the guidelines for the reorganisation of the activities of Immobiliare Lombarda S.p.A., a company entirely held by Fondiaria-SAI (60.98%) and Milano Assicurazioni (39.02%).
  This operation - concluding the final phase of the corporate-industrial restructuring project approved and announced to the market in January 2008 and begun with the takeover bid which resulted in the delisting of Immobiliare Lombarda – allocated the majority of assets and related liabilities of the Company directly to the shareholder Insurance Companies, through a partial non proportional spin-off of Immobiliare Lombarda into two newly incorporated companies.

- **Presentation of the 2009 - 2011 Industrial Plan**: in October, the 2009-2011 Group Industrial Plan was presented to the Financial Community. For further details reference should be made to the relevant section.

- **Valuation project of the real estate portfolio, 15/10/2009**: the Board of Directors of Fondiaria-SAI S.p.A. and of Milano Assicurazioni S.p.A. on October 15, 2009 unanimously approved an operation concerning the valuation of the property portfolios of the Insurance Companies.
  The operation was carried out through the conferment of a number of the properties owned by Fondiaria-SAI and Milano Assicurazioni to a newly constituted non-speculative closed real estate fund, with a duration of 10 years, reserved for institutional investors and created and managed by the third party company FIMIT SGR S.p.A., the "Rho Fund".
  The operation seeks to improve the Group's capital ratios, through a reduction of the real estate component within the overall investment portfolio, thereby also improving the Group's liquidity profile.

- **Transfer of the Fondiaria-SAI S.p.A. headquarters:** on December 21, 2009, the transfer of the headquarters of Fondiaria-SAI S.p.A. to Corso Galileo Galilei 12, Turin became effective, approved by the Board of Directors on November 9, 2009. The change in the headquarters, being a logical natural alternative to the city of Florence, forms part of the vision of the Group as a multi-polar structure which will continue to operate from the offices of Turin, Florence, Milan, Genoa and Trieste, acting as an institutional leader in the respective regional areas and will not have an effect on client management activities, which will retain their usual agents.

- **Agreement for the mutual resolution of the partnership in Bipiemme Vita:** Milano Assicurazioni S.p.A. and Banca Popolare di Milano S.c.ar.l., on December 23, 2009 mutually agreed the winding-up of the partnership in the bancassurance sector signed in 2005.

NEW INSURANCE PRODUCTS

Non-Life Division

- Launched by the Parent Company in January 2009, “Retail Più Casa Smart” is a system of guarantees which responds to the principal domestic security needs at a contained cost.

- As part of the review of the Transport Class policies, from January 2009 a new Group product called “Fatturato Industriale – Assicurazione dell’Azienda Industriale o Commerciale” (“Industrial Revenues – Insurance for Industrial or Commercial Companies”) was launched.

- In March 2009, the Parent Company launched the new accident policy focused on families named “Retail Più Infortuni Smart”.

- As part of the review of the health products, from April 2009 new versions were available at Group level of “Sanicard Salute” (“Sanicard Health”) and “Sanicard Rinnovo Garantito” (“Sanicard Renewed Guarantee”).

- Launched by the Parent Company in November 2009, “Retail Più Casa Classic” is a policy for the protection of the home, its contents and people who lives or works there.

- During the year, restyling activities of the Traffic Accident products began at Group level which allow for a “Ritiro Patente” (“License Loss”) guarantee to update the contents in line with the further regulations introduced by ISVAP Regulation No. 29 about the classification of risks.

- In June 2009, the “Commercio” product was created and launched, the first product of the Classic Line, upon which the new strategies were drawn up, both in the provision of products and in the drawing up of insurance solutions (tariffs, issuing programmes and language). In accordance with the mission of this product line, a client tailor-made contract was introduced, maintaining a price level in line with the products replaced.

- Following the important commercial agreements signed between Fondiaria-SAI S.p.A. and OCTO Telematics Italia S.r.l., on December 1, 2009, the “GPS Tariff Convention” started which unites the successful Nuova 1 GLOBAL insurance solution with the significant experience of a leader in the satellite radar location sector.

Life Division

- From February 11, 2009, the Group Individual Life product range was improved with a new annual premium product called “Open Bravo” aimed at a very wide target market - all family members in which at least one child/grandchild is aged between 0 and 12, offering the client the possibility to provide tangible benefits to children when they become adults.

- From 16/2/2009 and for a placement period concluded on 16/3/2009, at Group level a new product called “Valore Certo” (”Certain Value”) was available to Customers (only for individuals).

- On 05/05/2009, a new index product was launched called “Valore Sicuro”.

- Within a particularly unstable economic environment, the “Vita Individuali” offer was enhanced with a new product called “Open Assicurato”.

2009 CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE BOARDS FONDIARIA-SAI S.p.A.

THE BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Jonella Ligresti*	*Chairman*
Giulia Maria Ligresti *	*Vice Chairman*
Massimo Pini *	*Vice Chairman*
Antonio Talarico *	*Vice Chairman*
Fausto Marchionni *	*Chief Executive Officer - General Manager*
Andrea Broggini	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti *	
Lia Lo Vecchio	
Valentina Marocco	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Sergio Viglianisi	
Alberto Marras	*Secretary of the Board and the Executive Committee*

THE BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino	*Chairman*
Marco Spadacini	*Statutory Auditor*
Antonino D'Ambrosio	*Statutory Auditor*
Maria Luisa Mosconi	*Alternate Auditor*
Alessandro Malerba	*Alternate Auditor*
Rossella Porfido	*Alternate Auditor*

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Fausto Marchionni

EXEUCTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

** Members of the Executive Committee*

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

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a 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 principles of correct conduct in relation to inter-group transactions and those with related parties approved by the Board of Directors' meeting of December 16, 2009 - the exclusive competence to the Board of all deliberations in relation to inter-group transactions and those with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

The Board of Directors was appointed by the Shareholders' Meeting of April 24, 2009. In 2009, Mr. Oscar Zannoni passed away.

ISVAP ruling of February 18, 2010 declared the ineligibility of Ms. Giulia Maria Ligresti and Ms. Maria Luisa Mosconi for the offices held, respectively, of director and alternate auditor, as such offices come under the restrictive remit of article 3, paragraph 4 of Ministerial Decree No. 186/1997 and article 45 of ISVAP Regulation No. 10/2008, in that the named individuals hold the offices, respectively, of director and statutory auditor in a company (not part of the Fondiaria-SAI Group) which has been placed into compulsory administrative liquidation.

The Boards of Directors' of the Company did not declare such ineligibility on the basis that the above-stated regulations had been suspended by order of Lazio Regional Administrative Court ruling of November 27, 2009 and in consideration of consistent and repeated rulings which previously annulled or suspended such regulations in their application to listed companies or those involved in the banking and financial sectors.

The interested parties immediately presented an appeal to the Lazio Regional Administrative Court for the suspension of the ISVAP ruling and therefore of the regulations, which, as stated above, have already been effectively suspended by the Court.

The President of section III-ter of the Lazio Regional Administrative Court with ruling of March 5, 2010, stating the existence of extremely serious and urgent regulatory requirements, provisionally suspended the effects of the said acts until the meeting fixed for March 25, 2010.

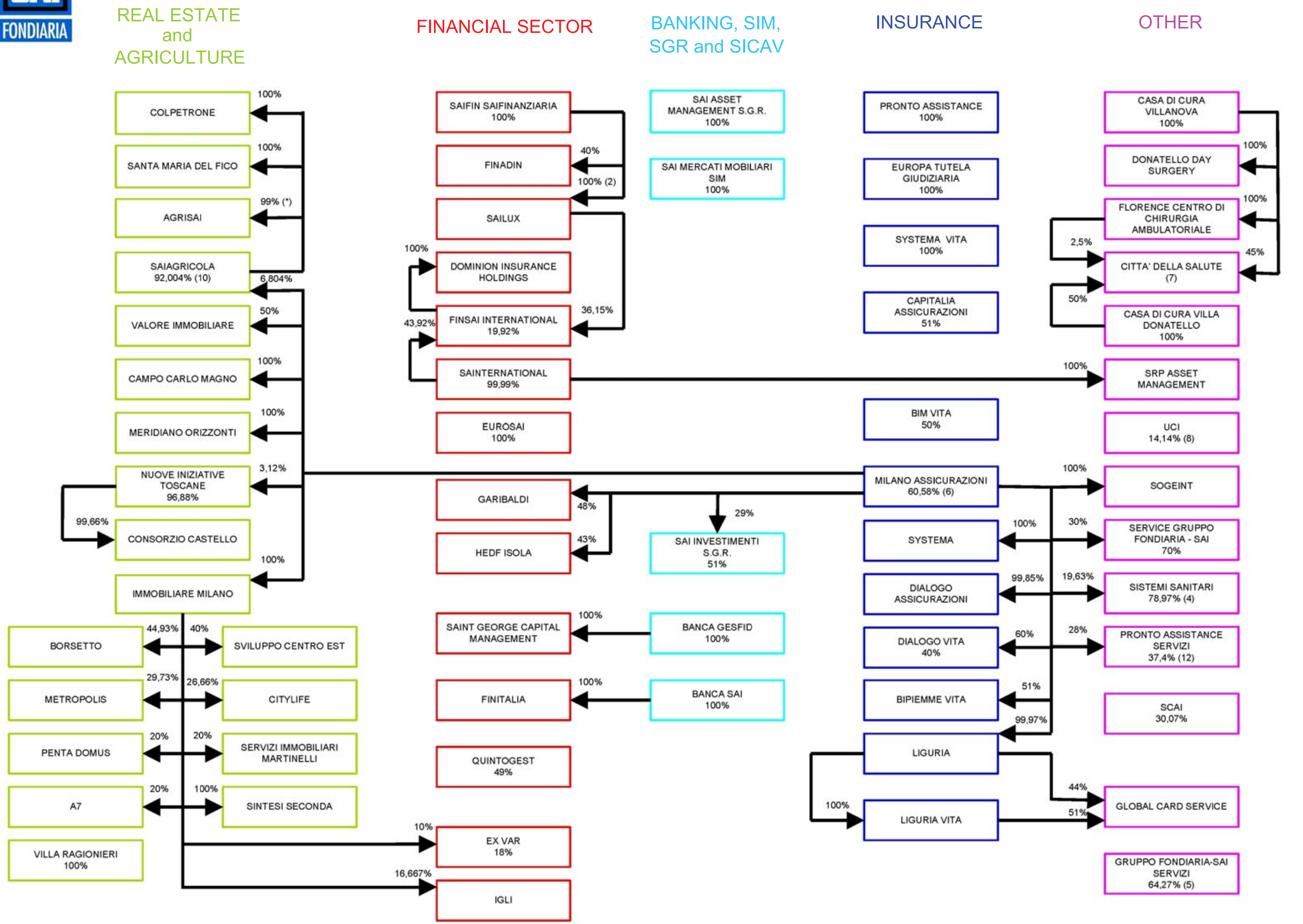
With ruling of March 25, 2010, the Lazio Regional Administrative Court – section III-ter – accepted the demand for suspension of the provisions presented by the petitioner.

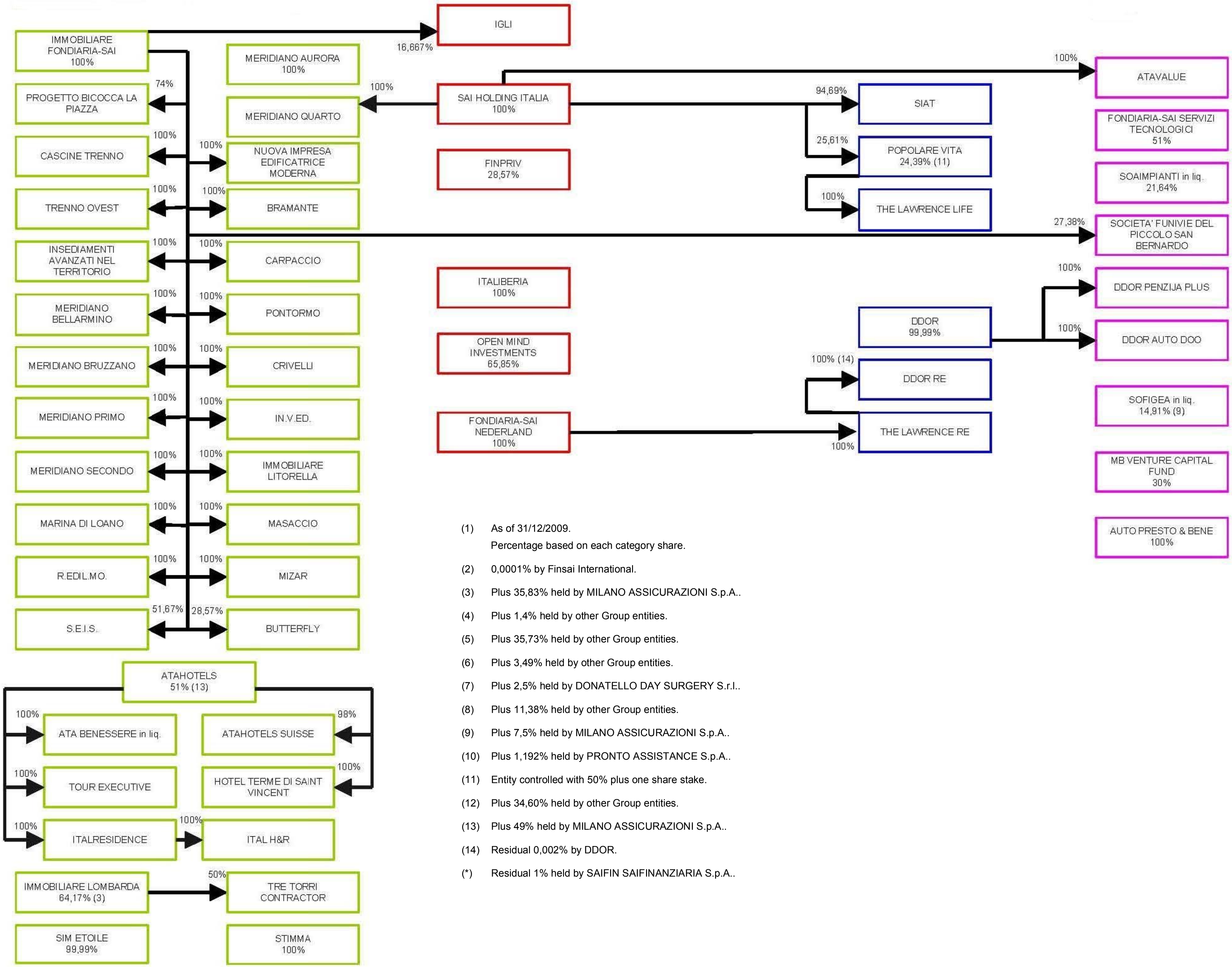
Following that stated above, Ms. Giulia Maria Ligresti was reinstated as Director and Vice Chairperson of Fondiaria-SAI , while Ms. Maria Luisa Mosconi was reinstated as an Alternate Auditor of Fondiaria-SAI.

The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2011.

SUBSIDIARY AND ASSOCIATED COMPANIES AND OTHER SIGNIFICANT HOLDINGS

GROUP STRUCTURE (1)





(1) As of 31/12/2009.
Percentage based on each category share.

(2) 0,0001% by Finsai International.

(3) Plus 35,83% held by MILANO ASSICURAZIONI S.p.A..

(4) Plus 1,4% held by other Group entities.

(5) Plus 35,73% held by other Group entities.

(6) Plus 3,49% held by other Group entities.

(7) Plus 2,5% held by DONATELLO DAY SURGERY S.r.l..

(8) Plus 11,38% held by other Group entities.

(9) Plus 7,5% held by MILANO ASSICURAZIONI S.p.A..

(10) Plus 1,192% held by PRONTO ASSISTANCE S.p.A..

(11) Entity controlled with 50% plus one share stake.

(12) Plus 34,60% held by other Group entities.

(13) Plus 49% held by MILANO ASSICURAZIONI S.p.A..

(14) Residual 0,002% by DDOR.

(*) Residual 1% held by SAIFIN SAIFINANZIARIA S.p.A..

OTHER RELEVANT HOLDINGS (1)

FINANCE and BANKING INDUSTRY

RCS
5.462 % (2)

GEMINA
4.185 %

MEDIOBANCA
3.835 % (3)

PREMAFIN
6.717 % (4)

BANCA INTERMOBILIARE
2.019 % (5)

OTHER

PIRELLI & C.
4.482 % (6)

AEROPORTO DI FIRENZE
2.053 %

ALERION
3.409 % (7)

(1) As of 31/12/2009
Percentage based on each category share.

(2) Directly 2.243% and indirectly 3.219%.

(3) Directly 3.142% and indirectly 0.693%.

(4) Directly 4.469% and indirectly 2.248%.

(5) Directly 1.86% and indirectly 0.16%.

(6) Directly 4.454% and indirectly 0.028%.

(7) Directly 1.5% and indirectly 1.909%.

2009 Directors' Report

Introduction

In a market severely impacted by the financial crisis and the recession, the pervasive uncertainty has not allowed the Group to reflect its fundamental values.

The particularly difficult situation, affected by both structural and extraordinary issues, hit all sectors, affecting our Policyholders, particularly in relation to the management of their finances. With the contraction in consumption, the development of solutions based upon security and income guarantees are the current focus of our market.

The difficult situation within the Non-Life Classes, whose technical performance in 2009 progressively deteriorated, along with the impact of the tragic earthquake in Abruzzo in April last and other exceptional natural phenomena in the year are also highlighted. In relation to the Motor Sector, the negative technical performances were heavily affected by physical injuries, as well as problems arising in certain regions.

This led the Group to undertake important initiatives to protect profitability in order to meet the challenges in 2010 with greater confidence and a more prudent approach with regard to industrial management. The planned measures will optimise the risk profile of the Fondiaria SAI Group, balancing the asset allocation of investments and maintaining a solid capital structure. The objective is to continue to be the retail insurance leader and the first choice partner of successful insurance brokers, while also proving to be a sound investment opportunity for shareholders.

OPERATIONAL PERFORMANCE

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

In relation to the Bank of Italy/CONSOB/ISVAP Document No.4 of March 2010 issued by the Joint Table in relation to the application of the IAS/IFRS principles for "Years 2009 and 2010 – Information to be provided in the financial reports on the establishment of a reduction in value of assets (impairment test), on contractual clauses of financial debt, on debt restructuring and on the "Hierarchy of fair value", the following issues are highlighted. The Group has always sought to offer the best financial communication possible and, to this end, in consideration of the increasing complexity of financial statements on the one hand and the obvious significance of the current "particular" market situation on the other, an extensive re-examination of such disclosure is provided, in order to improve its usefulness, providing detailed information on the matters of greatest significance. In compliance with the initiative of Bank of Italy, CONSOB and ISVAP, the disclosure requirements have been fully respected.

Consolidated Income Statement

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Net premiums	11,888,742	11,153,553	735,189
Net charges relating to claims	11,872,025	8,965,047	2,906,978
Net commissions	32,425	56,708	(24,283)
Net income from investments	563,244	764,636	(201,392)
Net Income from financial instruments recorded at fair value through profit or loss	906,125	(341,548)	1,247,673
Management expenses	1,910,631	1,948,428	(37,797)
Other income and charges	(133,015)	(545,382)	412,367
Profit/(loss) before taxes	**(525,135)**	**174,492**	**(699,627)**
Income taxes	(132,940)	83,728	(216,668)
Net Profit/(loss)	**(392,195)**	**90,764**	**(482,959)**
Profit from discontinued operations	**682**	**-**	**682**
Consolidated profit/(loss)	**(391,513)**	**90,764**	**(482,277)**
Minority interest profit/(loss)	**(48,920)**	**3,355**	**(52,275)**
Group profit/(loss)	**(342,593)**	**87,409**	**(430,002)**

The key consolidated results were as follows:

- The **consolidated result** was a loss of Euro 392 million, of which Euro 49 million relates to minority interests. The significant deterioration principally stems from the Non-Life Division which was affected by the negative performance of current generation claims and the need to strengthen the previous year reserves.
  The unfavourable performance was not offset by net investment income, due to lower interest rates and a significant decrease in dividends from investments. The consolidated result includes the gains to be realised deriving from the conferment of property to the newly incorporated Rho Fund, with a positive effect, gross of taxes, of Euro 86 million;
- The **overall technical performance in the insurance sectors** saw a fall in premiums written in the Non-Life sector (-1.8%) and growth in the Life sector (22.1%), principally due to the contribution of the bancassurance channel and in particular the subsidiaries Popolare Vita and Lawrence Life, although with the deconsolidation of Bipiemme Vita (considered as a discontinued operation). For an analysis of the performance of the premiums written reference should be made to the comments on the insurance sectors;
- The **Non-Life Division** reports a pre-tax loss of Euro 498 million (profit of Euro 315 million in 2008). The segment technical account, recorded based on traditional reporting statements, reports a loss of approx. 620 million (profit of Euro 0.8 million in 2008). The strongly negative performance was due to the worsening of the current generation claims related to the fall in premiums in the Motor classes and the need to strengthen the previous year reserves.
  The impact of the cost structure remains significant as does the effect of the long-term commissions capitalised in previous years.
- The **Life Division** reports an increase in premiums of 22% due to the higher contribution from the bancassurance channel. The result for the sector includes Euro -4 million (Euro 27 million in 2008) deriving from the application of the shadow accounting which permitted, although in compliance with the minimum guarantees, the recognition of part of the value adjustments of the policyholders against the insurance liabilities. The pre-tax profit was Euro 85 million (loss of Euro 59 million in 2008). The loss in 2008 included two extraordinary events – the income of Euro 29 million deriving from the sale of Po Vita and the significant charges following the write-down of Lehman securities in portfolio;
- the **real estate sector** reports a pre-tax loss of Euro 95 million compared to a loss of Euro 70 million in 2008. The loss was impacted by the valuation at equity of the associated company IGLI S.p.A., which in turn holds 29.9% of Impregilo S.p.A.
  Considering the continued poor stock market performance of the indirect subsidiary Impregilo compared to the implicit carrying value in IGLI, it was considered necessary to re-determine the unitary value, recording a write-down in the sector income statement of over Euro 55 million.
  The lack of significant operations to be realised and impairments of Euro 13 million contributed to this loss;
- The **Other Activities sector,** which includes the companies operating in the financial and asset management sectors, report a pre-tax loss of Euro 15 million (loss of Euro 11 million in 2008). Although Banca Gesfid reported a profit and BancaSai break-even for the year, the result was impacted by the full consolidation of the Atahotels Group with a loss of approx. Euro 18 million;

- The **gross technical reserves** amounted to Euro 31,718 million (Euro 29,322 million in 2008). The ratio between the total technical reserves and the total premiums issued was 257.7% (254.8% in 2008). This ratio was 162.7% in the Non-Life sector (154.6% in 2008);
- The total **management expenses** amounted to Euro 1,911 million (Euro 1,948 million in 2008). In the Non-Life sector these expenses, net of those strictly related to the management of the investments, amounted to Euro 1,552 million and represent 21.6% of the premiums (22.0% in 2008), while in the Life sector the total amount of the expenses was Euro 253 million and accounted for 4.9% of premiums (5.8% in 2008). Management expenses of the Non-Life Division continued to include, also in 2009, the amortisation effect of the residual long-term commissions capitalised in the years prior to 2008. The total effect of the change in long-term commissions was Euro 76 million;
- The **net commissions** for financial services amounted to Euro 32 million compared to Euro 57 million in 2008;
- **Net income from financial instruments recorded at fair value through profit and loss** amounted to Euro 906 million (net charge of Euro 342 million in 2008). This account includes the net income from financial assets where the risk is borne by the policyholders and the management of pension funds. Contributing to this result was a profit of Euro 857 million (loss of Euro 520 million in 2008) of net income relating to contracts where the risk is borne by the policyholders. These amounts are offset by similar negative changes in the commitments towards policyholders;
- **Net income (charge) from investments in subsidiaries, associates and joint ventures** was a charge of Euro 69 million. The equity valuation of the holding in IGLI S.p.A. with a charge of Euro 55 million is included in this account;
- Excluding the contribution of the net income deriving from financial instruments at fair value through the profit and loss and interest expense, **the total net income from investments**, including income from investments in subsidiaries, associates and joint ventures (loss of Euro 69 million), amounted to Euro 563 million (Euro 765 million in 2008).

  Interest income contributed Euro 766 million, other net income Euro 93 million, net gains to be realised Euro 91 million and valuation losses, net of the relative revaluations, Euro 215 million, in addition to interest expense of Euro 103 million;
- **Other revenues and costs** amounted to a net charge of Euro 133 million (charge of Euro 545 million in 2008). This balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties and provisions for risks and charges. The account includes amortisation and depreciation on intangible and fixed assets totalling Euro 81 million (Euro 108 million in 2008).

  The improvement is due to the utilisation, during 2009, of Euro 150 million relating to the provision made in the previous year by the subsidiary Popolare Vita against restructuring charges of the index linked policies with underlying securities of Lehman Brothers, charges whose amount became certain only in the first part of the present year. The counter-entry to this amount is the write-down to the recovery rate estimated by the Group of the Lehman securities to service the above-mentioned index policies, whose effects were already prudently recorded in 2008 through the accrual in the afore-mentioned provision;

- **Income taxes** result as positive amount of Euro 133 million and includes the positive effect for the Parent Company and Milano Assicurazioni, through the possibility afforded under article 1, paragraph 48 of Law 244/07 to re-align the book and tax values of the goodwill recorded, with a positive effect of approx. Euro 12 million on income taxes in the year.
  In addition, deferred tax income is recorded on the negative pre-tax result which will be reabsorbed in the coming years;
- The **net equity** amounts to Euro 3,711 million (Euro 3,895 million in 2008) and the Group share amounts to Euro 2,716 million (Euro 2,935 million in 2008);

Comprehensive Income Statement

With EU Regulation No. 1247 of 17/12/2008 a new version of IAS 1 was published. The new version continues the convergence with US accounting principles; in particular it includes the introduction of an income statement more related to the Anglo-Saxon basis of "comprehensive income". The comprehensive income statement also includes equity movements not reflected in the income statement.

In relation to this ISVAP issued Instruction No. 2784 on March 8, 2010 which modified Regulation No.7, establishing among others an obligatory Comprehensive Income Statement, which is summarised below:

(in Euro thousands)	**31/12/2009**	**31/12/2008**
Consolidated Profit/(loss)	(391,513)	90,764
Other items of the Comprehensive Income Statement	359,237	(913,929)
Total Comprehensive Income Statement	**(32,276)**	**(823,165)**
of which:		
Group	(52,863)	(686,545)
Minority interest	20,587	(136,620)

The above statement is affected in a significant manner by the sock market performance of the available for sale financial instruments.
The comparison between December 2009 and December 2008 shows a significant improvement in the "other comprehensive income statement components". The improvement is almost entirely related to the change in the fair value of financial instruments, net of the amounts to policyholders and of the related tax charges.

Premiums Written

The consolidated premiums written amounted to Euro 12,306.7 million compared to Euro 11,506.4 million in 2008, realising an increase of 6.96%.

The results are summarised in the table below:

(in Euro millions)	**31/12/2009**	**31/12/2008**	**Change %**
DIRECT PREMIUMS			
Non-Life Division	7,1612	7,287.6	(1.73)
Life Division	5,135.6	4,206.5	22.09
Total direct premiums	12,296.8	11,494.1	6.98
INDIRECT PREMIUMS			
Non-Life Division	8.5	10.5	(19.05)
Life Division	1.4	1.8	(22.22)
Total indirect premiums	9.9	12.3	(19.51)
TOTAL	**12,306.7**	**11,506.4**	**6.96**
of which:			
Non-Life Division	7,169.7	7,298.1	(1.76)
Life Division	5,137.0	4,208.3	22.07

Segment Income Statement

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector	
		2009	2008	2009	2008
1.1	Net premiums	6,779,939	6,967,990	5,108,803	4,185,563
1.1.1	*Gross premiums*	*7,131,032*	*7,284,746*	*5,137,011*	*4,208,340*
1.1.2	*Premiums ceded to re-insurers*	*-351,093*	*-316,756*	*-28,208*	*-22,777*
1.2	Commission income			23,258	43,163
1.3	Income and charges from financial instruments at fair value through profit or loss statement	*81,249*	209,615	818,083	-551,147
1.4	Income from investments in subsidiaries, assoc. & joint ventures	*9,326*	2,431	309	29,802
1.5	Income from other financial instruments and property investments	360,678	598,869	663,927	709,672
1.6	Other revenues	366,438	177,556	202,186	64,515
1	**TOTAL REVENUES AND INCOME**	**7,597,630**	**7,956,461**	**6,816,566**	**4,481,568**
2.1	Net charges relating to claims	-5,670,887	-5,184,320	-6,201,138	-3,780,727
2.1.2	*Amounts paid and changes in technical reserves*	*-5,929,786*	*-5,324,134*	*-6,225,959*	*-3,802,470*
2.1.3	*Reinsurers' share*	*258,899*	*139,814*	*24,821*	*21,743*
2.2	Commission expenses			-20,676	-14,693
2.3	Charges from investments in subsidiaries, assoc. & joint ventures	-14,881	-1,177	-308	
2.4	Charges from other financial instruments and property investments	-277,099	-353,274	-141,468	-198,124
2.5	Management expenses	-1,560,074	-1,613,783	-257,984	-255,279
2.6	Other costs	-573,102	-489,056	-110,113	-291,894
2	**TOTAL COSTS AND CHARGES**	**-8,096,043**	**-7,641,610**	**-6,731,687**	**-4,540,717**
	PROFIT/(LOSS) BEFORE TAXES	**-498,413**	**314,851**	**84,879**	**-59,149**

	Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
1.1	0	0	0	0	0	0	11,888,742	11,153,553
1.1.1							12,268,043	11,493,086
1.1.2							-379,301	-339,533
1.2			52,155	48,501	-4,727	-2,345	70,686	89,319
1.3	-2,421	-1	9,214	-15	0	0	906,125	-341,548
1.4	3,616	5,694	2,439	135	-1,478	0	14,212	38,062
1.5	53,953	45,966	82,047	124,429	-29,649	-65,164	1,130,956	1,413,772
1.6	154,841	133,099	617,346	300,423	-658,534	-215,201	682,277	460,392
1	**209,989**	**184,758**	**763,201**	**473,473**	**-694,388**	**-282,710**	**14,692,998**	**12,813,550**
2.1	0	0	0	0	0	0	-11,872,025	-8,965,047
2.1.2							-12,155,745	-9,126,604
2.1.3							283,720	161,557
2.2			-17,585	-17,918			-38,261	-32,611
2.3	-66,236	-5,617	-2,115	-442			-83,540	-7,236
2.4	-60,172	-98,710	-41,187	-89,856	21,542	60,002	-498,384	-679,962
2.5	-1,189	-468	-299,352	-78,898	207,968		-1,910,631	-1,948,428
2.6	-177,725	-150,047	-417,753	-297,485	463,401	222,708	-815,292	-1,005,774
2	**-305,322**	**-254,842**	**-777,992**	**-484,599**	**692,911**	**282,710**	**-15,218,133**	**-12,639,058**
PROFIT/(LOSS) BEFORE TAXES	**-95,333**	**-70,084**	**-14,791**	**-11,126**	**-1,477**	**0**	**-525,135**	**174,492**

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2009

International economic overview

In 2009, the Organisation for Cooperation and Economic Development (OECD) data reports a contraction in the countries belonging to the area of 3.4% - the first annualised drop since the statistics began in 1960. The GDP of the OECD Area grew by 0.8% seasonally adjusted in the fourth quarter, after an increase of 0.6% in the previous quarter. The general consensus is that the noted turbulence on the real estate, financial and commodities markets is easing, allowing for a recovery - although the fragile situation remains and the recovery is proceeding at different speeds in the various regions. In particular in relation to the industrialised countries, recovery is slow and based on the support policies implemented by the various Governments, while for the emerging economies the recovery appears stronger.

For the next two-year period, the World Bank has estimated growth of 2.7% in 2010 and 3.2% in 2011, after a drop of 2.2% in 2009.

USA

The OECD data shows growth of 1.4% in the fourth quarter of 2009. With the exception of the United States, where the annual GDP grew by 0.1%, all of the G7 economies have seen a drop in GDP.
In the second half of February 2010, the Fed increased the discount rate - the rate at which banks obtain money for “overnight loans”- by 0.25%: from 0.50% to 0.75%. The Fed Funds (the official rate for the exchange of liquidity) remains however between 0 and 0.25%. The increase in the discount rate is a small signal of the normalisation of monetary policy. The unemployment rate in the US in January showed signs of modest recovery, with unemployment falling from 10% in December 2009 to 9.7%, but with approximately 20 thousand jobs lost.

Asia and Japan

Although remaining the second largest global economy, in 2009 Japanese GDP (with a nominal value of USD 5,075 billion) suffered a record decrease of approximately 5%, despite growth of 1.1% in the fourth quarter on the previous quarter.
In China, GDP grew 10.7% in the fourth quarter of 2009, with annualised growth of 8.7% and industrial production grew by 18.5% in December 2009. The International Monetary Fund believes that the recovery will be driven in the coming months by the Asian countries, in particular China, which with USD 4,900 billion at the end of 2009, follows Japan in the list of largest world economies. The Chinese economy is the motor for all of the East Asian region, with estimated growth in 2010 of 10%, allowing therefore the Chinese Government to begin a withdrawal of the monetary stimuli, implementing a re-equilibrium policy.

Euro Area

According to the OECD data, in Q4 2009 the Euro Zone GDP grew by a modest 0.1% after an increase of 0.4% in Q3, but overall a decrease of 4% annually (considering the 16 member countries) and 4.1% (considering all 27 EU countries). The best performances were in France (-2.2% in 2009, +0.6% in Q4 on Q3), the United Kingdom (respectively -3.2%, +0.1%), Spain (respectively -3.6%, -0.1%), and Germany (respectively -5%, unchanged).
France and Germany however revised GDP growth estimates for 2010, both forecasting +1.5% on 2009.
In February 2010, the Board of the European Central Bank maintained the Euro Zone interest rate at 1%, the lowest level since the creation of the Bank.

In relation to the Motor sector, in all of Europe (27 member states) in January 2010 the market grew by 12.9% on the same month of 2009, with a total of 1,085,894 new vehicle registrations compared to 961,336 in January 2009. The growth in the market is principally due to the implementation of incentive schemes in some Western European countries: in this geographic area, the increase in fact was 15.7%.
Among the countries with the best performances on January 2009 we highlight: Portugal (+62.1%), France (+14.3%), Spain (+18.1%), the United Kingdom (+29.8%) and Italy (+30.2%). The opposite trend was seen in Germany (-4.3%).

Greece

In relation to Greece, at the end of 2009 the GDP deficit doubled (12.7%, nearly at the same level as Ireland) on that declared by the previous Government and which in January was only at 3.7%, with a consequent increase in the spread for Government securities. According to the Standard & Poor's rating agency, the Greek public debt could reach 125% of GDP by the end of 2010. The fears within the banking and finance sectors are for a possible default risk within the other Euro Zone countries experiencing the greatest difficulties.
Greece must therefore implement "austerity measures" from every angle possible, cutting 400 b.p. from the GDP Deficit, reducing it to 8.7% by the end of 2010. It is also expected that by March 2010 the Government will announce to the market if and how it intends to meet this objective.
At the time of writing, a package of additional measures to reduce the deficit by Euro 48 billion have been approved, achieved both through cutting expenses and increasing taxes.

The Italian economy

At the end of 2009, Italian GDP decreased by 5%, the worst result recorded by ISTAT since the beginning of records in 1971. The GDP Deficit consequently stood at 5.3%, while the primary balance was -0.6% of GDP, the worst figure since 1991. The Bank of Italy estimated a Debt/GDP ratio of 115.8%.
In 2009, Italian industrial revenues dropped by 18.7% on 2008. ISTAT reports this as the worst drop since 2000. In December alone however orders and revenues increased respectively by 1.9% and 4.7% on the previous month. In particular, the automobile market recorded a strong increase in revenues (+23.2%) and orders (+31.5%) in December on an annual basis. Although improving slightly, the economic environment remained quite difficult.

In 2009 the trade balance reported a deficit of Euro 4,109 billion, with a strong reduction compared to Euro 11,478 billion in 2008. According to Istat, exports dropped by 20.7% while imports decreased by 22%: the worst figures since 1970.
The employment market, hit by an increase in the unemployment rate to 7.8% in Q3 2009, impacted upon consumption and investments which remain weak (despite the recovery in the third quarter). The drop in the number of employed persons translated into a fall in disposable household income, while future uncertainty led to a lower degree of general expenditure.

Inflation rose slightly in December 2009, with the consumer price index increasing by 0.2% on November 2009 and 1% on December 2008. Growth estimates for 2010 contained in the Economy Ministry Forecast Report were 0.7%, in line with recent Bank of Italy estimates.

Expectations in 2010 are for a year of gradual normalisation of market interest rates, when the economic signals should demonstrate themselves to be able to facilitate monetary tightening without further weakening the still fragile economic recovery. It is likely that 2011 will be the turning point, both in terms of sustained growth and the normalisation in the official rates by the Central Banks, thanks to a simultaneous withdrawal of the fiscal policies and unemployment levels gradually reducing.

The insurance sector

2009 saw some particularly significant shifts, such as the deterioration of the Non-Life Classes, the loss in margins for the Motor TPL class and the recovery of the Life segment. The Q3 reports of the major listed insurance groups reported results which although slightly positive had reduced due to the lower investment income both from the Non-Life as well as the Life divisions, in addition to the deterioration in the technical result. Fortunately however, thanks in part to the very stringent investment regulations in Italy, the balance sheets of Italian insurance companies are significantly stronger than other countries.

The results of the tests carried out by the Supervision Authority in the second half of 2009 in order to establish the effects on the sustainability of the financial guarantees given by companies and the trend in net inflows, based on a continuing recessionary environment, showed market solvency levels - despite the extremely difficult scenario - that would remain above the legal minimum levels.

The impact on the insurance business was greatest in 2009 although separated management and life business grew - the true drivers of the recovery in the sector. In 2009, following the rise in share prices, the decrease in interest rates and the reduction in volatility on the markets, the decline in Life premiums since 2006 finally ended, with a Class I which, representing 70% of the total portfolio mix, led the recovery in the segment, also thanks to capital protection and guaranteed minimum yield. Overall, the insurance market developed positively, thanks to the return of significant growth in the Life Classes, although concentrated upon the products which guarantee the contracting party capital and/or minimum yield (indicating a clear desire for security by the client) and negatively with the continuation of under insurance, remaining behind the principal European insurance markets, although the Italian market remains the fourth largest.

The ratio between insurance premiums and GDP confirms the chronic under insurance in Italy: little over 1% in Italy, more than double in France, and nearly three times in Germany and Great Britain. The differential decreases if the Motor TPL compulsory sector is considered, in which, due to the high amount of claims the national tariffs are on average higher than other European countries. With particular reference to the Non-Life segment, a disequilibrium within the portfolio continues, concentrated in the Motor TPL segment. At European level, Italy is the first in this segment, while only number six in the other Non-Life Classes (behind, in addition to the UK, France and Germany, also Holland and Spain).
Italian insurance although overcoming the turbulence in the financial markets suffers from structural problems relating to compulsory insurance. After years of positive technical performances, the Motor TPL sector has begun to record losses principally due to the higher claims costs and the increase of fraud: fraud is a recurring problem in periods of crisis and recession.

The Motor segment recorded a poor performance in 2009 (for further details reference is made to the Non-Life Sector). Prometeia estimated that in 2010 the crisis may increase fraud, typical in periods of recession, while the frequency is forecast to remain substantially stable. Due to recent regulatory changes regarding direct indemnity, tariffs will rise and the structure, in terms of a reduction of mutuality and a correction and updating of the "bonus malus" system must be remodelled. This will be aided at the same time by reduction in discounting, with a general recovery of margins and growing differentiation and selection of portfolios, resulting in equilibrium both in the Motor TPL sector and the Land Vehicle Sector.

In relation to the Non-Motor Non-Life Classes, the market will remain substantially stable, as despite the growing need for protection, the Retail clients will still be unable to join the insurance market, while the difficulty in the Corporate segments will probably worsen in the short-term period if the economic situation does not quickly improve.
Developments are expected in the Health sector, due both to the integrated health provisions and regulatory changes. The market must innovate in terms of product and processes in order to avail of all of the potential opportunities, with greater investment and improved service and focus on the requirements of the client. The Italian companies in this manner may close the existing gap with the other Eurozone countries.

Regulatory framework

The most significant legislative and regulatory changes in the sector in 2009 and at the beginning of 2010 are reported below.

Direct compensation

After the first three years of the CARD convention, from January 1, 2010 some aspects of the Convention between Insurers for Direct Damage were amended and integrated, in order to update the regulations to the new provisions which govern the compensation system, detailed below.

Reference of the damaged party to their own insurer, in the case in which the request for compensation is referred through the insurer of the vehicle responsible and notified by a citation from the Debiting Company to the Managing Company, in order to allow a judicial voluntary intervention of the latter.

The Constitutional Court, through judgment No. 180 of June 19, 2009, although confirming the legitimacy of the system governed by articles 149 and 150 of the Insurance Code, approves the "right" of the damaged party, at least in the procedural phase, to instigate a direct action with their insurer. This may act as an alternative to the traditional action to establish responsibility for damage. We recall that with the direct indemnity procedure, the damaged party obtains compensation from their own insurer, which are then referred to the responsible party: the judgment is a further remedy, alternative and not exclusive, in that the exclusivity of the direct indemnity will prejudice the possibility of protection of the damaged party.

In this sense, it is based on the requirement that the "right" regards only the judicial phase: it is therefore stated that the damaged party must direct the request for damages to their own insurer. Non compliance with this obligation will result in, by the part of the insurer of the vehicle responsible, the refusal of offer with invitation to the damaged party to contact their own insurer also in the case in which the request was sent to the Managing company. In this case the damaged party must reformulate a new request to their insurer.

New flat-rate and compensation structures by geographic area between companies.

The amendment to the Regulation implementing the direct indemnity, enacting Presidential Decree No.28/2009, partially reviewed the flat-rate determination criteria (article 13 of Presidential Decree No.254/2006), defining the structure of the applicable flat-rate in the regulations of transactions between companies regarding claims coming under the remit of the direct indemnity procedures governed by the CARD Convention. In detail, based on the provisions of the decree, the 2010 flat-rates were differentiated, as well as by the three territorial macro areas, also by the vehicle macro categories. The breakdown by macro category of vehicles was also extended to the CTT flat-rate.

The distinction between flat-rate by damage to the vehicle and flat-rate by damage to the person was eliminated: therefore a return to the solution adopted on the first application of the system occurred, through an "integrated" flat-rate repayment, including both damage to property and physical damage.

The new flat-rate and compensation structures by geographic area between companies in place from January 1, 2010 are reported below.

- CID single flat rate (damage to property and damage to the driver), broken down into three territories by type of vehicle, or vehicles other than motorbikes and mopeds such as motor cars, lorries, trucks, buses, machines:
  - Territorial Group 1: € 2,152
  - Territorial Group 2: € 1,871
  - Territorial Group 3: € 1,589

- CID single flat rate (damage to property and damage to the driver), broken down into three territories by type of motor vehicle, such as motorcycles and mopeds:
  - Territorial Group 1: € 4,077
  - Territorial Group 2: € 3,789
  - Territorial Group 3: € 3,410

- Passenger flat rate onboard auto vehicles, for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers in auto vehicles, a flat rate of Euro 3,150 will be applied, with a total exemption of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported in auto vehicles, the payment will consist of a flat rate of Euro 3,150 plus the differential between the effective damage and the stated plafond net of an exemption of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.

- Passenger flat rate onboard the motorcycles, for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers on motorcycles, a flat rate of Euro 4,011 will be applied, with a total exemption of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported on motorcycles, the payment will consist of a flat rate of Euro 4,011 plus the differential between the effective damage and the stated plafond net of an exemption of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.

Multi-year policies

Article 21, paragraph 3 of law 99/09, enacted on August 15, 2009, provides for the option to sign long-term Non-Life policies with the application of a "discount" on the premium. In the case of policies lasting over five years, the policyholder must remain loyal to the company for a 5-year period or else pay a penalty.

The article in facts states that "the insurance company, as an alternative to an annual coverage, can propose a multi-year contract against a reduction of the premium compared to that for the same coverage of an annual contract. In this case, if the contract is over five years, the policyholder, after the five year period, has the right to rescind the contract with prior notice of 60 days and with effect from the end of the annuity in which the right was exercised".

Increase in maximum coverage
In order to conform with the Fifth EU Motor Directive, enacted in Italy by Legislative Decree 198/07 in order to render uniform the governance of the Motor TPL insurance market throughout the European Union, from December 11 the maximum minimum payment for Motor TPL insurance was increased from the current Euro 774,685.35 per claim to Euro 3 million, to be increased to Euro 6 million by 11/6/2012.

Fondiaria-SAI is responding to the application of the directive with a gradual adjustment of the minimum maximum coverage which provides for intermediary steps and through a promotional campaign undertaken by the Agencies.

The new maximum levels have a greater impact, although moderately, on the final price of the Motor TPL guarantee, as the insurance company assumes higher risk with each individual customer. Therefore, Fondiaria-SAI since 2007 has undertaken an information campaign at the moment of the issue of the contract, informing its customer base so that they are updated on the current policy. In addition to the intentions of the Legislature, the increase in the maximum limit represents greater security and tranquillity for both the drivers and owners of the vehicles. In fact, in the case of an accident, where the maximum agreed amount in the policy is exceeded, these parties would by law be financially responsible to compensate from their own resources.

Tackling fraud: ISVAP Motor TPL claims databank
In order to allow a more extensive and effective consultation of the ISVAP claims data bank, with Regulation No.31 of June 2009, a data bank was set up which, with prior consultation with the Privacy Guarantee Authority, to provide greater assessment for antifraud purposes. In particular the general use was simplified, improving the efficiency of consultation and considerably improving the output for the user, introducing the possibility to use two means of consultation (both batch and online) of summarised information on the researches by each research field (name of the subject or the vehicle) based on the various roles which the parties have assumed in the claim.

The new databank will be fully operational by 2010. The new setup will allow the identification, through quick consultation, of indications of possible fraudulent behaviour in order to carry out further research. The greater search facilities and the various types of output will enhance the investigations of the settlement structures of the companies, the Magistrate and the Police Forces.

Among the new issues, it was established that there may not be differences in premiums or in individual services based on costs related to pregnancy or maternity. The actuary, in the determination of a new tariff and without statistically sound reasons, who draw ups different premiums based on gender must communicate within 15 days the reasons for such discrimination to ISVAP.

Single Motor TPL Estimator
From June 11, 2009, the single estimator of Motor TPL premiums under the Insurance Code article 136 are available on the internet site of ISVAP and the Ministry for Economic Development. This online consultation procedure seeks to quickly provide a list of policy offers from all of the companies of the relative sector with specific “risk profile”, with indication of the respective prices based in order of price and the expiry date of the corresponding Motor TPL tariff, offering a highly user friendly service.

Portability of the pension funds and automatic application

The minimum period of 2 years subscription to a pension fund expired on July 1 and is applicable to all workers under the silence-absence rule. The employee subscribing, tacitly or explicitly, to the complementary pension, pursuant to Legislative Decree 252/2005 will not have the option to return to the old payment method, but may change within the integrated pension system. This versatility permits a change in subscription from one pension type to another after two years from the subscription to a complementary pension form. The regulation establishes also the ban on contractual clauses which limit the portability of the contributive position, such as the cost of transfer and the full extension of the fiscal exemption is provided for.

Among the new issues which may enter into force in 2010, in order to relaunch the supplementary pensions and following the public attention focussed on the issue, a new window of the "silence-absence" will be opened in the course of the second half of the year.

The mechanism, already in force since 2007, to date has been applied only to new employees or those who have changed occupations.

Counterparty risk

On June 11, 2009, ISVAP issued Regulation No.32 enacting the regulation of policies with direct services related to an equity or other benchmark in accordance with article 41, paragraph 2, Legislative Decree No.209 7/9/2005 of the Private Insurers' Code.

This measure is within the multitude of initiatives initiated by the Authority following the financial market crisis whose effects were manifested also in the insurance sector with the crisis in the issuing banks. The Regulation is in line with the provisions implemented in recent years following the development of the index-linked market.

Among the principal measures implemented by the Supervision Authority we report that, within the company, normally there is at least one of the three risk investment profiles set out by the laws in force in relation to the solvency margin; "performance risk", "base risk" and "counterparty risk" (see ISVAP Regulation No.19 of March 14, 2008), with consequent necessity to constitute a solvency margin at 4% of the technical reserves. However, there are reductions in the capital requirements for specific categories.

We finally recall that:

- performance risk relates to the risk deriving from the commitment to the contracting party to the protection of capital or of interest. It is the risk that the value of the assets to cover the technical reserves do not allow the conservation or the revaluation of the capital up to the minimum guaranteed;
- the base risk relates to the risk deriving from the provision to the contracting party of a guarantee of adjusting the capital based on the performance of an equity index or other benchmark. It is the risk that the assets to cover the technical reserves, although managed in compliance with the close matching as per article 41, paragraph 2 of the Code, does not allow the replication of the performance of the value of the index and therefore affects the variable insurance services based on such performance;
- counterparty risk relates to the risk connected to the quality of the issuing entity or the counterparty of the financial instruments to cover the technical reserves of the instruments. It is the risk that the issuing entity or the counterparty does not fulfil its contractual obligation.

THE DEVELOPMENT STRATEGY OF THE FONDIARIA SAI GROUP

2009 - 2011 Industrial Plan

As noted, in October 2009, the Fondiaria SAI Group Industrial Plan for the 2009-2011 three-year period was presented which, despite the overall difficult economic context, is ambitiously focussed on recovering profitability.

The event was covered widely: through the official Parent Company website, it is possible to download both the webcasting presented to the financial community and the disclosure material presented.

Only the essential components of the strategic project are outlined below.

The guidelines of the Plan are based on three pillars:

- The relaunch of profitability.
- The operating and offer performance.
- The maintenance of a capital structure sufficient to strengthen the balance sheet solidity.

Relaunch of profitability

The first objective relates to regaining profitability through focussing on four high potential areas:

- The first area regards pricing, through the introduction of a new Motor tariff principally featuring greater vehicle segmentation, with a focus on direct indemnity and a lesser emphasis on mutuality. Such actions will have a positive benefit valued at approx. Euro 250 million, up to 2011, compared to current trends;
- The second area relates to measures to reduce claim costs as it is considered, as relating to the largest claims network on the market, there still remains high potential to achieve unrealised efficiencies. In particular, this objective can be reached through reducing excessive or fraudulent payments and improving further efficiencies. The set of initiatives being rolled-out have an assessable impact, to the end of 2011, of over Euro 85 million;
- The third area is related to the review of the portfolio, to be carried out both through the recalculation of tariffs and the substitution of obsolete and no longer profitable policies and through the increase of the Life New Business Margin contribution. In the first case, new products will update old contracts, in line with current market conditions, while in the Life sector the focus will continue within the traditional networks and the bancassurance joint ventures on Class I products on the one hand and on index-linked products on the other. The expected impact is approx. Euro 55 million up to 2011;
- The fourth area involves the reduction of the cost base, progressively internalising activities previously outsourced. The cost reduction programme relating to IT purchasing and all other suppliers will be concluded. The estimated impact is approx. Euro 55 million up to 2011.

Operating and offer performance

The second objective involves developing the operating procedures and product offers through the following actions:

- Review of the Group's value chain. The Group relies on partnerships or contractual agreements. This action will occur in three steps:
  - the first phase, which seeks to avail of the opportunities available on the auto repair market, relates to the development of the activities of Auto Presto&Bene. For further details reference should be made to the specific section;
  - the second phase, which seeks to make radical innovations in the welfare segment, required by current market conditions, as well as to contribute to the injuries sector, led to the creation of a new corporate division, entirely dedicated to health management: Sistemi Sanitari, the leading organised network in the health field. For further details reference should be made to the relevant paragraph;
  - the third phase extends the repair centre approach beyond the Motor sector, expanding the role of Sistemi Sanitari to serious injuries, reformulating the medic, clinic and diagnostic network upon the clarification of the status of private insurance in the public healthcare system.
- Greater emphasis on results in the development of relationships with agents, partners and employees through using criteria which ensure the recovery of profitability;
- Product innovation focussing on "tailor-made" products for the high-end of the market, along with simplified "low cost" products catering for the general market, thus increasing client loyalty;
- Strengthening support on the ground through improving the commercial support networks and regional presence, better meeting the demands of the Italian public.

Maintenance of an adequate capital structure

The third pillar of the industrial plan relates to maintaining a sufficient capital base with a strong balance sheet, thus continuing to offer a secure and profitable investment opportunity for all shareholders. The following initiatives were therefore established for the medium-term period:

- Consolidation of the risk management structure, optimising the risk profile of the Group. This department is responsible for the implementation of the Solvency II system by 2011, one year before the regulatory deadline, and ensuring the use of risk management indicators for major managerial decisions, in both the insurance and financial areas;
- Rebalance the investment portfolio asset allocation through both reducing the concentration of equities by 2011 and also the exposure to the real estate sector (with an objective to reduce the Property Investments/Total Inventments to 1% by 2011);
- Maintain a strong capital base through improving and stabilising the excess capital, while continuing to guarantee sufficient yields for investors through one of the most generous dividend policies on the market, in line with the results achieved.

Actions taken in 2009

Within a particularly difficult and challenging market context, the Fondiaria SAI Group has begun the principal initiatives set out in the 2009-2011 industrial plan.

In particular, actions have been taken which will assist the turnaround from 2009:

- In relation to direct business, premiums in the Motor TPL class were affected by the drop in new vehicle registrations, strong competition following increased price flexibility and from the penalising effects of the so-called Bersani bis Law in terms of bonus-malus class application. In order to offset the contraction a review of the tariff policies of the Group began, based on a more detailed segmentation of vehicles, establishing more effectively the effective risk through the reduction of mutuality, through personalisation of the products, the application of discounts and tariff diversification;
- In relation to claim cost problems, in which the Motor TPL Division was strongly penalised by the significant increase in the price of spare parts, the increase in fraudulent behaviour due to the economic crisis and the introduction of "direct indemnity" (in the cases in which the amount paid to a client is overall superior than the flat-rate received from the "compensation system"), the "Motor repair project" was completed through the creation of the company Auto Presto&Bene;
- Following the losses in the property sector, which suffered a greater degree of losses compared to 2008, caused by the difficult world economic situation, in 2009 a reduction in the exposure was implemented which, in relation to the total investments, corresponds to approx. one percentage point - in line with the Industrial Plan.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKE T

In relation to the gross premiums up to the third quarter of 2009, the total premiums of the Non-Life and Life Divisions of the Italian Companies and of the Italian agencies of companies outside the EU, amounted to approx. Euro 82 billion, with an increase of 23.5% on the same period of 2008.
The Non-Life portfolio, which totals approx. Euro 26 billion, decreased by 2.2%, accounting for 31.4% of the total portfolio (39.6% in the same period of 2008).
In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 12.6 billion (-4% on the first nine months of 2008), comprising 49% of total Non-Life premiums (49.9% in the same period of 2008) and 15.4% of total premiums (19.8% in the first nine months of 2008). Among the other Non-Life Classes, the highest premiums were in Land Vehicles with 8.8% (similar to the first nine months of 2008), Accident with 8.3% (8.2% in 2008), General TPL with 8.1% (7.8% in 2008), Other Property Damage with 6.7% (6.5% in 2008), Fire and Health, both with 5.6% (5.5% in 2008).
The analysis by distribution channel continues to highlight the premiums written through brokerage agencies amounting to 84.1% of the Non-Life portfolio (84.5% in 2008) and 90.5% of the Motor TPL division (90.9% in the same period of 2008). to the size of the company, only 30% of the coverage which could be undertaken is in fact undertaken, both due to a perception of a lack of need and also due to a lack of communication of the offer. It speaks for itself that 90% of Italian companies are not insured against environmental risks and the Italian Non-Life sector records annual average premiums of Euro 36 billion, of which Euro 8 billion relates only to companies: a well insured company however would have a greater credit rating.
The development of the sector will be based on a closer relationship between the public sector and the private sector in relation to social security, health, assistance to senior citizens and coverage against natural disasters.

In 2010, the industry association forecasts a slight recovery in obligatory insurance premiums, estimated in the order of 1-2%, while the greater tariff need will in fact be transferred gradually onto the effective price paid by the client. This consequence may only be avoided through structural intervention by the relevant authority relating to the cost of compensation.

Operational performance

The total premiums of the Fondiaria-SAI Group amounted to Euro 7,170 million compared to Euro 7,298 million in 2008, a decrease of 1.8%.
The direct premiums written amounted to Euro 7,161 million compared to Euro 7,288 million in 2008, a decrease of 1.7%.

The breakdown of the gross premiums written is shown below:

(in Euro thousands)	2009	2008	Cge. %	Percentage 2009	Percentage 2008
Accident & Health	712,415	722,508	(1.4)	9.9	9.9
Marine, aviation and transport insurance	188,927	202,546	(6.7)	2.6	2.8
Fire and other property damage	852,527	860,359	(0.9)	11.9	11.8
General TPL	560,677	518,508	8.1	7.8	7.1
Credit & Bonds	83,091	87,748	(5.3)	1.2	1.2
General pecuniary losses	43,315	29,393	47.4	0.6	0.4
Legal expenses	20,850	19,531	6.8	0.3	0.3
Assistance	51,872	45,677	13.6	0.7	0.6
TOTAL OTHER NON-LIFE DIVISION	**2,513,674**	**2,486,270**	**1.1**	**35.0**	**34.1**
Motor vehicle TPL	3,910,870	4,046,287	(3.3)	54.6	55.5
Motor vehicles – other classes	736,617	755,061	(2.4)	10.3	10.3
TOTAL MOTOR	**4,647,487**	**4,801,348**	**(3.2)**	**64.9**	**65.8**
TOTAL DIRECT PREMIUMS	**7,161,161**	**7,287,618**	**(1.7)**	**99.9**	**99.9**
INDIRECT PREMIUMS	**8,455**	**10,457**	**(19.1)**	**0.1**	**0.1**
TOTAL NON-LIFE DIVISION	**7,169,616**	**7,298,075**	**(1.8)**	**100.0**	**100.0**

In the Motor TPL Division, the reduction of premiums written, of 3.3%, continued to be affected by the "Bersani" regulatory changes, which strongly reduced the discriminatory power of the "Bonus Malus" system, allowing the new low class policies to be matured in the "household", and allowing the "Malus" only in case of principal responsibility. Tale riduzione è dovuta anche alla leggera contrazione del numero di polizze generata dalle politiche di disdetta del portafoglio plurisinistrato del Gruppo e in parte anche all'effetto dell'aumento degli sconti praticati ai clienti per fronteggiare la forte concorrenza del mercato, registrata in particolar modo nella prima parte del 2009.

The contraction in premiums in the Land Vehicle Class, of 2.4%, follows the worsening effects of the economic crisis which hindered the extension of the Land Vehicle guarantees, but also due to the continuance of the particular sales policies of the motor manufacturers which offer insurance packages with guarantees such as fire, theft and assistance included in the purchase price of the vehicle.

In relation to the General Classes, the increase of 1.1% follows both the above stated actions on the portfolio and on classes with non profitable performances, and the moderate performance of the segments and products with balanced technical result projection.

The premiums ceded amounted to Euro 368 million (Euro 324 million in the previous year).

The gross technical reserves amounted to Euro 11,668 million (Euro 11,282 million in 2008) and the ratio to premiums written was 162.7% (154.6% in 2008).

Management expenses, excluding those strictly related to the management of the investments, totalled Euro 1,552 million (Euro 1,605 million in 2008), a decrease of approx. 3%. The percentage on premiums remains substantially unchanged at 21.6% compared to 22% in 2008.

Claims paid and reported

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

	Claims paid (in Euro thousands)			Claims reported by year Number		
	2009	2008	Cge. %	2009	2008	Cge. %
Accident	236,439	216,407	9.26	96,283	97,147	(0.89)
Health	178,742	185,961	(3.88)	234,557	220,811	6.23
Railway	-	1,134	(100.00)	3	-	-
Aviation	8,906	1,314	577.72	46	51	(9.80)
Maritime	25,929	14,049	84.56	792	708	11.86
Merchandise transport	16,514	21,259	(22.32)	3,724	4,195	(11.23)
Fire and other natural elements	320,350	245,379	30.55	88,205	85,447	3.23
Other property damage	272,411	255,862	6.47	159,684	149,898	6.53
Aviation TPL	94	1,955	(95.19)	37	19	94.74
Maritime TPL	1,373	1,795	(23.52)	476	451	5.54
General TPL	361,020	361,453	(0.12)	113,305	102,152	10.92
Credit	525	687	(23.54)	5	3	66.67
Bonds	44,092	47,142	(6.47)	1,807	1,451	24.53
Pecuniary losses	8,029	6,741	19.10	3,774	4,546	(16.98)
Legal expenses	2,251	2,337	(3.68)	1,790	2,241	(20.12)
Assistance	22,057	19,547	12.84	117,094	98,119	19.34
TOTAL OTHER NON-LIFE DIVISION	**1,498,732**	**1,383,023**	**8.37**	**821,582**	**767,239**	**7.08**
Motor TPL	3,422,737	3,677,085	(6.92)	930,049	933,934	(0.42)
Land vehicles	505,005	444,224	13.68	361,657	321,741	12.41
TOTAL MOTOR	**3,927,742**	**4,121,309**	**(4.70)**	**1,291,706**	**1,255,675**	**2.87**
TOTAL NON-LIFE DIVISION	**5,426,474**	**5,504,332**	**(1.41)**	**2,113,288**	**2,022,914**	**4.47**

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as "Operator" within the new direct compensation system, net of those recovered as a flat-rate in the CONSAP compensation procedure.
The Motor TPL claims in the table refer to the events in which our policyholders were civilly responsible.
The number of Motor TPL claims managed by the Group amount to 926,844.

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

TECHNICAL RATIOS (%)	**2009**	**2008**
Loss ratio	83.64	74.40
Expense ratio	21.78	21.70
Combined operating ratio	**105.42**	**96.10**
OTI ratio (*)	2.61	2.55
Combined ratio	**108.03**	**98.65**
Reserve ratio (**)	**162.75**	**154.60**

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

Against the substantial stability both in the Expense ratio and in the OTI ratio, the significant deterioration in the Combined ratio follows the unfavourable performance of the current generation claims and the need to strengthen the prior year reserves, whose releases didn't point the usual sufficiencies out.

In this context, the deterioration in the claims ratio is in turn also a consequence of:

- the greater claims frequency in the year, with an increase in claims accepted net of claims closed without payment;
- the continuation of the physical damage phenomenon in the Motor TPL segment. This last aspect has become a critical situation particularly in the southern regions, with a systematic increase in the average costs;
- the new judicial rulings following the new physical damage compensation tables adopted by the Milan Court;
- the already stated natural events and the Abruzzo earthquake.

These events have made more prudent reservation criteria necessary, with a significant impact on the Combined Ratio and therefore on the result for the year.

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

(in Euro thousands)	**2009**	**2008**	**Changes**
Motor TPL	(415,894)	4,981	(420,875)
Land vehicles	(1,924)	68,198	(70,122)
Other Non-Life Classes	(163,187)	17,096	(180,283)
TOTAL DIRECT NON-LIFE	**(581,005)**	**90,275**	**(671,280)**

In relation to the **Motor TPL Class**, the technical balance contracted strongly.

As previously described, the following contributed to the decrease in the result:

- lower premiums written due to a decrease in the registration of new vehicles and the reduction in the average premium due to a more competitive environment;
- The deterioration of the current generation claims is related to the natural events already stated and to the high and extensive personal damage claims following the greater frequency of this type of damage in the southern regions and also due to the new judicial rulings;

- rigid management costs in a period in which premiums written contracted;
- the need to strengthen the previous year reserves for the part not related to the Card management, and the insufficiency of the flat rate for minor physical damage against the payments made by the Group for the claims under the Card Operator system.

At Group level, claims reported increased slightly (0.4% compared to 2008) in addition to an increase in the claims frequency and a further improvement in the settlement speed, relating to the claims managed on both the current and previous generations.

The decrease in profitability in the **Land Vehicle Class** is correlated to the increased competition seen in the past three years: historically the Class reports good performances at Group level, however the new contracts acquired have increasingly lower margins due to the tensions reported on prices, in addition to the already cited decrease in the registration of new vehicles, which impacted on the volumes recorded, and the particularly negative trend in some accessory guarantees, such as vandalism and windscreen which, in periods of economic crisis, traditionally experience an increase in claims and hence the profitability of the Class.

In relation to the **Non-Life Classes**, the extremely negative technical performance is a direct consequence of the impact of the Abruzzo earthquake last spring and the particularly negative impact of some guarantees relating to the General TPL and Health Classes.

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

With particular reference to the Group companies involved in the placement, through telephone and internet channels, of Motor Class insurance products and the Asset Management and Life Insurance products and operating in the Non-Life classes through the sale of standardised products distributed by banking partners, with whom specific agreements were signed (respectively **Dialogo Assicurazioni S.p.A.** and **Systema S.p.A.**), in 2009 the gross premiums written amounted to Euro 28.7 million (+36.1% on 2008) with a loss of Euro 16.2 million (loss of Euro 10.4 million in the previous year) and to Euro 14.2 million (+24.1% on 2008) with a profit of Euro 0.5 million (profit of Euro 1.1 million in the previous year).

Auto Presto&Bene

Fondiaria-SAI today views the motor car as a treasured asset and as leader in the Motor insurance market, protects it in all aspects. Therefore Auto Presto&Bene was created, the company of Fondiaria SAI Group formed in order to guarantee the insured party, in the case of claims, maximum reliability and efficiency in the repairs to damage of their vehicles. Auto Presto&Bene, with over 36,000 claims managed in 2009, operates throughout Italy with approximately 1,400 workshops.
The over 9 million clients of the Fondiaria-SAI Group, a quarter of the motor insurance sector, can avail of an innovative and particularly efficient service, made possible thanks to the exclusive availability of original spare parts and guaranteed repair for life, through a network of repair centres, carefully selected by Auto Presto&Bene based on highly selective requirements (the ability to carry out high quality repairs in the shortest time possible).

The types of claims currently covered by the Presto&Bene service are for all of the claims included in the direct indemnity and direct risks procedure (Land Vehicles), with savings in the order of approx. Euro 300 for the Motor TPL Division and approx. Euro 250 for the other Non-Life Classes.

Auto Presto&Bene assists the Policyholders through two types of intervention:

1. vehicles able to move automatically: the Agency or the consultant who responds to the free telephone number provides the details of the Auto Presto&Bene repair centre where the insured party can arrange an appointment. The specialised personnel of the centre, already alerted by the Auto Presto&Bene operating system, will provide a check of the vehicle and will carry out the repair, supplying where necessary a replacement car;

2. vehicle immobilised as a consequence of the claim: the recovery service is available free, throughout Italy, for vehicles involved in accidents immobilised, organised by the consultants at the free telephone number. Once the vehicle reaches the Auto Presto&Bene repair centre and has been checked in, the client can receive the Auto Presto&Bene courtesy car until completion of repairs to the vehicle.

The average repair time of the Auto Presto&Bene centres is 5 working days, taking into account that this statistic includes some very significant claims and complex repairs.

For even greater care to the client, in the coming months Auto Presto&Bene Centres will be opened in the principal Italian cities. Here the insured party may directly take the vehicle involved in the accident (obviously in the case in which it is possible to move the vehicle), make the claim, wait in a comfortable environment for the immediate repair of minor damage, ot utilise a courtesy vehicle and pick up the repaired vehicle on return.
In 2010, in Turin the first of these Centres will be opened, located in the ex Pininfarina Technical Centre, where in addition to the headquarters of Auto Presto&Bene and the workshop, a technical centre for the training of operators of the Auto Presto&Bene repair centres will be located.

Sistemi Sanitari S.c.r.l.

The Fondiaria SAI Group has always placed particular attention on issues related to health, being sensitive to the new requirements of the market and anticipating also future developments, in a situation in which the welfare system is being overhauled, strongly affected by the aging of the population, the increase in life expectancy and increased costs of technical innovation in the medical field.
The Group company set up in 2008, Sistemi Sanitari S.c.a.r.l., fulfils an important social role and seeks to centralise all of the insurance know-how in the health sector, including settlement activity, giving rise to a new Division dedicated to Health Management, in which the insurer is increasingly seen as a personal consultant, able to respond to the individual and collective security needs.

Thanks to a centralised structure specialised in the management of healthcare services, a cutting edge customer care service, a claims back office composed of physicians and a qualified claims settlement team and a modern healthcare network, Sistemi Sanitari is able to deal with all of the activities related to the provision of healthcare services, selecting from the array of suppliers (healthcare clinics/hospitals, doctors, nurses etc.) and evaluating the standards, the technology and the organisation in order to guarantee the Client the quality of the service provided.

The selection of the healthcare structures and the doctors follows precise qualitative protocols: every clinic will be monitored and evaluated by a team of experts from the Group, as well as checking that the structure is in line with the levels of service required by the Fondiaria SAI Group, guaranteeing the excellence of the services provided.
The conventioned network, covering the entire national territory, consists of approx. 185 recovery centres, 354 out patient clinics and day hospitals, approx. 11,000 specialist doctors, 430 registered doctors (which form the association of medical doctors trusted by the Group) and 400 Service Companies, for the transport of patients, homecare assistance and telephone assistance.

Through the skills acquired, Sistemi Sanitari, carries out a highly specialised observation and analysis service of the emerging needs in the health field, identifying innovative services and controlling claims in order to broaden the company mission focused on health management to dealing with in an innovative manner the area of physical injury.

In order to guarantee high qualitative standards, it is fundamental to promote research, training and development: three factors which set apart the operating philosophy of Sistemi Sanitari. The structure selects projects which are capable of applying cutting-edge technology and science to individual care. Based on these evaluations, the Fondiaria-SAI Group invests directly in the clinics and businesses involved in innovative programmes.

Among the institutes which the Fondiaria SAI Group offers its support is the European Oncology Institute which is a new specialised centre. The modus operandi of the institute is based on certain parameters, shared with and approved by the Fondiaria-SAI Group, such as: the centrality of the client, the continual improvement of the quality and of the service, a multidisciplinary approach to the clinical aspects, the development of experimental research with quick provision of results to the patient, the effective use of human resources and the openness to international collaboration.

New products

Within the redefinition of the Group retail products, during 2009 some significant product initiatives were launched, which are summarised below:

- "Retail Più Casa Smart", launched in January 2009: predefined combination product, allowing the easy sale to the client interested in entry level coverage in a strategic segment for the company. Convenience and simplicity are the selling points of "Retail Più Casa Smart", the Home policy established to provide protection for the home and the family for a small investment and in price terms accessable for all;
- launch of the new product of the Retail line "Più Infortuni Smart": in March 2009 a new product was launched in relation to accidents and covers the family which provides a Permanent Invalidity guarantee, structured in three fixed premiums which, according to the premium chosen, allows the benefit of different insurable sums;
- redefinition of the health catalogue "Sanicard" line: within the revision of current health products, in April 2009 two new versions were launched of "Sanicard Salute" (modification of the contractual length, with a maximum of 5 years) and "Sanicard Rinnovo Garantito" (redetermined the age limit for entry and established an age limit for renewal);
- new edition of the "Sai Salute IPM" tariff: in April 2009 a new edition of the product was launched, no longer based on gender, in accordance with the latest legislative requirements introduced with the new ISVAP regulation No. 30 in relation to "Parity of treatment between men and women in the access of insurance services";

- "Retail Più Fabbricati Classic", launched in June 2009: the product, considering its significance and the number of units sold, allows the quantification of the implied risks through new segmentation criteria, the consolidation of the technical controls, the encouragement of multi-guarantee sales and allows for mutuality also within a single contract;
- Products for "Small Businesses": the "Commercio" product was created and launched, the first product of the Classic Line, upon which the new strategies were drawn up, both in the provision of products and in the drawing up of insurance solutions (tariffs, issuing programmes and language). In accordance with the mission of this product line, a client tailor-made contract was introduced, maintaining a price level in line with the products replaced;
- "Retail Più Casa Classic", launched in November 2009: it is the new multi guarantee product for the home which broadens the Classic line of new products. Due to its modularity, flexibility and the increased level of guarantees, it provides strong protection and at the same time develops the household portfolio - one of the largest Retail sectors;
- reform of the "Health" portfolio: in order to improve the negative technical performance, in 2009 the sale or reform activities continued with an increase in the premiums of the old Health Retail ex Division Sai portfolio: the products are "SaiSalute", "SaiDonna", "Salute Centenni" and "Medica Sanitaria";
- The "Traffic Accidents" products were launched: the restyling activities of the Traffic Accident products began which allow for a Ritiro Patente (License Loss) guarantee to rationalise and update the contents in line with the further regulations introduced by ISVAP Regulation No. 29 on the classification of risks;
- "Professionals": rationalisation and updating of the content of the policy in line with the latest legislative provisions (e.g. Tax Assistance) and analysis and monitoring of the specific claim trends, with identification of the obsolete portfolio to be terminated/reformed.

As part of the review of the Transport Class policies, a new Group product was launched called **"Fatturato Industriale – Assicurazione dell'Azienda Industriale o Commerciale" ("Industrial Revenues – Insurance for Industrial or Commercial Companies").**
The new product is the third product launched (after Nautica and Vettore Stradale) and responds to needs of clarity and transparency by the market and which all new transport products seek to provide.
"Fatturato Industriale" insures damages or material losses that goods may occur during transport and completes the category of guarantees offered to industrial and commercial businesses which require transportation of goods purchased or sold from one place to another.

In relation to the major insurance companies of the Group, key financial information relating to the year 2009 is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE %	INVESTMENTS	GROSS TECHNICAL RESERVES	RESULT
NON-LIFE INSURANCE SECTOR					
CAPITALIA ASSICURAZIONI	40,366	33.47	80,822	73,985	581
DDOR NOVI SAD (*)	107,847	(15.15)	32,265	98,659	7,576
DIALOGO ASSICURAZIONI	28,747	36.13	34,355	39,332	(16,591)
EUROPA TUTELA GIUDIZIARIA	1,676	(10.77)	10,680	5,750	(14)
LIGURIA ASSICURAZIONI	273,707	1.46	260,642	334,258	(25,692)
MILANO ASSICURAZIONI (*)	3,136,126	7.11	4,619,800	5,114,609	(141,240)
PRONTO ASSISTANCE	45,701	12.56	10,717	1,167	2,401
SIAT	175,204	(5.72)	92,552	336,681	1,128
THE LAWRENCE RE	209,297	2.56	433,886	420,777	22,543

(*) consolidated data of the non-life sector

DDOR NOVI SAD ADO
Share capital RSD 2,579,597,280.
(Direct Holding 99.99%)

The most important events in the year, which reported a net profit of RSD 261 million (local GAAP) and gross premiums written of RSD 11,100 million, are listed below.

The deterioration of the macroeconomic scenario was particularly acute in the first half of 2009. A significant decrease in GDP was seen in all economic sectors, particularly in the industrial sector, together with a high degree of instability in exchange rates.

In 2009, DDOR Novi Sad was once again confirmed as one of the two leading companies in the Serbian market. Its market share is estimated at approx. 21%, measured based on gross premiums written, which decreased by approx. 15%.

From a financial point of view, the indicators are very strong, particularly if considered that they were achieved in circumstances of great market restriction. These results were accompanied by a decrease in claims paid of approx. 5.7% and a slight increase in the claims reserve of 0.9%.

Increasing competition in the Motor TPL class is the principal reason for the decrease, although limited, of the number of policies sold remaining substantially stable at RSD 0.7 million.
In the Life Classes the number of policies again grew strongly (approx. 22.9%) with an increase in actuarial reserves of 31.3%. The proportion of the life division in relation to total premiums written of the Company remained contained but with forecasts for significant growth in the coming years.

On 13/07/2009, following the approval by the National Bank of Serbia, DDOR Novi Sad participated in the Metals Banka AD share offer, the leading Serb company in the bancassurance sector, through DDOR. The operation, without public offer and only for institutional investors, resulted in the payment by the Group Company of approx. Euro 3.05 million, allowing the purchase of 52,100 ordinary shares (issue price of approx. Euro 58.51) and increasing its holding in Metals Banka AD to 10.11%.

LIGURIA ASSICURAZIONI S.p.A.
Share Capital Euro 36,800,000.
(Direct Holding 99.97%)

2009 was negatively affected by the continuation of the difficult economic climate.

In this overall scenario, premiums written amounted to Euro 273.7 million, an increase of 1.4% approx. on 2008. The net result recorded a loss of approx. Euro 25.7 million (loss of approx. Euro 14.3 million in 2008). The company has adopted incisive measures aimed at recovering profitability and improving management efficiencies, among which we highlight:

- a development policy, accompanied by discontinuation of poorly performing portfolios, begun in the second half of the year and still in course;
- actions in relation to the claims settlement structures, with the objective of a more lean claims treatment process, making them more efficient;
- actions aimed at improving all of the organisational areas of the company, with particular reference to the commercial and IT areas.

In addition, in order to provide the company with adequate capital to sustain development in the coming years, the company was recapitalised. The extraordinary shareholders' meeting of September 9, 2009 approved a maximum share capital increase of Euro 23 million in one or more occasions within five years, delegating the powers to the Board of Directors with prior authorisation of the Parent Company and ultimate Parent Company.

Therefore on September 28, 2009 the Board of Directors approved the first share capital increase of Euro 13.8 million fully subscribed and paid-in in the year. We also recall that on December 30, 2009 the parent company Milano Assicurazioni S.p.A. made a payment of Euro 11 million as partial coverage of the loss for the year, necessary to maintain the solvency margin.

MILANO ASSICURAZIONI S.P.A.
Share Capital Euro 305,851,341.
(Direct Holding 60.58%, Total Group Holding 62.85%)

In December 2009, Banca Popolare di Milano S.c.ar.l. and Milano Assicurazioni S.p.A. signed an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005. Therefore, in accordance with IFRS 5, the 2009 data of Bipiemme Vita is not fully consolidated but reclassified in specific accounts in the financial statements (Non-current Assets and Liabilities or groups of discontinued assets held for sale and Profit/loss from discontinued operations). This classification was also applied with reference to the financial results of Bipiemme Vita relating to the previous year.

The Group net loss in 2009 was Euro 140 million compared to Euro 167.9 million in the previous year (net profit of Euro 149.2 million in 2008 on like-for-like terms and thus also taking account of the loss of Liguria Assicurazioni, consolidated from the current year).

The key events in 2009 which contributed to this result are summarised below:

- the Non-Life sector recorded a pre-tax loss of Euro 200.8 million, compared to a profit of Euro 172.5 million in the previous year. The 2009 results are due to the general economic environment and the concurrence of specific negative factors within the insurance sector, some of which with greater repercussions than expected. In particular, the technical performance of the Motor TPL Class was negative. For further information reference should be made to the consolidated report of the Milano Assicurazioni Group. The Other Non-Life Classes, although reporting an overall positive technical result, were impacted by some significant claims in the Fire Class, following the tragic earthquake in Abruzzo, and in the Maritime Class;
- The Asset and financial management contributed net income from financial instruments and investment property of Euro 311.2 million (Euro 342.2 million in the previous year). The decrease is essentially due to the fall in the interest rates;
- the holdings in associated companies, valued under the equity method, recorded net losses of Euro 48 million (net gain of Euro 0.4 million in 2008). This result is principally due to the adjustment to values in the holding in IGLI S.p.A. (Euro 29.3 million) and the valuation of Atahotels (Euro 8.3 million);
- The management expenses in the non-life insurance sector amounted to Euro 645.7 million, with a percentage on net premiums of 21.9% (21.1% in 2008). In the Life Division, management expenses amounted to Euro 33.1 million, with a percentage on premiums of 6.9% (6.6% in 2008).

With reference to the financial statements of the Parent Company, prepared in accordance with Italian GAAP, the year 2009 reported a net profit of Euro 13.3 million (Euro 15.4 million in 2008).

The key factors in 2009 which contributed to this result are summarised below:

- the Life division recorded a technical profit of Euro 117.9 million compared to a loss of Euro 78.5 million in 2008. The positive performance in 2009 is principally due to, in addition to the technical margins relating to the products in portfolio, a significant recovery of the value on investments (Euro 65.1 million) against a market performance which, although not having fully returned to normal operating levels, recorded a decisively improved performance on the previous year.

- the technical result in the Non-life Division reported a loss of Euro 110.4 million compared to Euro 119.1 million profit in the previous year.

  The 2009 results are due to the general economic environment and the concurrence of specific negative factors within the insurance sector, some of which with greater repercussions than expected. The technical performance of the Motor TPL class was particularly affected by a decrease in the average policy premium following the introduction of regulations which significantly weakened the bonus/malus mechanism to adjust the contract risk of premiums and an increase in claims, both in terms of frequency and average cost. The increase in the average cost was particularly seen in a higher degree of physical damage claims, principally in certain regions of the Centre-South, as well as the adoption of new compensation tables for physical damage by the Milan Court, which are also being adopted by the other Italian courts;

  In this context, particularly prudent reserve criteria have been implemented with a consequent significant strengthening of the claims reserve which, while on the one hand has affected the accounts under examination, has allowed for an unproblematic settlement of claims despite concerns for the continuation of the difficult market environment.

  The Other Non-Life Classes, although reporting an overall positive technical result, were impacted by some significant claims in the Fire Class, following the tragic earthquake in Abruzzo, and in the Maritime Class;
- the asset and financial management recorded total ordinary net income of Euro 446.8 million compared to Euro 88.6 million in 2008;
- The administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 88.9 million, a decrease of 4.1% compared to Euro 92.7 million in the previous year and substantially stable as a percentage of premiums; The number of employees at December 31, 2009 amounted to 1,677, a decrease of 32 compared to December 31, 2008. Employee leaving indemnities amounted to Euro 114.9 million, a drop of 1.2% on 2008.

The direct and indirect premiums written amount to Euro 3,303.5 million compared to Euro 3,447.9 million in 2008 (-4.2%).

With reference to the direct premiums written – comprising almost the total portfolio, premiums written amounted to Euro 3,293.7 million, of which Euro 2,812.1 million were in the Non-Life Division (-2.4%) and Euro 481.5 million in the Life Division (-13.2%).
Motor premiums amounted to Euro 1,920.6 million, a decrease of 3.4% due to the difficult economic environment and specific factors within the market.
In the Other Non-Life Classes, premiums amounted to Euro 891.5 million, substantially in line with 2008 (-0.3%). These classes were also impacted by the difficult economic environment and maintaining underwriting policies based on the selection of risks and the application of correct technical parameters.

Premiums written in the Life Division amounted to Euro 481.5 million, a decrease of 13.2% on 2008. The decrease concerned particularly products linked with investment funds and market indices (-82.9% with premiums written of Euro 9.6 million), which were more impacted by the economic and financial environment. Capital redemption policies (-11.6% with premiums written of Euro 87 million) decreased principally due to the reduced activity of the company in the institutional segment, a business characterised by low margins.
The traditional type products, with higher insurance content and greater profit margins, held up better (-3.9%) although they continued to be affected by the economic and financial environment which has not yet returned to normal operating levels. However there are encouraging signs in the increase in annual premiums (Euro 9.1 million, growth of 9.5% on the previous year).

Life Insurance Sector

THE LIFE INSURANCE MARKET

Total premiums in 2009 increased by 24% due to the strong performance in the Life sector, with an increase of 96% in the revaluable capital guaranteed policies. After a period characterised by a negative technical balance, finally the inflows into the sector returned to offset outgoings for redemptions and maturities of Life policies.

The premiums written in the Life sector of the national insurance companies and representatives in Italy of non-European based companies in the first nine months amounted to Euro 56 billion, an increase of 40.3%, with a percentage on the total Life and Non-Life portfolio amounting to 68.6% (60.4% in the same period of 2008). In the Classes most representative of the Life segment, Class I (Insurance on human life) with approx. Euro 45 billion, recorded an increase of 122% on the same period of 2008; Class III (Insurance principally related to mutual funds or internal funds or indices or other benchmark values) with Euro 6.5 billion, reduced by 60.2% compared to the first nine months of 2008, in spite of the fact that from November 2009 any issuer default which guarantees the underlying security to the index linked policies are borne by the insurance company and no longer by the client, as occurred in the past. The premiums written in Class V (Capital redemption policies) amounted to Euro 3.7 billion, an increase of 58.8%: these Classes account for the total Life premiums respectively for 79.7%, 11.6% and 6.6% (respectively 50.4%, 40.9% and 5.8% in the first nine months of 2008). In relation to the remaining Classes, the contribution of Class VI (pension funds Euro 1 billion) accounts for 1.9% of Life premiums (2.6% in the first nine months of 2008).

Premiums written through bank and postal branches accounted for 61.2% of the Life portfolio (56.7% in 2008). These were followed by the financial promoters (14.3% compared to 9.6% in the first nine months of 2008), mandated agents (14.2% compared to 21.3% in the first nine months of 2008), in-house agents (9.1% compared to 10.6% in the first nine months of 2008), brokers (0.8% compared to 1.2% in the first nine months of 2008) and the other forms of direct sales (0.4% compared to 0.6% in the same period in 2008).

Finally we highlight that in 2009 the new Life individual policies written amounted to Euro 59 billion, an increase of 67.6% on the previous year. The average annual growth since 2005 (when premiums amounted to Euro 53.2 billion) is 2.6%. Therefore thanks to the results in 2009, the sector has returned to normal growth levels. In January, with premiums of Euro 5.8 billion, Life premiums for new individual policies recorded an increase of 91.1% on January 2009.

For 2010, the industry association forecasts a further recovery in premiums, with an estimated increase between 5% and 10%.

Complementary pensions in Italy

Despite the widely held opinion that undertaking a complementary pension is necessary in order to guarantee an adequate quality of life to anyone becoming a pensioner in the coming years and in particular to anyone who will be affected by the pension reforms begun in the '90s, the current state of development of integrated pensions is still insufficient.
At December 31, 2009, the number of subscribers to complementary pensions amounted to 5.1 million, an increase of 4.7% on the previous year, amounting to 22% of the number of workers and self-employed persons still in employment. In 2009, subscription to collective pension funds decreased by 0.2%, while open pension funds increased by 1.2% and newly constituted individual pension plans increased by 9.3%. Based on the rate of the past two years, since the introduction of the reform in 2007, it would require a couple of decades until two thirds of workers would enjoy a basic integrated pension. Young persons are the most likely to neglect the importance of the complementary pension sector, however the income of the pension funds in 2009 benefited from the recovery in the financial markets recording growth of 8.5%, against a revaluation of the employee leaving indemnity of 2%.

Operational performance

The pre-tax result of the sector was a profit of approx. Euro 85 million (loss of Euro 59 million in 2008). The result benefitted both from the positive contribution of the two vehicles of the bancassurance Group and the gradual normalisation following the financial crisis, which heavily affected the behaviour of policyholders in the last part of the previous year.

Total premiums amounted to Euro 5,137 million compared to Euro 4,208 million in 2008, an increase of 22.1%. The direct premiums written amount to Euro 5,136 million in 2006, an increase of 22.1%.

The total premiums in the sector also includes Euro 52 million (Euro 297 million in 2008), on investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

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

(in Euro thousands)	31/12/2009	31/12/2008	Change %
I- Insurance on human life expectancy	2,366,155	2,289,616	3.3
III - Insurance as per points I and II linked to investment funds	2,353,557	1,516,157	55.2
IV – Health insurance	499	453	10.2
V – Capital redemption policies as per art. 40, legislative decree 174/7/3/95	415,368	400,249	3.8
TOTAL DIRECT PREMIUMS	**5,135,579**	**4,206,475**	**22.1**
INDIRECT PREMIUMS	**1,432**	**1,861**	**(23.1)**
TOTAL LIFE DIVISION	**5,137,011**	**4,208,336**	**22.1**

The premiums written do not include Bipiemme Vita, included under discontinued operations: on like-for-like terms the increase would have been 42.2%.

Total premiums written by bank branches amounted to Euro 3,582 million and represents 69.87% of the total direct premiums written. The premiums ceded amounted to Euro 28 million (Euro 23 million in 2008).

Gross technical reserves amounted to Euro 20,050 million (Euro 18,040 million at December 31, 2008).

The Life sums paid amount to Euro 2,621 million (Euro 4,043 million in 2008).

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 2009**	**Total 2008**
I – Insurance on human life expectancy	66.2	575.0	758.5	1,399.7	1,859.2
III – Insurance to which classes I and II are connected to investment funds	25.6	336.7	448.9	811.2	785.6
IV - Health insurance	-	-	-	-	0.1
V – Capital redemption policies as per art. 40, legislative decree 174/17/3/95	3.2	319.5	84.8	407.5	1,393.8
	95.0	1,231.2	1,292.2	2,618.4	4,038.7

Total management costs in 2009, excluding the investment management expenses, amounted to Euro 253 million, an increase of 2.6% (Euro 246 million in 2008). The percentage on premiums therefore decreased from 5.8% in 2008 to 4.9% in 2009.

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

	2009	2008
Press	3.82	4.21
Nuova Press 2000	3.83	4.22
Fonsai RE	4.52	5.03
Fondivita	4.03	4.16
Fondicoll	4.51	5.05
VIVA	4.57	4.22
Milass RE	4.52	5.00
GEPRE	4.03	4.17
3A	4.04	4.21
Popolare Vita	4.50	4.67
Fondo Liguria	4.02	4.04

Annual Premium Equivalent and New Production

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

(in Euro thousands)	Class I	Class III	Class IV	Class V	Total	2008	Cge. %
Bim Vita S.p.A.	22,878	165	-	-	23,043	30,277	(23.89)
Fondiaria-SAI S.p.A.	429,997	4,032	2	60,052	494,083	512,090	(3.52)
Dialogo Vita S.p.A.	540	-	-	-	-	22,000	-
Liguria Vita S.p.A.	12,255	655	-	2,293	15,203	17,929	(15.20)
Milano Assicurazioni S.p.A.	206,193	4,499	1	50,270	260,963	310,086	(15.84)
Popolare Vita S.p.A.	1,088,468	125,403	-	58,896	1,272,767	2,078,794	(38.77)
Systema Vita S.p.A.	20,323	-	-	3,100	23,434	-	-
The Lawrence Life Assurance Co. Ltd	-	2,214,858	-	-	2,214,858	-	-
TOTAL	1,780,654	2,349,612	3	174,611	4,304,880	3,531,580	21.90

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

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), is calculated based on the sum of the new business annual premiums and 10% of the single premiums. For the Fondiaria SAI Group, this is calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the "deposit accounting" method, and under Local criteria taking into consideration all new premiums in the sector, including investment contracts not within the application of IFRS 4. The results of the above-mentioned valuations are reported below.

(in Euro millions)	31/12/2009	31/12/2008	Cge %
IAS/IFRS Standards	**464.8**	**379.2**	**22.6**
Traditional products	112.1	115.7	(3.1)
Bancassurance	352.7	263.5	33.9
Local GAAP	**464.9**	**402.7**	**15.5**
Traditional products	112.2	116.0	(3.3)
Bancassurance	352.7	286.7	23.0

Life insurance premiums by class

With reference to the amount of direct and indirect premiums recorded the composition by class and by company is shown below.
The line shows the entire amount of the premium relating to each contract, as reclassified for the preparation of the IAS consolidated financial statements.

The table also includes investment contracts which may not be included in application of IFRS 4 and therefore recorded according to the deposit accounting technique.

Type of premium

(in Euro millions)			2009			
	Fondiaria-SAI	**Milano Ass.ni ***	**Popolare Vita**	**BIM Vita**	**Other companies**	**Total by type**
Insurance contracts	257	187	135	4	**2,215** **	**2,798**
Investment contracts with discretionary participation elements	770	308	1,206	23	**32**	**2,339**
Investment contracts without discretionary participation elements	36	9	1	6	**-**	**52**
Service contracts (IAS 18)	-	-	-	-	-	-
Total per Company	**1,063**	**504**	**1,342**	**33**	**2,247**	**5,189**

(*) including Liguria Vita and Dialogo Vita
(**) Lawrence Life contribution

(in Euro millions)			2008			
	Fondiaria-SAI	**Milano Ass.ni ***	**Popolare Vita**	**BIM Vita**	**Other companies**	**Total by type**
Insurance contracts	443	476	1,829	19	**-**	**2,767**
Investment contracts with discretionary participation elements	652	693	48	11	**37**	**1,441**
Investment contracts without discretionary participation elements	37	24	228	8	**-**	**297**
Service contracts (IAS 18)	-	-	-	-	**-**	**-**
Total by Company	**1,132**	**1,193**	**2,105**	**38**	**37**	**4,505**

(*) including Maa, Sasa, Dialogo Vita and BPM

Value of In Force Business

For a number of years the Fondiaria SAI Group calculates and presents, on the occasion of the meeting with the financial analysts, the VIF (Value of In Force) of the Life Classes. For the current year the VIF is shown in the Consolidated Financial Statements for the benefit of all stakeholders.

VIF corresponds to the current value, at a set discount rate, of future profits, net of taxes, expected to be generated from the policy portfolio in place. The calculation takes into account the impact of any acquisition commissions to be amortised and is implemented (at the carrying value for the assets included in the separated management or market value for other assets) based on the amount of the technical reserves. The value is also adjusted to take into account the cost associated to maintain the necessary capital to demonstrate an adequate level of solvency in accordance with current standards.

The future revenue streams generated from the portfolio was determined taking into account the specific contractual conditions of the tariffs in portfolio and adopting realistic assumptions for the operating conditions, based on the experience of the Group, with particular reference to the method for the participation of financial gains, commissions, management expenses, redemptions and mortality. Financial assumptions were also utilised based on the effective portfolio of assets and on the market conditions at the valuation date.

The results of the valuation are shown below. The value shown is net of minorities share.

Value of In Force Business – Fondiaria SAI Group

(in Euro millions)	2009	2008 *
Traditional Products	269.6	286.8
Bancassurance*	33.3	21.2
Total	**302.9**	**308.0**

** the 2008 data does not include Bipiemme Vita*

Among the assumptions utilised for the determination of the VIF, one of the most important in the deterministic projection adopted is the discount rate of the cash flows. In the valuation at December 31, 2009 this was implemented at 7.2% (6.2% in 2008), also to take into account the greater importance, in the current market conditions, of the implicit financial options in the contracts in place. The change in this fundamental assumption explains the contraction in the value for the Traditional Insurance Companies. Bancassurance grew with the positive fund raising performance.

New products

The needs expressed by Italian consumers in relation to the purchase of financial insurance products have changed greatly in recent months.

The situation generated very significant changes in terms of products acquired also in relation to life policies.

Many consumers have favoured the purchase of products with guaranteed financial returns and which consolidate annually, related to financial motors which rely on security and consistency over time.

In this scenario, the Group decided to expand its individual Life offer with a new product, "Open Assicurato", which completes the range of solutions within the financial product range providing an ideal solution for the management of Savings.

A product which is differentiated, thanks to a series of insurance guarantees (which can be tailor made by the Client), which permits those who purchase OpenAssicurato to make two certain choices - protection of their cash investment and serenity of their loved ones.

Individual Insurance

In 2009, the Individual Life policies underwritten by the distribution network was primarily focussed on the products related to Separated Management, as characterised by minimum guaranteed returns and capital protection.

- both in the single premium form, with particular attention to the capital maturity segment,
- and in the annual premium form (results decisively positive since the launch of the product aimed at young persons OPEN BRAVO and the new "Mixed" OPEN ASSICURATO products, made available from respectively the first and fourth quarters of the year).

In the first quarter the third edition of VALORE CERTO (Certain Value) product was launched, a fixed yield product with coverage of contractual commitments for half of the specific asset.
Relating to the Index-Linked sector, in the first half of the year (before the change in the regulations) the VALORE SICURO (Sure Value) policy linked to the performance of the Dow Jones Euro Stoxx 50 share index was launched, with a consolidation of the performances and settlement mechanism on maturity of the capital and of any coupons matured: the product provides for a guarantee on maturity provided directly by the Company.
In May, a restyling of the Unit-Linked product was unveiled with a single premium and annual premium product with new automatic contractual mechanisms, called "cambio automatico" ("automatic exchange") (for the single premium form) and "airbag" (for both the products) which provides greater elasticity in reacting to negative financial market situations.

Collective Insurance

In 2009, the "corporate" segment recorded a negative performance affected by the general economic situation which penalised the sector whose results are based directly both on the number of persons employed (principally direct employee) and on their relative salaries.
In any case the sector has shown a general holding in certain segments with some weak signs of development.

In 2009, the complementary pensions sector continued with positive results in its management of "pre-existing" pension funds for employees, incentivising, in line with regulations, the contribution related to tax deductions, as well as the pension plans related to employee termination.

Also the Open Pension Plans created by the Companies of Fondiaria SAI Group and Milano Assicurazioni signed up a contained number of new members with a consolidation of the cash flow generated by the new subscribers in recent years; it is believed this trend will continue thanks also to instruments assisted by result guarantees.

In relation to the products connected to the employee leaving indemnity, the general economic situation continues to have a negative impact as does the regulations (allocation of employee leaving indemnity to complementary pension forms rather than to INPS – for businesses with under 50 workers). There are some small signs of recovery in the last part of the year in the distribution of the TFM product.

The capital redemption products for treasury management show some small signs of recovery on the previous year, not just due to the decrease in the phenomenon of advanced redemption, also of a significant amount, but also due to a recovery in the interest for insurance type instruments.

The risk coverage segment recorded good results in the institutional sector of insurance deriving from collective negotiations, with particular attention on the distribution of products dedicated to accessory coverage for the Pension Funds and for the coverage of loans issued by the institutions; although a substantial holding in the portfolio was recorded, the results were not in line with their potential. For greater detail on the respective Open Pension Funds of the two major companies of the Group, reference should be made to the respective financial statements in the Life insurance segment.

The performance in 2009 of the subsidiaries is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	CGE.%	INVESTMENTS	RESERVES	RESULT
LIFE INSURANCE SECTOR					
BIM VITA	27,140	(8,89)	145,430	89,780	689
DDOR NOVI SAD (*)	5,049	23,71	10,297	10,807	307
LIGURIA VITA	22,000	(12,24)	112,931	108,752	(165)
MILANO ASSICURAZIONI (*)	495,528	(57,64)	4,257,136	3,899,328	38,633
POPOLARE VITA	1,340,325	(28,65)	7,451,140	6,026,903	28,696
SYSTEMA VITA	26,099	n.a.	88,073	85,731	1,093
THE LAWRENCE LIFE ASSURANCE CO	2,214,915	n.a.	2,636,958	2,165,483	18,128

(*) consolidated data of the Life sector

MILANO ASSICURAZIONI S.p.A.
Share Capital Euro 305,851,341.
(Direct Holding 60.58%, Total Group Holding 62.85%)

The Group Life sector recorded a pre-tax profit of Euro 51.9 million, compared to Euro 49.2 million in 2008. The 2009 result stems from the technical margins on the policies portfolio, prevalently constituted of Class I insurance products, and higher investment profits, against markets which, although not recovering entirely normal operating conditions, recorded a better performance than in the previous year, with varying increases in share prices. The sector however continues to be affected by the valuation losses on financial instruments (Euro 27.5 million gross of the quota attributable to the policy holders) and therefore does not fulfil its entire profitability potential.

Direct premiums written in the Life Division amounted to Euro 495.5 million, a decrease of 16.4% on 2008. The decrease was due particularly to the products connected with investment funds and market indices (-90.3% with premiums written of Euro 5.2 million), which were affected mainly by the present economic and financial situation.

With particular reference to the Parent Company, premiums written in the Life Division amounted to Euro 481.5 million, a decrease of 13.2% on 2008. The decrease was due particularly to the products connected with investment funds and market indices (-82.9% with premiums written of Euro 9.6 million), which were affected mainly by the present economic and financial situation. Capital redemption policies (-11.6% with premiums written of Euro 87 million) decreased principally due to the reduced activity of the company in the institutional segment, a business characterised by low margins. The traditional type products, with higher insurance content and greater profit margins, held up better (-3.9%) although they continued to be affected by the economic and financial environment which has not yet returned to normal operating levels. However there are encouraging signs in the increase in annual premiums (Euro 9.1 million, growth of 9.45% on the previous year).

The technical reserves of the direct business at the year-end amounted to Euro 3,835 million and substantially stable compared to the previous year. The technical reserves relating to the "Class C portfolio" (which excludes the contracts with investment risk borne by the policyholders) amounts to Euro 3,551.7 million and almost entirely relates to Separate Management contracts.

The Life Division recorded a technical profit of Euro 117.6 million compared to a loss of Euro 78.5 million in 2008. The positive performance in 2009 is principally due, in addition to the technical margins relating to the products in portfolio, the significant recovery of the value of investments (Euro 65.1 million) against a market performance which, although not having fully returned to normal operating levels, recorded a decisively improved performance on the previous year. In particular, improved market operating conditions and the decrease in interest rates resulted in an across the board increase in share prices and a consequent reversal of the valuation adjustments made in the previous year, during the height of the financial crisis.

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

The IAS compliant accounts in 2009 report a profit of Euro 28.7 million (loss of Euro 89 million in 2008).
In January of the current year, the initiatives to protect customers with index-linked policies issued by Novara Vita with underlying securities issued by the companies of the Lehman Group took effect, as described in greater detail in the accounts of the Company.

We recall that in November, having complied with the requirements of the authorities, 100% of the share capital of The Lawrence Life Assurance Limited was acquired from Fondiaria Nederland B.V., a holding company in turn owned 100% by Fondiaria-SAI S.p.A. The company acquired is a non-listed Irish registered company operating in the Life classes for over a decade and which, based on a distribution agreement agreed at the beginning of 2009, already distributes its own index-linked products through banks belonging to the Banco Popolare Group. The operation forms part of the joint strategic plan of Banco Popolare Group and Fondiaria SAI Group to extend their bancassurance partnership and to allow this partnership to become a focal point in the development of highly innovative and competitive “index-linked" products on the Italian market. The expansion of the range of products to the placement banks responds to the increasing greater differentiation needs of savers in line with the criteria to adopt the offer to their needs and improving the level of satisfaction, within a careful control of financial risks.

The gross technical reserves amounted to Euro 6,027 million (Euro 4,794 million in 2008) and relate for approx. 60% to Class D reserves (approx. 70% at 31/12/2008).

In relation to the technical risks, the risks connected to demographic factors are managed through a periodic updating of the mortality statistics, while the redemption trend and the covering of the costs are controlled through continuous monitoring of their performance including comparison with similar market data.

The distribution network of the insurance company comprises 2,165 bank branches belonging to the Banco Popolare Group – an increase in the year of 387 branches principally due to the distribution agreement agreed with the Cassa di Risparmio di Lucca Pisa Livorno, la Banca Popolare di Crema, la Banca Popolare di Cremona and la Banca Caripe – and, in relation only to post sales, 33 branches in Credito Emiliano.

THE LAWRENCE LIFE ASSURANCE CO. LTD

Share Capital Euro 802,886.
(Indirect Holding 100%)

In 2009, the Company reported an IAS compliant profit of Euro 18 million compared to approx. Euro 1.7 million in the previous year. Premiums written in the year amounted to Euro 2,214.9 million of which Euro 2,214.8 million insurance contracts realised with four tranches of index-linked products with a duration of 6 years (premiums written in 2008 of Euro 2,100 thousand, of which Euro 0.9 million insurance contracts).

In order to cover the increasing requirements of the solvency margin, generated from new business, the Company benefitted from four share capital increases of Euro 32 million, respectively Euro 22 million from Fondiaria Nederland B.V. and Euro 10 million from Popolare Vita S.p.A. At December 31, 2009 total investments of the Insurance Company amounted to Euro 2,636 million (Euro 413 million in 2008), of which Euro 2,557 million (Euro 404 million in 2008) were Class D investments.

The year 2009 was a year of great changes, principally due to the distribution agreement concluded in April 2009 with Banco Popolare Group. The principal consequence of this agreement, in addition to an increase of net premiums written, was the sale in November 2009 of the shares from Fondiaria Nederland B.V. to Popolare Vita S.p.A. The Company is actively working alongside Banco Popolare to develop the partnership which began in 2009, and, in fact, in February 2010 two new products were launched, thanks to the distribution agreement, with estimated premiums of Euro 765 million.

Following the strategic changes, the Company created an Audit Committee, an Investment Committee and a Product Development Committee, which have the function to coordinate and control and contain a representative on the Board of Directors and are supported by the management of the Company and the shareholders. Also during the year the Third Party Administration contract with the company IPSI which expires in 2012 was updated for the management of products issued during the year. In 2009, an agreement was signed with Fondiaria-SAI for the supply of some services.

Restructuring of the index-linked policies issued by SASA VITA S.p.A. (now Milano Assicurazioni) and bonds with underlying securities issued by the Icelandic banks.

Sasa Vita S.p.A. (now incorporated into Milano Assicurazioni) issued an index-linked “Metal & Oil” policy, having as underlying security structured bonds issued by the Icelandic Bank Glitnir Bank Hf, placed in administration on 9/10/2008.

From that moment, the above-mentioned security did not have a valuation and given the situation of substantial insolvency of the issuer, Milano Assicurazioni decided to restructure the index-linked policies with the objective to allow the clients, although the policy was not of a “guaranteed capital” type, to receive on maturity the entire nominal capital and to receive all past cash inflows.
In relation to this, the clients had, by September 30, 2009, the opportunity to redeem the original contract and the simultaneous subscription to a new contract comprising the residual duration of the index-linked contract increased by approx. 2 years, therefore with maturity for the bond component of December 31, 2013 and for the optional component of November 28, 2011 (same as the original contract).

The redemption took place at the current value of the underlying asset, equal to 18% of the nominal value. This value represents the best recovery rate estimate utilising the market parameters with reference to the Icelandic issuer.

The subscription price of the new policy was 87.73. The clients therefore availed of a loyalty premium of 69.73 This loyalty premium will mature only in the case in which the clients do not redeem the policy before maturity (December 31, 2013). The price of 87.73 corresponds to the current value of the Zero Coupon which will be repaid to the policyholder as 100 at the maturity of 2013 (price 86.73), plus the value of an option which replicates the derivative mechanism included in the structured security as coverage in the original formulation (price 1).

The issuer of the underlying securities of the new policies are BancaSai for the bond part and JP Morgan Chase Bank for the optional part. In every case, the counterparty risk is carried by Milano Assicurazioni, also for the optional part. The total payment for Milano Assicurazioni amounts to approx. Euro 5.7 million, corresponding to a loss of approx. Euro 3 million, net of taxes.

The contract states that the restructuring operation is a compromise agreement and that nothing is owed to the client in relation to the original restructuring policies.

Mutual resolution of the partnership in Bipiemme Vita

Milano Assicurazione S.p.A. and Banca Popolare di Milano S.c.ar.l. (BPM), on December 23, 2009 signed an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005.

This partnership, in fact, did not get the expected results, both in terms of premiums written and product mix and profitability, also due to the different commercial strategies necessarily undertaken by the Bank during the financial crisis.

The agreement provides for the repurchase by Banca Popolare di Milano of the 51% holding in BIPIEMME VITA S.p.A. held by Milano Assicurazioni for a payment of approx. Euro 122 million, in line with the book value recorded by Milano Assicurazioni for the holding.

The agreement also provides for an earn-out mechanism in favour of Milano Assicurazioni in the case in which BPM sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties within 12 months after the closing date, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria SAI Group.

The transfer of the investment will take place, subject to obtaining the necessary authorisations, in the first half year of 2010.

In accordance with IFRS 5 the holding was reclassified under discontinued assets.

Reinsurance

Non-Life Reinsurance

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

- the Transport Classes placed within the subsidiary SIAT;
- the Aviation Classes placed directly by the underwriting companies in international markets;
- the remaining non-marine portfolio of SIAT, in progressive decline, placed with Milano Assicurazioni;
- the significant risks ceded optionally placed directly by the individual companies.

The reinsurance policy continues to be principally orientated towards cessions on a non-proportional basis of the protection of the individual or cumulative risks deriving from a single event for the Classes Fire, Injury, Theft, General TPL, Motor Vehicle TPL and Land Vehicles while on a proportional basis for the Classes Credit and Technological Risks. In relation to the Classes Aviation and Bonds the structure is based on proportional agreements and covering excess claims for the protection of the relative retained.

The proposition of coverage ceded composed by the different portfolios of the individual Companies continues to provide balanced programmes to the international market, which presented with an increasing level of analysis, are constantly requested by the principal reinsurers; this limits the reinsurance costs, normally lower than the market average, although against increased exposure, especially in relation to catastrophic events.
This situation, together with the good results reported, allows for an excellent level of guarantee on solvency, particularly important in the presence of catastrophic coverage, for example Injury and Property.

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

The subsidiary LIGURIA, following the guidelines issued by the Parent Company, placed the Transport Classes through SIAT, while Group programmes were utilised for the other guarantees. In specific cases, where there was a lower priority, specific underlying programmes were placed, also through The Lawrence RE.

The reinsurance includes at 31/12/2009 all the optional business and the acceptances by the insurance companies of the Group and at 31/12/2008 for all the other types of agreements. Considering the relative reinsurance the equilibrium of the result is confirmed in line with previous years.

Life Reinsurance

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

Also the non-proportional programme, which protects the Companies of the Group from risk events, is subsequently ceded by The Lawrence RE, after a further reduction of the retention. The retentions continue to be held for the participating insurance companies, especially when compared to the total capacity provided.

The rating of the Total Technical Reserve and the Current Account Receivables relating to reinsurers

Despite the severe financial crisis creating a number of defaults in the world financial sector, the choices undertaken by the Fondiaria SAI Group for their reinsurance partners was positive.
The table below shows the composition of the total technical reserves and the current account receivables relating to reinsurers by category according to the Standard & Poor's rating. In particular, the table illustrates that over 97.5% of the reserves (over 95% of the receivables) are within the so-called "strong «class (rating AAA, AA and A): this percentage is stable or in fact better than the previous year, which amounted to around 96.7% (90% of the receivables).

Total Technical Reserves and Current Account Receivables

(in Euro thousands)

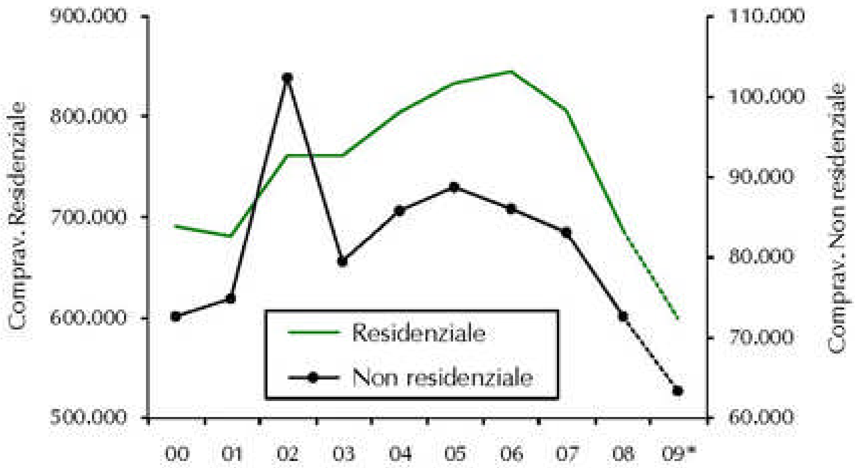
	2009				2008			
	Reserves		Receivables		Reserves		Receivables	
RATING	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**	**Amounts**	**Percent. %**
AAA	7,524	0.86	851	0.64	52,626	6.31	3,739	2.70
AA	252,202	28.98	38,744	29.06	244,270	29.30	35,345	25.55
A	589,395	67.72	87,418	65.56	509,070	61.07	85,416	61.75
BBB	3,335	0.38	2,415	1.81	5,690	0.68	3,072	2.22
BB	143	0.02	137	0.10	178	0.02	289	0.21
B	1,487	0.17	606	0.45	6	-	2	-
NR	16,214	1.86	3,163	2.37	21,708	2.60	10,462	7.56
Total	**870,300**	**100.00**	**133,333**	**100.00**	**833,548**	**100.00**	**138,325**	**100.00**

Real Estate Sector

In Italy, at the end of the first half of 2009, the downward correction of property prices was less marked than in the rest of the world. According to the Nomisma property market report, current prices for homes decreased in the first six months of the year by 2.5% (having already reduced by 1% in 2008), a decrease which on an annual basis amounts to 3.5%. The reduction in national property values is more contained than overseas, however it is significant when considered in a historical context: analysing the residential segment, the decrease in the first half of the year is the highest for 25 half-year periods (the worst since 1997, the year in which the last Italian property market crisis occurred) and the third since 1994.

In Q1 2009, average national sales reduced by 18.7% compared to Q1 2008. The difficulty in selling property in all categories is seen in the increase in the average sales times (6.1 months for residential, 7.6 months for offices and 6.8 months for shops) or for rentals, and also through increased reductions obtained during negotiations.

Graph 1 – Number of residential and non residential sales



(*) estimate
Source: Nomisma projections on data of the Territory Agency (3rd Report 2009 on the Italian Property Market) .

In 2009, the supply of properties onto the market decreased again. According to mortgage market estimates carried out by the Assofin Observatory (which covers 80% of the market), total mortgages in 2009 dropped by 6.8%. This was an improvement on the decrease of 14.4% in 2008. In the fourth quarter an increase of 20.5% was recorded. The Q4 performance shows therefore signs of recovery in the property and mortgages market: on the one hand fears of a property bubble have lessened, and on the other a return to building has commenced, also as alternative investments are believed to be less attractive. Also the very low yields from Government securities have led investors to return to the property market, in addition to the effects of the tax shield with some of the capital repatriated invested in property.

While the number of mortgages for the purchase of homes have decreased by 5.6% and the actual amount lent has dropped by 14.2%, substitution, restructuring and settlement mortgages (so-called “other mortgages”) grew by 20%. The variable rate was the most requested in 2009 led by the “variable with cap” option. The percentage of such loans granted jumped by 30% compared to 18% in 2008. The mixed rate mortgages also increased by 14% in 2009, four percent higher than 2008, while the fixed rate decreased from 72% to 38%.

Overall 2009 was still a year of contraction in loans granted. 2010 will depend on the availability of credit: recovery will only occur if credit Institutions are more willing to grant loans. Although demand is being awakened, banks are maintaining stringent lending policies with a consequent sluggishness in activity. Therefore 2010 is a year of transition. Although the first signs of recovery are evident, contained growth is still forecast.

The current tensions in the market will continue for the coming months: forecasts do not indicate substantial changes in the situation on 2009 and the number of sales should stabilise at approx. 600,000 units annually. In relation to prices, the estimated changes will be more contained than 2009 at -6/7%.

Newly constructed buildings on the market, although in over-supply, will be in part reabsorbed and a slight improvement in the credit policies of the banks is expected which were very restrictive in the first part of 2009. The high-end of the market and the central metropolitan areas should maintain their values more so than suburban or smaller communities.

OPERATIONAL PERFORMANCE

The results of the real estate sector include the operations of **Immobiliare Fondiaria-SAI** and **Immobiliare Milano** (consequent of the spin-off from Immobiliare Lombarda S.p.A.), of the subsidiary **Nit S.r.l.** and other smaller companies, as well as the **Tikal R.E.** Closed Real Estate Fund.

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

(in Euro thousands)	**2009**	**2008**
Profits realised	18,887	45
Total revenues	**209,988**	**184,757**
Interest expense	15,407	22,827
Total costs	**305,321**	**254,841**
Loss before taxes	(95,333)	(70,084)

(in Euro thousands)	**2009**	**2008**
Investment property	920,009	1,271,595
Financial liabilities	304,825	451,068

The pre-tax result was a loss of Euro 95 million (Euro 70 million in 2008). The factors contributing to the result were:

- the continued effects of the economic crisis which did not permit significant realisable gains;
- the write-down of the investment in IGLI S.p.A. for Euro 55 million, in turn due to the Stock Exchange performance of its subsidiary Impregilo;
- the realisation of a gain of Euro 11.6 million due to the conferment to the newly incorporated Rho Fund of property situated in Via Di Dono, Rome held by Tikal R.E.;
- the recording of valuation losses on property of Euro 13 million, following the need to write-down some assets whose book value exceeded the market value and was considered a permanent loss in value.

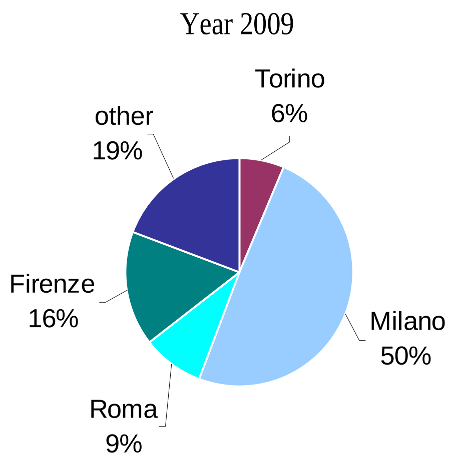
The reduction in the account "Property investments" was due to the merger by incorporation of the companies Mantegna, Meridiano Quinto, Meridiano Risparmio and Portofino Vetta into Fondiaria-SAI and of the company Meridiano EUR into Milano Assicurazioni: these assets were therefore reclassified into the insurance sector.

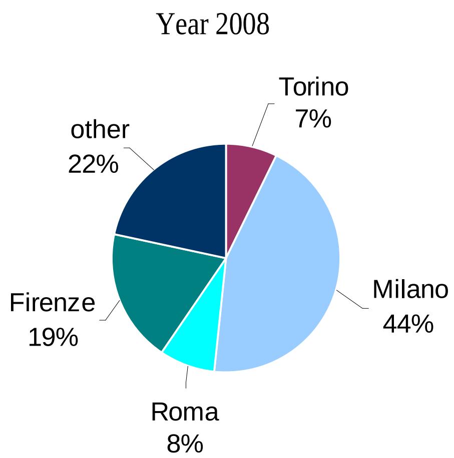
The key financial highlights of the principal operating subsidiaries in the sector is set out below:

(in Euro thousands)	REVENUES	CGE.%	COSTS OF PRODUCTION	RESULT
REAL ESTATE SECTOR				
IMMOBILIARE LOMBARDA	159,166	9.13	159,916	(606)
IMMOBILIARE FONDIARIA-SAI	19,336	n.a.	51,047	(22,608)
IMMOBILIARE MILANO	4,051	n.a.	36,765	(27,139)
NUOVE INIZIATIVE TOSCANE	229	(77.82)	1,016	(787)
TIKAL R.E. FUND	38,225	(17.32)	48,575	359

The breakdown of Group real estate by geographic area is shown below.

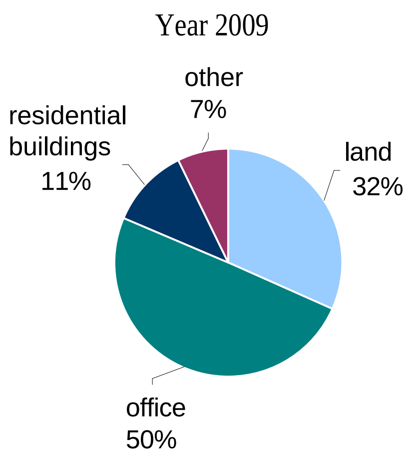
% Breakdown of Group real estate by Geographic area

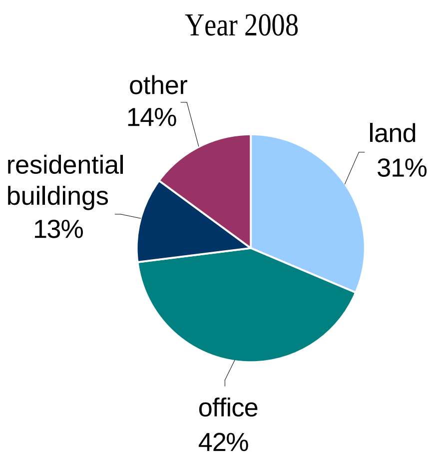




The breakdown of the Group real estate by use is shown in the table below:

% Breakdown of Group real estate by use





The year 2009 saw the completion of important real estate operations and confirmed the commitment to several important projects. The most important projects undertaken were as follows:

- the subsidiary SAI Investimenti attracted subscribers for a new closed property fund called Athens R.E. Fund – speculative fund. This fund purchased from the subsidiary Immobiliare Lombarda S.p.A. buildings for hotel-accommodation use in Civitella Panico (GR) called Grand Hotel Terme di Petriolo for a price of Euro 40 million and in Taormina (ME) called Grand Hotel Capotaormina also for a price of Euro 40 million. This is an inter-group operation in that the newly constituted fund was conferred and is controlled by the Group, and the sale does not result in a gain in the present report. For technical details, reference should be made to the specific paragraph;

- Fondiaria-SAI sold parts of a building for commercial use in Milan, Via San Giovanni sul Muro No. 21 at a price of Euro 1.4 million;
- the subsidiary Milano Assicurazioni acquired a building in Turin, Strada del Drosso 29 for commercial use for Euro 8.9 million;
- the closed property fund Tikal sold the building for office use in Florence, viale Matteotti, 72 at a price of Euro 7.2 million, recording a gain of Euro 0.9 million.
- Fondiaria-SAI purchased building lands from the associated company Imco S.p.A., located in Milan, in the locality of Bruzzano for Euro 13.4 million;
- Fondiaria-SAI purchased building rights from the associated company Imco S.p.A., situated in Pieve Emanuele, in the locality of Viquarterio at a price of Euro 2.5 million;
- as part of one of the largest operations carried out by the Group in 2008, in January 2009 the subsidiary Meridiano Eur completed the purchase of a building for office use in Milan, Via Crespi 57 from the Generali Assicurazioni Group for Euro 55.8 million; the building is located in the north zone of Milan near the Piazzale Maciachini comprising one underground floor and six floors, principally for office use with a total surface area of 27,139 sq. mtrs.
- the closed-end Tikal property fund acquired from the subsidiary Immobiliare Lombarda S.p.A. the building for office use in Milan, Via dei Missaglia, 97, Building B 2 for a price of Euro 27.5 million.

Non proportional spin-off project of Immobiliare Lombarda S.p.A. into two newly incorporated companies held entirely by Milano Assicurazioni S.p.A. and Fondiaria-Sai S.p.A.

With prior authorisation of ISVAP, on September 25, 2009 the partial non proportional spin-off deed was signed (hereafter also the operation or the spin-off) of Immobiliare Lombarda into two newly constituted companies, one held 100% by Milano Assicurazioni S.p.A. and the other by Fondiaria-SAI S.p.A., which were assigned the portfolios subject of the spin-offs.
The spin-off was effective as of October 1, 2009, the date on which the two beneficiary companies Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l were incorporated.
The spin-off project was approved by the shareholders’ meeting of Immobiliare Lombarda on July 16, 2009.

The spin-off project provided that any differences in the book value of the assets and liabilities subject to the assignment in favour of each of the two beneficiary companies, due to the operational management of Immobiliare Lombarda, based on the results recorded following the above-stated assignments and the accounting results at the effective date of the spin-off, would not result in changes in the net equity value of the two beneficiaries, but would be subject to settlement in cash between Immobiliare Lombarda and the beneficiary companies.
Due to the balance sheet situations at September 30, 2009 of the two portfolios subject to the spin-off, approved by Board of Directors of Immobiliare Lombarda, a receivable of this latter from Immobiliare Fondiaria-SAI for an amount of approx. Euro 26.8 million and a payable by Immobiliare Lombarda to Immobiliare Milano Assicurazioni for approx. Euro 6.5 million was calculated.

Villa Ragionieri S.r.l. – undertaking for the realisation of a health complex in the property owned by the Company

The subsidiary Villa Ragionieri S.r.l. signed an agreement with IM.CO. S.p.A. for the extension and necessary services installation in the area owned by Villa Ragionieri, located in the Sesto Fiorentino municipality, for a new health complex for a highly specialised oncology centre. In the last five years, successive amendments to the project for the realisation of the complex were presented to the Sesto Fiorentino Municipality.
The amount agreed with IM.CO. for the contract was approx. Euro 28 million, plus VAT. As IM.CO. is a related party of the Company, an independent expert report was required to verify these amounts are in line with market prices. This opinion validated the appropriateness of the amounts tendered.

Sales to the Unicredit group of a real estate complex in Milan, Via Cambi, owned by the subsidiary Crivelli S.r.l.

Agreements were signed between the company Crivelli S.r.l. (seller) and Unicredit R.E. (acquirer) for the increase of the sales price agreed in 2007 for the land and the building for office use situated in Milan, Via Cambi, for the expansion of the offices adjacent to Unicredit R.E. according to a project already agreed with the future occupier. In 2007 in fact, following some extensions to the project and consequently the entry into force of new regulations with regard to energy saving, the initial project underwent some changes following which it was possible to increase the commercial area under construction. In addition, operations which were not initially envisioned, which did not increase the surface area, generated a significant increase in costs. The carrying out of these works were entrusted to the company MI.PR.AV. – Milano Progettazioni Avanzate S.r.l. for the design services and to the company Martora Costruzioni S.p.A. for the building operations. For the completion of the greater surface area and in order to render all of the amendments and/or additions of the original project possible, it was necessary to invest a further sum of approx. Euro 8.5 million, plus VAT. As both of the above companies are related parties of the Company, the total additional sum above indicated was verified by an independent expert, confirming the validity of the amounts.

Purchase by the subsidiary Immobiliare Lombarda of property in the San Donato Milanese area

On 20/05/2009 the subsidiary Immobiliare Lombarda signed a deed of understanding in order to redefine the property complex for accommodation use to be built in the area of San Donato Milanese (MI), Via Maastricht, purchased as sale of future asset in 2005 from I.C.E.IN. S.p.A. at a price of Euro 18 million, to be rented subsequently by the company Atahotels S.p.A.

During the course of the works in fact, in consideration of the particular use of the asset, also taking account of sector changes both in the technological and regulatory ambit, changes were made to the agreement with I.C.E.IN., both qualitative and quantitative, to the property complex under construction. These changes, in order to increase the quality and value of the building, led to the extension of the delivery date of the building, through common agreement between the parties, and an increase in the sales price. The above changes will allow an improved use of the structure through innovations servicing the greater needs of clients and which therefore constitute a significant added value. The increase in the available area and the consequent increase in the number of car spaces and housing units confers greater accommodation use to the building.
Against this the future asset, in the phase of execution, the amount to be paid in the contract was amended, with an increase in the sales price of Euro 10.3 million plus VAT and the extension of the delivery time. Establishing I.C.E.IN. as a related party of the Company, this higher amount was validated by an independent expert. As indicated, the operation provided from the beginning that the building, once completed, would be rented to Atahotels, based on the preliminary contract subsequently transferred by this latter to its subsidiary ITAL H&R S.r.l. The greater quantitative and qualitative level conferred to this property complex in the phase of completion brought about a review of the rental which was originally agreed. The validity of the new rental fee agreed in the rental contract was confirmed by an independent expert's opinion.

Merger by incorporation of property companies entirely held

In the meeting of 17/06/2009, the Board of Directors of Fondiaria-SAI approved the merger by incorporation into Fondiaria-SAI S.p.A. of Mantegna S.r.l., Meridiano Quinto S.r.l., Meridiano Risparmio S.r.l. and Portofino Vetta S.r.l., as part of the rationalisation and corporate restructuring of the Group.

The operation allows the rationalisation of the corporate holdings, providing direct coverage of the technical reserves of the property assets held in the subsidiary property companies, to provide immediate rental cash flows to the Company and also providing a saving on the administrative costs relating to the maintenance of the corporate structures.

The Supervisory Authority, with provision No. 2737 on September 30 authorised the above stated merger.

In relation to the manner and timing of the merger, reference should be made to the Consolidated Half-Year Report.

At the meeting of 17/6/2009, the Board of Directors of the subsidiary Milano Assicurazioni approved the merger by incorporation into Milano of the companies Meridiano Eur S.r.l. and Meridiano Orizzonti S.r.l., both 100% held by the incorporating company. Authorisation was granted on September 30, through ISVAP provision No. 2736.

As relating to inter-group operations no effect was recorded in the consolidated financial statements.

PROPERTY DEVELOPMENT INITIATIVES

Castello Area

Following an investigation by the Public Prosecutors Office of Florence in relation to an alleged offence of corruption, on November 26, 2008, on request by the same Public Prosecutor, a sequestration was issued for the entire Castello area, which was enforced by the Police Authorities. Currently all operations have been halted due to the judicial sequestration of the area.

An independent experts' opinion was requested at December 31, 2009 which, based on the continuation of the sequestration, the building capacity of the area and the validity of the agreement signed with the Municipality of Florence reports higher values than those reported in the financial statements.
It is believed that there are no risks to the asset values as the documentation available does affect the legitimacy of the Convention of 2005 or future construction in the area.
Also design activities have been entirely suspended.

Varesine Project

Fondiaria-SAI is involved directly, together with the parent company Premafin and the subsidiary Immobiliare Lombarda, in the real estate development project in the "Porta Nuova Varesine" area.

The area is situated in the centre of Milan adjacent to the "Garibaldi Repubblica" project subject to a similar investment by Milano Assicurazioni S.p.A.
The project will undertake the development of approx. 82 thousand sq. m. of building surface, of which approx. 42 thousand sq. m. for office use, approx. 7 thousand sq. m. for commercial use, approx. 33 thousand sq. m. for residential use and approx. 15 thousand sq. m. for parking and general use.

In 2009, the assignment of work procedures continued with the beginning of construction expected for the third quarter. In July, the contract for the first lot of the Porta Nuova Varesine Area was awarded. The award concluded a tender process lasting over 6 months in which some of the largest national and local businesses participated. The contract awarded provides for the completion of the first 3 buildings in the Porta Nuova Varesine project for a floor area of approx. 43 thousand sq.m., equal to slightly more than half of the entire floor area of the lot.

Amendment of the partnership agreement for the "Porta Nuova Garibaldi" real estate project

As noted, Fondiaria-SAI is involved in (through the subsidiary Milano Assicurazioni) a joint venture with the US group Hines concerning a real estate development project in the area known as "Porta Nuova Garibaldi" in Milan, in relation to which Milano Assicurazioni in 2005 purchased a direct holding of approx. 48% in Garibaldi S.c.s., a Luxembourg vehicle company to carry out the above stated property projects through the Italian company Caprera S.r.l.

The general partner of Garibaldi S.c.s., as well as the manager of the entire project, is Garibaldi GP S.a.r.l., a holding of HEDF Luxembourg S.a.r.l. (Hines Group).

For these purposes, on June 30 contractual agreements were signed in order to allow the review, following the proposal of Hines as the manager of the project, of the corporate structure of the property project in question which provides for the progressive replacement of the company Caprera S.r.l. with a speculative closed property fund reserved to qualifying investors called "Porta Nuova Garibaldi – Mutual closed speculative property investment fund", managed by Hines Italia S.G.R. S.p.A., an asset management company in Italy forming part of the Hines Group.

The agreements which govern the new structure of the operation (including the so-called partnership agreement which covers, among other issues, the relations between shareholders of Garibaldi S.c.s. and the financing of the project) and consequently the progressive transfer of the project from the limited liability company to the fund, were signed by the Company and by the other parties involved in the operation. The terms and conditions protecting the investment of Milano Assicurazioni were unaltered and for some aspects were improved upon.

Due to that stated above, it is possible that the legal form of Garibaldi S.c.s. may be amended, a company which indirectly through Garibaldi S.a.r.l. (previously Garibaldi PE S.a.r.l.), holds the majority in the above-stated fund and of which Milano Assicurazioni, as stated, holds 48% of the share capital.

Furthermore, Hines amended the shareholders of Garibaldi GP S.a.r.l. (General Partner of Garibaldi S.c.s.), in which Milano Assicurazioni and, more in general, the Fondiaria-SAI Group will however continue not to possess shareholdings and Milano Assicurazioni confirmed, with reference to the stated project, it's maximum undertakings (comprising of guarantees).

Finally, we recall the area of the Garibaldi project located in Milan, between Corso Como, Piazzale Don Sturzo, Via Melchiorre Gioia and the railway station which provides for the development of approx.: 50,000 sq.m. gross surface area for office use, 15,000 sq.m for residential use, 10,000 sq. m for retail use and 20,000 sq. m. of exposition space. In 2009, the construction work completed involved the road works for the tunnel for the gardens of Porta Nuova in July. In order to create a more efficient corporate structure, following a comprehensive analysis of the partnership coordinated by Hines as the Managing General Partner, a review of the structure was carried out which resulted in the conferment of the area of the company Caprera S.r.l. to a speculative closed reserved property fund for qualifying investors. The above operation did not alter the commitments of Milano Assicurazioni.

"Citylife" project

The company Citylife S.r.l., whose shareholders include, as well as Immobiliare Milano Assicurazioni S.r.l, Generali Properties S.p.A., Allianz (ex Ras S.p.A.) and Lamaro Appalti S.p.A., was awarded the international tender by the Fiera Milano Foundation for the improvements of the historic area of ex-Fiera.
The project by Citylife which won the award was of a value of Euro 523 million and was completed with the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.
The investment is for approx. Euro 2.1 billion with a total value of production equal to Euro 3.3 billion.
In 2009, the construction works on the Hadid residences began, with the foundation works for the Libeskind Residences and the Isozaki Towers and Offices also begun. The final design of the residences beside Piazzale Arduino also began. The competitive procedures for the tender under European regulations for the awarding of works relating to the construction of the new line 5 of the Milan Metropolitan began, as a secondary infrastructural urbanisation project.

The completion of the construction and the commercialisation phase is expected for 2015.
During the year, Immobiliare Lombarda S.p.A. and subsequently Immobiliare Milano Assicurazioni S.r.l. paid approx. Euro 16.8 million for a future share capital increase.

The Citylife project, of which Fondiaria-SAI is one of the leading figures, was drawn up as an "ecological revolution in the property sector" and in fact the idea to create an island of 225 sq.m. at zero impact in the heart of Milan could hardly be described otherwise. Thanks to an agreement with A2A, houses and buildings will be supplied without any type of fuel, while hot water will be supplied by A2A through a link with the district heating network of Amsa di Figino-Silla 2. On completion of the project, a public park of 165 sq.m. will be created (the third largest green area in the city) where 2,000 trees will absorb hundreds of tonnes of CO_2 and other greenhouse gases per year. It will also be the largest pedestrian area in Milan, while cars, crossings and parking will be entirely provisioned underground.

The heating systems will heat and cool the three skyscrapers allocated for office and hotel use. The residences will utilise groundwater with heat pumps, while the water from the heating and conditioner systems will be recycled for irrigation of the park and the green areas, as will the overflows from the sanitary services. The area will use a large amount of renewable energy sources, such as photovoltaic, making Citylife a cutting-edge oasis in the protection of the environment.

From 2015, the district heating will enable the avoidance of of over 160 thousand tonnes of carbon dioxide and 23 tonnes of fine dust emissions per year. At like-for-like surface area, the CityLife residences will consume approximately one sixth (-80%) of the primary energy use in a "normal" apartment in Milan, making it therefore class "A" as opposed to class "G".

The surface area of the buildings are more efficient in terms of the amount of people who can comfortably be employed in the area as the new spaces were designed with cutting edge techniques, useful also for the containment of management costs: a class "A" building allows the saving of between 20 and 40 percent on electricity and heating expenses.

Purchase of lands in the Municipality of Milan

On 29/7/2009, Fondiaria-SAI purchased from the companies IM.CO. S.p.A. and ALTAIR S.p.A. land in the Municipality of Milan.

The land concerned is located in Bruzzano, north of the city (where the buildings and offices of Milano Assicurazioni and the offices of the Group are located) and near the Municipalities of Cormano and Bresso. The area in question is affected by a Lotting Plan (PL) by PRG. In this area, the subsidiary Meridiano Bruzzano S.r.l. (100% held by Immobiliare Fondiaria-SAI) is undertaking, together with IM.CO. and ALTAIR, a real estate initiative for the building of a residential complex of approx. 100,000 cubic metres, as well as the building for commercial and office use of a further 20,000 cubic metres.

The land owned by IM.CO., which comes under the Lotting Plan has a land area of 87,589 sq.m., while those of ALTAIR comprise of an additional 4,275 sq.m. The land includes the buildings destined for demolition.

The building by Fondiaria-SAI of a residential complex will allow good profit margins if the buildings are maintained for income generation. The investment will also provide a good return if the units are sold. None of the building activities have begun yet however.

The price agreed for the purchase operation is Euro 14,054 thousand, of which Euro 13,400 thousand for the lands of IM.CO. and Euro 654 thousand for the lands of ALTAIR. Euro 2,730 thousand of the price refers to a small portion of land affected by a dispute which is awaiting closure, or which the seller for a payment will provide the relevant bank surety guarantee.

As IM.CO. and ALTAIR are related parties of Fondiaria-SAI, an independent expert's opinion was requested in order to verify that the total price paid was in line with the market price. This opinion confirms the correctness of the above-mentioned price.

Progetto Alfiere S.p.A.

Immobiliare Fondiaria-SAI S.r.l., through the company Progetto Alfiere S.p.A., in partnership with Lamaro Appalti S.p.A., Fondo Beta, Maire Engeenering S.p.A., Eurospazio s.r.l. and Astrim S.p.A., purchased 50% of the share capital of Alfiere S.p.A., owner of the property complex "Torri dell'EUR", situated in Rome. The remaining part of the share capital is held by Fintecna Immobiliare (100% held by Fintecna S.p.A., in turn entirely held by the Ministry for the Economy and Finance).

On July 30, 2009, the residential project designed by architect Renzo Piano was presented to the Municipal Department, with the request for permission to build; on September 16, 2009 the Joint Committee approved the project to be presented in a definitive manner to the Municipal Board.
The approving procedure provides, a “passage” through the Urban Planning Board Advisory Commission in order to institute the definitive, subsequent examination of the project by the Municipal Board. The existing building will only be demolished following the granting of permission to build.

The examination procedure of the project has been slowed down due to the recent unification of the Offices of Department VI (Regional Planning and Programming Policies) and Department IX (Urban Instrument Implementation Policies) into a single Office (Urban Planning) and under the responsibility of a single General Manager.
An agreement with the Municipality on the amount and manner of payment for the extraordinary contribution due from the company to the Municipality of Rome was reached.
The Company, on the request of the Municipality, provided the latter with a projected “planting” of the Via Cristoforo Colombo, adjacent to the building subject to future construction.

During the year, Immobiliare Lombarda S.p.A. and subsequently Immobiliare Fondiaria-SAI S.r.l.. paid approx. Euro 0.5 million as a shareholder loan.

Sviluppo Centro EST S.r.l.

Immobiliare Milano Assicurazioni S.r.l. holds 40% in the share capital of Sviluppo Centro Est S.r.l.
The company Sviluppo Centro Est S.r.l. was incorporated with shareholders Lamaro Appalti S.p.A. (40%) and I.TER S.r.l. (20%) for the purchase of a 50% holding of Quadrante S.p.A. and the shareholder loan from Fintecna S.p.A.
The company Quadrante S.p.A. is refurbishing an area of over 60 hectares in the south east of Rome, in the Cinecittà - Torre Spaccata locality.
In Q4 2009, new payment terms for the Euro 52.5 million payment price was agreed (initially set for December 2009) in four annual tranches, as follows: by 31/12/2009 Euro 5 million, by 31/12/2010 Euro 2.5 million, by 31/12/2011 Euro 2.5 million and the last instalment of Euro 42.5 million by 31/12/2012, the year in which the conclusion of the urban project is scheduled.
During the year, Immobiliare Lombarda S.p.A. and subsequently Immobiliare Milano Assicurazioni S.r.l.. paid approx. Euro 2.4 million as a shareholder loan.

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

On 11/06/2009, Fondiaria-SAI S.p.A. signed an agreement for the supplementation and the renewal until 12/06/2010 of the shareholder pact, signed on 08/03/2007 and renewed on 12/03/2008 relating to the holding in IGLI S.p.A., a company which in turn holds a 29.96% stake in Impregilo S.p.A., listed on the MTA sector of the Italian Stock Exchange. The agreement relates to the governance of IGLI S.p.A., as well as the rights deriving from the shareholding of IGLI S.p.A. in Impregilo S.p.A.

The provisions of the Pact remain substantially unchanged, while establishing the right for each of the pact holders to purchase, also following an extraordinary operation and through derivative contracts, shares in Impregilo S.p.A. within a maximum limit of 5% of the share capital of Impregilo S.p.A. and under the condition that this purchase does not compel IGLI S.p.A. and/or the other pact holders to compel a compulsory public purchase offer on the ordinary shares of Impregilo in accordance with article 105 and subsequent of Legs. Decree No. 58 of 24/02/1998, as subsequently amended.

It is recalled that Immobiliare Lombarda S.p.A. has a total holding in the company IGLI S.p.A. of 33.3% of the share capital and that the shareholder agreement relates to the governance of IGLI S.p.A. as well as rights deriving from the holding of IGLI S.p.A. in the share capital of Impregilo S.p.A.
In the half year, the subsidiary Immobiliare Lombarda S.p.A. paid Euro 5 million to the company in order to support its financial requirements.

Impregilo has completed - and is currently carrying out - some of the largest infrastructural operations nationally and internationally. In Italy the Group, leader of the consortium which will undertake a globally significant project on the Ponte sullo Stretto (Straits Bridge), completed the construction work on the Turin-Milan high speed railway line, the Mestre highway link and the Bologna-Florence railway line, with over 100 km of tunnels - a record in underground engineering. Internationally, the largest projects include the new central railway system in Venezuela, the hydroelectric plants in Ecuador, South Africa, the Dominican Republic and Venezuela, the hydraulic tunnel under the Mead Lake in Las Vegas (USA) as well as the infrastructural operations and the three university centres in Libya.

HEDF Isola

On November 26, 2009, MILANO ASSICURAZIONI purchased from IM.CO. S.p.A. a holding of 43% in the share capital of the company HEDF Isola S.c.s. (HEDF SCS) at a price of Euro 15,500,000, including the shareholder loan by IM.CO. to HEDF SCS.
HEDF SCS is a Luxembourg vehicle company which, through HEDF ISOLA S.a.r.l. (HEDF SARL), holds 100% of the shares of the Italian company ISOLA S.r.l. (ISOLA), the company which owns the area in which the property project "Porta Nuova Isola" will be constructed, promoted and managed by the US Group HINES and which plans, by 2013, the building of approximately 30 thousand sq.m. of buildings, of which approx. 22 thousand sq.m. for residential use.
In particular, the "Porta Nuova Isola" project, carried out by the Studio Boeri, consists of the upgrading of the area through the realisation of:

- two towers respectively of 16 and 23 storeys (for approx. 18 thousand sq.m. for residential use and approx. 200 for commercial use);
- 4/5 storey buildings (approx. 3,800 sq.m. for residential use and approx. 200 sq.m. for commercial use);
- a 10 storey building almost entirely (approx. 6,300 sq.m.) for office use, as well as approx. 400 sq.m. for commercial use;
- two buildings for "cultural" use for 2,200 sq.m.

MILANO ASSICURAZIONI already a direct holder in the joint venture with the HINES Group for the realisation of a property project involving the upgrading and development of the area known as “Porta Nuova Garibaldi”, situated in Milan and part of the wider “Porta Nuova” operation, on April 18, 2005 purchased a direct holding of approx. 48% in Garibaldi S.c.s., the Luxembourg vehicle company completing the “Porta Nuova Garibaldi” project, initially through the Italian company CAPRERA S.r.l. and following the agreements signed on June 30 and July 1, 2009, through the closed speculative property investment fund, reserved for qualified investors, called “Porta Nuova Garibaldi” (the GARIBALDI FUND), promoted and managed by HINES ITALIA SGR S.p.A. (HINES SGR), a company part of the HINES Group.
The operation known as “Porta Nuova” provides for the upgrading, as well as of the above stated areas of “Porta Nuova Garibaldi” and “Porta Nuova Isola”, also the “Porta Nuova Varesine” area. All of the projects relate to the upgrading of an entire area, which will be the central area of development for the Expo 2015.
In relation to the “Porta Nuova Varesine” area, as a result of the spin-off of IMMOBILIARE LOMBARDA S.p.A., MILANO ASSICURAZIONI has an indirect holding, through its 100% held subsidiary IMMOBILIARE MILANO ASSICURAZIONI S.r.l., in the project “Porta Nuova Varesine”, having purchased, due to the effect of the above stated spin-off, a direct holding of 10% of EX VAR S.c.s., the Luxembourg vehicle company completing the “Porta Nuova Varesine” project, initially through the Italian company VARESINE S.r.l., and subsequently, following the agreements which will be shortly signed, through the closed speculative property investment fund, reserved for qualified investors, called “Porta Nuova Varesine” (the VARESINE FUND), also promoted and managed by HINES SGR.
Returning to the “Porta Nuova Isola” project, the HINES Group, majority holder of HEDF SCS, considered it appropriate, also in this case, to enhance the project with a different structure for the “Porta Nuova Isola” project, similar to that utilised for the other two projects with the constitution of the GARIBALDI FUND and the VARESINE FUND stated above. In this regard, the partners contributed the assets of the project to the closed speculative investment fund, reserved for qualified investors, called “Porta Nuova Isola” (the ISOLA FUND), which will complete the construction and the sale of the property units.
The declared objective of the modification of the structure of the “Porta Nuova Isola” project proposed by the HINES Group, similar to the “Porta Nuova Garibaldi” and “Porta Nuova Varesine” projects, is the expected improvement on the one hand of the flexibility of the management of the project, with particular regard to the realisation of the project and, on the other, consequently, on its potential profitability.
The purchase by MILANO ASSICURAZIONI of the holding in HEDF SCS is therefore carried out within the consolidation of the investment in the “Porta Nuova” project, which includes the three above stated parts. The investment is of a complementary nature for the Company in that it is located in an adjoining geographic area and with a higher degree of residential building compared to the “Porta Nuova Garibaldi” project, which however has a surface area principally destined for office use.
The receivable of Euro 13.9 million (including interest) deriving from the shareholder loan issued by IMCO to HEDF SCS was converted at the same time as the creation of the ISOLA FUND, into a bond loan similar to equity whose yield will be related to the profitability of the “Porta Nuova Isola” project, as described in detail below.
IM.CO., as a related party of the Company and of the parent company FONDIARIA-SAI, requested KPMG ADVISORY S.p.A. to provide an opinion on the amount paid.

Conferment of property to the Immobiliare Rho Fund

Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and the Tikal R.E. Fund, a property fund managed by Sai Investmenti SGR S.p.A., on December 15 contributed some properties to the closed non speculative property fund, called the Rho Fund, newly constituted, for a duration of 10 years, reserved to institutional investors, constituted and managed by FIMIT SGR S.p.A.. 15 properties were contributed by the Group, prevalently for office use, for a total of over 263,000 sq.m. and a market value of approx. Euro 523 million and a value of approx. Euro 478 million, taking account of the application of a discount of 10% of the values of the properties conferred by the Companies. The operation was financed by a syndicate of seven banks led by the Unicredit Group. This operation marks the beginning of the Fondiaria–SAI Group strategy to rebalance the strategic asset allocation, by reducing by over one percentage point the property component as a percentage of the security investment portfolio, from 14% to 13%. The liquidity received was principally invested in low risk liquid assets. The placement of the fund units is through BancaSai, with a non-exclusive mandate.
The operation involves the following phases:

1. in the period preceding the transfer, all of the properties involved in the operation received bank financing for an amount of approx. 55% of their transfer value;
2. the transfer of the properties to the Rho Fund and corresponding bank debt relating to the above-mentioned loans;
3. issue by the Rho Fund in favour of the contributing parties – for an amount equal to the value of the properties transferred, net of the bank debt – of a 30% share reserved to Fondiaria-SAI and Milano Assicurazioni, with a lock-up commitment of 4 years;
4. the placement with institutional investors of the residual quota (70%);
5. Fondiaria-SAI and Milano Assicurazioni began the placement with institutional investors of the quota exceeding the 30% subject to the Lock-up commitment. The quota placed at December 31, 2009 was approx. 58% of the total amount issued by the Rho Fund;
6. At December 31, 2009, the operation realised a gain before taxes of Euro 86 million.

The management of the properties transferred to the Rho Fund is undertaken by Immobiliare Lombarda which signed a mandate with the fund.

Other Sectors

Asset Management

With the positive data in December, the mutual investment funds recorded seven positive months in 2009.

At the end of 2009 the total equity invested in funds provisionally stood at Euro 430 billion. At December, the balance of subscriptions and redemptions amounted to net inflows of Euro 1.6 billion.

The annual inflow for the Bond funds amounted to Euro 273 million. The assets in the category grew and with Euro 161.7 billion continued to represent more than one third of the assets in the sector. To December the placement of flexible products also performed strongly, which for the third consecutive month were positive with inflows of over Euro 1 billion. The inflow since the beginning of the year amounted to Euro 856 million, while the assets, amounting to over Euro 57.3 billion, comprised 13.3% of total assets.

Assogestioni recorded for the Equity Fund net subscriptions of Euro 347 million in December. With nearly Euro 3 billion these products recorded the strongest inflows in the year. The equity related products represent 21% of assets, over Euro 90.1 billion, invested in mutual funds. The Balanced Funds received Euro 281 million in the month and hold assets of Euro 17 billion, 4% of total assets. The category recorded net outflows of Euro 661 million. The Hedge Funds continued their slow movement towards parity with outflows in the month of Euro 17 million. The provisional figures at year-end recorded outflows of Euro 5.5 billion, the worst results in the sector during the year. The assets in the category rose to 3.8% of total assets, corresponding to over Euro 16 billion. The outflows from the Liquidity Funds increased. The outflows in the category amounts to over Euro 1.1 million. The provisional outflows since the beginning of the year record a loss of Euro 889 million. The assets, decreasing slightly to Euro 87.6 billion, amount to 20.4% of total assets.

Loans and bank inflows

In 2009, there was a further reduction in the growth rate of bank loans in Italy. The ABI estimated that, while in 2008 there was a 4.9% growth of loans in the private sector, in 2009 the same indicator showed growth of only 1.5% on an annual basis. Considering the loans to households and non-financial businesses, the available data, updated at the end of November, shows an increase on an annual basis of 1.7%, a strong deceleration on +4.7% recorded in 2008. The decrease in loans issued by banks to companies is in part a reflection of the weak economic climate and the lower demand for credit by large businesses, which prefer to make use of the capital markets, through issuing bonds and share capital increases. The moratorium on loans to small and medium sized companies was of particular significance, following an agreement between the Ministry for Economy and Finance, the Italian Banking Association and the principal business associations. According to this agreement, which entered into force on August 3, 2009, the Small and Medium Sized Businesses could request the suspension for 12 months of payments on the capital portion of instalments on loans in place.

Also in 2009, securitisation operations contributed to the loan performance, which allowed banks to present guarantees for refinancing through the BCE. The accounting effect of the securitisation impacted the growth rate of loans (+1.0% the revised data, updated to November).

In relation to inflows, the updated data to the end of November saw a deceleration in internal inflows, growth of 8.8% on an annual basis (+12.4% in 2008).

Consumer credit

Italian household debt, in comparison with other leading countries, is still relatively contained, even if the low interest rates in recent years favoured more sustained growth. The increase in the debt propensity of Italian households, together with the aggressiveness of the offer policies adopted by brokers, allowed the containment of the drop in the consumer credit market.
The slowdown had already begun in 2007, was consolidated in 2008 and continued into 2009 following the noted strong contraction in consumption, unemployment difficulties and real estate sector problems.

Consumer credit in 2009 reports a reduction in the provision of new lending on the previous year (-11.3%).
The sector most affected was that of consumer loans, in particular in the motor sector, with a drop of approx. 17%. Personal loans also decreased (by approximately 12%), while a slight contraction in credit cards was recorded (-0.6%).
The loan repayment through salary/pension deduction sector continued to grow (+4%), despite the strong slowdown in the last part of the year.
The effect of the crisis caused a deterioration in the quality of credit, significantly increasing problematic loans (delinquencies, impaired loans and overdue receivables) due to transactions with on average more risky clients, mainly as a consequence of the weakness in the economic climate.

Many uncertainties which could affect the market performance in the coming months remain, causing an increase in delinquencies which may increase also in the coming months, reflecting the far reaching effects of unemployment.

OPERATIONAL PERFORMANCE

The Other activities sector includes all of the other holdings of the Group which, in a residual manner, are not related to the insurance or real estate sectors.
From the present year, as well as the companies operating in the banking and asset management sectors, this area includes also the results of Atahotels Group, operating in the hotel sector and acquired in 2009.

The sector pre-tax result was a loss of Euro 14.7 million (loss of Euro 11.1 million in 2008). This result also includes the loss of Atahotels Group for the part matured after the acquisition; reference should be made to the relevant paragraph for further details.
The loss is partially offset by the strong performance of Banca Gesfid which recorded a profit of Euro 6.9 million.

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

(in Euro thousands)	BROKERAGE MARGIN	CGE.%	RESULT
OTHER ACTIVITIES SECTORS			
BANCA GESFID	27,273	26.49	6,932
BANCASAI	24,114	15.17	439
SAI ASSET MANAGEMENT	4,186	(19.12)	(1,539)
SAINVESTIMENTI SGR	4,413	12.97	1,733
SAI MERCATI MOBILIARI SIM	1,096	11.06	(4,490)

The results of the other companies are detailed below:

(in Euro thousands)	2009	2008	CGE %
OTHER ACTIVITIES SECTORS			
ATAHOTELS	(27,271)*	n.a.	n.a.
FINITALIA	2,653	1,868	42.00
FINSAI INTERNATIONAL	2,617	8,789	(70.22)
FONDIARIA NEDERLAND	13,939	16,922	(17.63)
SAIAGRICOLA	(2,402)	(2,587)	(7.14)
SAI HOLDING ITALIA	10,873	44,543	(75.59)
SAIFIN – SAIFINANZIARIA	3,185	1,184	169.09
SAILUX	754	1,027	(26.54)
SAINTERNATIONAL	(91)	(35,956)	99.75

**the data refers to the entire period of 2009*

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

The net profit in 2009 was CHF 12,017 thousand, an increase of 26% on the previous year (CHF 9,469 thousand in 2008). The generalised drop in interest rates negatively affected the interest operations (CHF -3,232 thousand) although offset by the strong improvement in the commission and trading operations (respectively CHF 7,856 thousand and CHF 4,249 thousand).

Management expenses amounted to CHF 25,031 thousand and comprised of CHF 18,474 thousand of personnel expenses, an increase of 23% following the growth of the workforce, in line with the current expansion strategy and CHF 6,557 thousand for general expenses, recording an increase of 9% on previous year.

Client commitments recorded a significant increase (CHF 220,214 thousand) due to a move towards bank liquidity instruments in periods of uncertainty on the financial markets. Consequently, in relation to investments, a strong increase in bank receivables was recorded (CHF 193,431 thousand).

Client deposits amounted to CHF 2,123,074 thousand, of which CHF 1,538,374 thousand in managed funds and CHF 494,784 thousand in administered funds. The overall data reports a contraction in deposits of 10%.

The strong balance sheet of the institute is confirmed by the significant amount of funds at its disposal. In line with the principles of Basilea II, the bank has CHF 80,220 thousand of own funds against total requirements of CHF 22,847 thousand (of which CHF 9,463 thousand of credit risk, CHF 4,701 thousand of risk without counterparty, CHF 3,569 thousand of market risk and CHF 5,114 thousand of operating risk) with an overcoverage therefore of CHF 57,373 thousand.

The strong result of the subsidiary Saint George Capital Management of CHF 1,105 thousand is highlighted.

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

The profit in 2009 was Euro 439 thousand compared to a loss of Euro 2,255 thousand in 2008. The key factors in the result were as follows:

- the net financial management result, a profit of Euro 23,252 thousand, increased by 31% on the previous year;
- the brokerage margin was Euro 27,555 thousand compared to Euro 26,733 thousand in 2008;
- the increase of net commissions, from Euro 5,369 thousand in 2008 to Euro 8,079 thousand in 2009.

Operating costs amounted to Euro 22,329 thousand compared to Euro 21,654 thousand in the previous year, an increase of approx. 3%. Personnel costs are in line with the previous year. Other administration expenses increased by 6.7% on the previous year. The stability in costs is due to the containment initiative put in place, despite expenses incurred in the opening of new branches and a greater use of IT systems and all corporate resources.

The number of current accounts increased by 1,392 from 14,891 at December 2008 to 16,283 at the end of 2009, with current accounts totalling Euro 732 million (+34% on 2008). The corporate clients principally contributed to this increase, thanks also to the policy of focusing on this target client in recent years by the Bank.

Time deposits remain in line with the values at the end of 2008 (Euro 24.8 million), amounting to Euro 24.3 million.

The focus on bond loans by the Bank continued and which were taken up in large numbers by Clients. Overall, at 31/12/2009, Euro 57 million of bond loans had been placed (approx. Euro 34 million in 2008).

In 2009, the restructuring activities of the sales networks continued, resulting in a total number of financial promoters of 343. The regional commercial structure was also reviewed, reducing the number of regional managers to 9.

Credit based assets (mortgages, utilisations and lines of credit) amounted to Euro 713 million at year-end (+15% on 2008). In 2009, the increase in commitments was principally sustained by mortgage demand from retail clients, as well as loan demand from corporate clients.

Bank capital requirements amounted to Euro 118,487 thousand, in line with the previous year (Euro 117,867 thousand). The total solvency ratio, that is to say the ratio between capital requirements and the total weighted assets based on the level of risk, derives prevalently from the credit risk, amounting to 17.46%, and the ratio between the primary capital (Tier 1) and the total weighted assets.

For greater detail on the management of risks by BancaSai, reference should be made to the section Other Risks in "Part E: Information on risks and uncertainties".

The I-POS project (Insurance Point of Sale) launched in October 2008 and dedicated to the Agencies of the Fondiaria SAI Group, continued to develop in 2009 reaching a high level of development and with extensive coverage. In 2009, nearly 700 agencies had adopted these solutions.
In 2010, it is expected approximately 1,000 terminals will be operational.

With a view to increasing the product range, BancaSai prepared in 2009 a further project of great interest, namely the photovoltaic loan. A flexible and competitive financial product for the alternative energy sector at low environmental impact, created to satisfy the requirements of a particular client base. Created for companies which utilise a high amount of energy, the "Sole Amico" loan completed the range of corporate products.

Among the future projects, we highlight the extension of the loan range, through the development of the EasyCasaPiù loan, the new BancaSai loan with an added feature, an insurance guarantee.

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

Finitalia is the finance company of the Group specialised in personal credit, consumer and insurance premium loans, with or without credit cards. The activities are carried out principally with and in synergy with BancaSai, the Insurance Parent Company and its agency networks.

Despite the intensification of the economic and financial problems, which affected the year, 2009 recorded a net profit of Euro 2,653 thousand compared to Euro 1,868 thousand in 2008. This result was achieved thanks mainly to the financing of insurance premiums and employees of the conventioned Agencies, as well as the policies adopted for the containment of risks and costs.

At the end of 2009, receivables amounted to Euro 222,876 thousand, compared to Euro 208,808 thousand in 2008, an increase of 6.7%. Total loans granted were 229,780 compared to 190,948 in 2008, growth of 20%, for an amount of Euro 218,573 thousand compared to Euro 207,871 thousand in 2008, an increase of 5.2%.

Net debt amounted to Euro 183,021 thousand compared to Euro 170,010 thousand in 2008, an increase of 7.6%. The capital requirements were maintained well above the minimum requirements of current regulations.

The brokerage margin increased from Euro 17,042 thousand in 2008 to Euro 19,885 thousand in 2009. The Company in 2008 became more specialised in financing premiums of the policyholders of the Companies of the Fondiaria-SAI Group, through a credit card, called My Cash Card, a "virtual" revolving card on private networks, which accounted for 68% of total financing (58% in 2008). It is underlined that the company has prioritised financing vehicles through cards to maintain commercial relationships, continuing the strengthening and implementation of the management procedures in relation to the integration of the Companies and their Agency Networks.

The company distributes its products principally through the Agency Networks of the companies of the Fondiaria-SAI Group. In relation to loans issued to employees of Companies, the conventions were signed directly by the Company.
The Agencies who signed up to the distribution mandate with the Company numbered 2,668 at the end of 2009 compared to 2,562 in 2008. In relation to the Companies and the industrial and commercial conventioned Groups, the amount is approx. 1,400.

In 2009, the Company strengthened further the relationships with its sales channels, through constant improvement of the service and updating of the products of the best clients of the Agency networks and the employees of the conventioned companies. Today, and in future, continuous innovation to become more efficient, effective and flexible through loyalty incentivised products and services will be of increasing importance to effectively compete in the segment.

Finally, in order to render the activities of the agencies of the Fondiaria SAI Group, BancaSai and Finitalia more central, the I-POS project with portable palm held devices is being developed, which will allow the offer of an innovative exclusive service which will provide "credit directly to the home of the policyholder", enabling the carrying out of banking transactions at highly competitive costs. The loan offered at zero interest rates is an effective means to increase the relevance of the loyalty programme of the Fondiaria SAI Group.

Acquisition of Atahotels

As extensively reported, both in the half year report and in the third quarter report, Fondiaria-SAI acquired in May 2009 100% of the share capital of Atahotels S.p.A., of which it holds 51% directly and 49% through Milano Assicurazioni, at a total price of Euro 25 million, broken down pro-quota among the two companies.

Determination of the purchase price was based on a valuation of the business acquired which included the brand value, the future restructuring charges, the loss of 2009 prior to the acquisition, as well as the implicit residual goodwill. The 2009 result was due particularly to the significant contraction in revenues by Atahotels in the period June – December 2009.

The economic crisis significantly hit the hotel sector and more in general that of accommodation, not just in relation to the decrease in summer demand, but also as an effect of the significant decrease in corporate demand. With the onset of the recession, both private and public companies drastically cut expenses on business trips and conventions. The crisis particularly hit the hotel business and the convention sector, where the company had a consolidated presence, particularly in Milan. The results of the business structures in absolute terms account for approx. 80% of the decrease in company margins on the previous year (accounting for Euro 9,414 million of the total reduction of Euro 12,507 million).
In addition to the collapse in demand, the decrease in revenues was due to the significant increase in the capacity on the Milan market, where Atahotels has its largest number of rooms. In the last 5 years, the offer of 4-star hotel rooms grew in Milan by approx. 40%, with a consequent effect on room occupancy and average revenues.
This situation, in the specific case of Atahotels, was further affected by implicit charges relating to the start-up of some of the newly acquired structures which heavily affected the cost structure (in particular leasing).
In relation to operational costs, the company began a drastic restructuring plan from the second half of the year. In fact, with the installation of a new Board of Directors, directly imposed by the parent company, a series of measures were implemented which have brought and will bring in the coming years the containment of costs. In the second part of 2009, despite the decrease in operating costs, for an amount of approx. Euro 9 million, the decrease in revenues was not offset.

This led to the need to recapitalise the company with Euro 12 million, of which Euro 5.9 million from the subsidiary Milano and the consequent acceptance of the loss matured following the purchase through a total write-down of Euro 17 million (of which Euro 8.3 million relating to the subsidiary Milano).

2010 will be fundamental in implementing the already identified actions, aimed at recovering revenues and average margin levels, to greater efficiency of processes and saving of costs.
The principal objectives of the current year are summarised as follows:
1. accelerate the economic re-equilibrium to prepare the company for future development programmes;
2. recover market share through reinvigorated commercial and marketing activities;
3. reposition some structures, through refurbishing investments and communication;
4. rationalise the offer, focusing the products of the chain on specific markets/segments.

As a result of the new budget of Atahotels, the valuation models utilised for the acquisition, updated with the new forecasts, confirm the correctness of the book value after the write downs carried out.

The purchase of Atahotels is considered as a related party transaction of Fondiaria-SAI and Milano Assicurazioni, as already stated in the 2008 financial statements. In support of the calculation of the purchase price of Atahotels, fairness and legal opinions were acquired.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At 31/12/2009, the volume of investments amounted to Euro 34,216 million, compared to Euro 33,438 million in the previous year, an increase of 2.33%.

The volume of investments benefited from, particularly in the bond sector, the recovery of the Stock Market in the second half of 2009, which offset the heavy losses of 2008, as well as the inflows from the Bancassurance companies. The increase in investment volumes includes the reversal of the assets of Bipiemme Vita, a company included under discontinued operations.

The investments, tangible fixed assets and liquidity at 31/12/2009 compared to the previous year are shown below.

(in Euro thousands)	**31/12/2009**	**Percent. %**	**31/12/2008**	**Percent. %**	**Cge. %**
INVESTMENTS					
Investment property	2,580,936	7.22	2,459,751	6.94	4.93
Investments in subsidiaries, associates and joint ventures	366,688	1.03	292,879	0.83	25.20
Loans and receivables	2,908,010	8.14	1,776,024	5.01	63.74
Investments held to maturity	808,473	2.26	845,789	2.39	(4.41)
Financial assets available-for-sale	18,896,658	52.90	19,982,715	56.38	(5.43)
Financial assets at fair value through the profit or loss account	8,655,108	24.23	8,080,675	22.80	7.11
Total investments	**34,215,873**	**95.78**	**33,437,833**	**94.35**	**2.33**
Other fixed assets: buildings and other fixed assets	930,898	2.61	1,244,217	3.51	(25.18)
Total non-current assets	**35,146,771**	**98.39**	**34,682,050**	**97.86**	**1.34**
Cash and cash equivalents	576,033	1.61	760,072	2.14	(24.21)
Total non-current assets and cash equivalents	**35,722,804**	**100.00**	**35,442,122**	**100.00**	**0.79**

In relation to the financial assets at fair value through the profit and loss, they include Euro 8,323 thousand (Euro 7,646 thousand in 2008) relating to investments where the risk is borne by the policyholder and from the management of pension funds, while the residual refers to positions held for trading by smaller Group companies.
In line with the policy of creating value in the real estate portfolio, the real estate investments includes the assets in the closed funds Tikal R.E and Athens. These funds are fully consolidated and the relative property is valued at cost with a total contribution of Euro 509 million (Euro 551 million at December 31, 2008) for Tikal R.E. and Euro 56 million for Athens.

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

(in Euro thousands)	31/12/2009	31/12/2008	Cge. %
Financial assets available-for-sale	**18,896,658**	**19,982,715**	**(5.43)**
Equity securities	1,695,610	1,541,909	9.97
Fund units	937,833	859,797	9.08
Debt securities	16,261,242	17,578,144	(7.49)
Other financial investments	1,973	2,865	(31.13)
Financial assets at fair value through the profit or loss account	**8,655,108**	**8,080,675**	**7.11**
Equity securities	97,859	74,888	30.67
Fund units	410,088	954,632	(57.04)
Debt securities	7,470,196	6,600,853	13.17
Other financial investments	676,965	450,302	50.34

In line with its normal practice the composition of the Group investments relates mainly to the bond sector.
Overall the bond component of the investments, without considering the bond component of the fund quotas held, accounts for 72.93% of the total investments of the Group (72.7% at 31/12/2008).

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

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Net income from financial instruments recorded at fair value through profit or loss	**906,125**	**(341,548)**	**1,247,673**
Income from investments in subsidiaries, associates and joint ventures	**14,212**	**38,062**	**(23,950)**
Income from other financial instruments and property investments of which:			
Interest income	765,794	924,990	(159,196)
Other income	159,180	262,623	(103,443)
Profits realised	201,391	225,710	(24,319)
Valuation gains	4,591	449	4,142
Total income	**2,051,293**	**1,110,286**	**941,007**
Charges from investments in subsidiaries, associates and joint ventures	**83,540**	**7,236**	**76,304**
Charges from other financial instruments and property investments of which:			
Interest expense	102,652	144,866	(42,214)
Other charges	65,698	71,354	(5,656)
Losses realised	110,428	193,203	(82,775)
Valuation losses	219,606	270,539	(50,933)
Total interest expense and charges	**581,924**	**687,198**	**(105,274)**
TOTAL NET INCOME	**1,469,369**	**423,088**	**1,046,281**

The net income from financial instruments recorded at fair value through the profit and loss includes net charges relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 857 thousand (net charges of Euro 519 thousand in 2008).
This decrease is compensated by the corresponding change in the technical reserves of the Life sector relating to this class of activity.

Financial management

During 2009, the financial management of Fondiaria-SAI sought to continue the macroeconomic level developments modifying, in a contained manner, the asset allocation in terms of Fixed Income, in consideration of the fact that during the year it has benefitted to a large extent from the choices taken during the previous year.

In fact, against a decrease in profit levels in the Non-Life sector (with official Euro Area rates of 1% and close to 0% in the United States) significant gains were made, in part realised through focused trading activity, and in part achieving growth through positioning on the short part of the interest rate curve which during the year over-performed. The Italian Government bond securities and variable rate Government bonds also performed well.

The Life sector, as well as benefitting in a significant manner from the performance of the Corporate securities already present in portfolio - and those newly issued acquired during the year - implemented strategic shortening of duration of some Specific Separated Managements, in order to better satisfy the needs of the Asset Liability Management.

At an operating level, the activities developed by the Parent Company were characterised by trading activities which make up approx. 50% of the current segment and allowed a partial rationalisation of the equities portfolio of the closed managements. At sector level, greater weight has been given to more defensive sectors, in particular securities with high dividend yields. In relation to open management, the development of a portfolio based around the Energy and Healthcare sectors began. In relation to the derivative component (within a strategic investment management policy) the low levels of volatility allowed operations on the market through call overwriting strategies, in order to support the ordinary yields of the separated management for only 5.5% of those in circulation. At the end of the year the percentage of equities present in the Life portfolio amounted to 5.7% (including Funds and Hedging), while in the Non-Life sector amounting to 14%. The exchange rate exposure is approx. 19% in the current portfolio, while at geographic level the greatest exposure is in the Euro Zone countries, accounting for 80%.

At the end of 2009, the bond sector of the Company accounted for 70.8% of the total portfolio, with a total duration of. 4.75.

The Non-Life Division is composed of 47.5% of fixed income bonds, with the remaining 51.2% at variable rates. There is also a residual component of approx. 1.2% in time deposit monetary assets. The total duration of the Portfolio is 1.84.
The Life Division has an asset allocation based primarily on fixed rates (84.7%) while the variable portion amounts to approx. 14%, with a residual quota of time deposit monetary assets (1.3%). The total duration of the Portfolio is 5.47.
At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 68.9% of the portfolio, while the Corporate segment was 30.8%. The Corporate Securities are, largely, belonging to the “Investment Grade” category.

Currently the outlook for 2010 is for relative prudency, considering that the cyclical securities have already performed very well, anticipating growth of future profits, while the financial securities will likely be affected by significant regulatory risks. Traditionally the energy sector and the utility sector are those most sensitive to regulatory-political risks, as their profitability depends strongly on incentives and fixed operating conditions, which change from country to country and depend on institutional structures at the given time. In this specific case, the regulatory risk is greater when the regulator has extensive difficulty in establishing widely accepted tariffs in relation to contracts signed by private parties with suppliers.

Milano Assicurazioni

In relation to the subsidiary Milano Assicurazioni, at the end of 2009 the bond sector represented 78.5% of the total portfolio, with a total duration of 3.76. The Non-Life Division is composed of 62.8% of fixed rate bonds and the remaining 36.4% at a variable rate. There is also a residual component of approx. 0.8% in time deposit and monetary assets. The total duration of the Portfolio is 1.99.

The Life Division has an asset allocation based primarily on fixed rates (83.7%) while the variable portion amounts to approx. 15%, with a residual quota of time deposit monetary assets (1.4%). The total duration of the Portfolio is 5.13.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 74.2% of the portfolio, while the Corporate segment represented 25%. The Corporate Securities are, largely, belonging to the “Investment Grade” category.

Market performances

The year just ended was influenced by the first part of the year still affected by strong market turbulence, due to the negative reports on the real United States economy and a strong deterioration also in the European economy, significantly impacted by the weakness in the German economy, with a fall in the confidence index, a drop in exports and strong weakness in the labour market.

However volatility decreased in March, when the principal stock markets reacted positively to the US Government statements and to the presentation of a new plan to offload the “toxic”assets from the banks. Added to this were some positive macroeconomic indicators which resulted in a rebound in a market with very compressed values and for months dominated by pessimism.

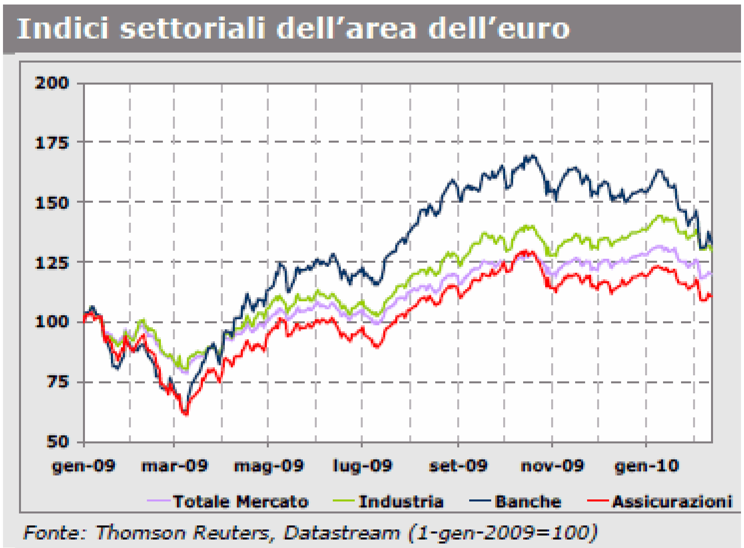
The second quarter saw the continuation of the trend, with a strong recovery in the principal stock markets and in the corporate market. There were strong increases in raw materials and petrol prices, sustained by increased demand in Asian countries and the weakness of the US Dollar.

The third quarter of the year featured, at macroeconomic level, a significant improvement in the confidence indicators and at the micro level positive indications from the quarterly reports, particularly in the United States where the majority of companies reported profits ahead of expectations. In particular the American investment banks such as Goldman Sachs and JPM reported good results, which have enjoyed the optimism of investors and interest in higher risk level investments, with volatility levels returning almost to "pre Lehman" levels.

In October 2009, the first profit-taking took place following the renewed fears of the sustainability of the recovery (caused, for example, by unfavourable macroeconomic data on new home sales in the US). Despite the worries relating to the lowering of the Greek credit rating and the debt problems in Dubai, they were absorbed by the market without many problems, thanks to the maintenance of the monetary and fiscal policies and the reporting of favourable American macroeconomic data.

In the first months of 2010 the equity markets in the Euro Area were affected by worries concerning the public accounts of some countries within the zone.
In relation to the recovery in the first nine months of 2009, with a total increase in the indices of 33% on the beginning of 2009, equity prices decreased from the middle of January onwards. On February 12, the contraction in the overall indices was 9.6% compared with the peak in 2009. The reduction was greater in the banking sector (-23%) and in the insurance sector (-15%).

Graph 2 - Sector indices of the Euro Zone



Source: Thomson Reuters, Datastream (1/1/2009=100) and ANIA Trends February 2010

Financial instruments issued by Lehman Brothers

On 15/09/2008 Lehman Brothers Holdings Inc. applied to the New York Bankruptcy Court for the “Chapter 11” procedure, which permits the debtor to continue the ordinary exercise of their activities and to restructure the business, where permitted, with the prospect of implementing a company restructuring, through the approval of a plan by the creditors and guaranteed by the US judicial authorities.
The procedure also allows for the automatic freezing of assets as protection from creditor judicial actions in the reorganisation attempt.

The bond securities issued by Lehman Brothers present at December 31 in the Group companies portfolios had a carrying value of Euro 66.4 million, 20% of the reimbursable value (in the case of non-subordinated issue) and therefore based on prudent indications and information currently available in relation to the presumable recovery rate. This valuation is supported by an independent expert's report. The value adjustments compared to the original cost were fully recorded in the accounts in the previous year.

FONDIARIA-SAI GROUP DEBT

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account.

The situation is summarised in the table below:

(in Euro millions)	31/12/2009	31/12/2008	Changes
Subordinated loans	1,040.4	1,050.5	(10.1)
Mandatory Sainternational	182.5	181.6	0.9
Banks and other lenders	447.9	644.2	(196.3)
Total debt	**1,670.8**	**1,876.3**	(205.5)

The account **Sub-ordinated loans** include the following loans with Mediobanca, with prior ISVAP authorisation:

- A subordinated loan of Euro 400 million undertaken by Fondiaria-SAI, agreed and issued on 23/07/2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;
- A sub-ordinated loan of Euro 100 million agreed by Fondiaria-SAI on 20/12/2005 (received on 31/12/2005), with the same sub-ordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.
- A subordinated loan of Euro 300 million agreed on 22/06/2006 (received on 14/07/2006), 50% subscribed by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On 14/07/2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on 14/07/2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
- A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on 14/07/2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.

Subordinated Loans recorded a decrease of approx. Euro 10 million and principally due to the deconsolidation of BPM Vita as a discontinued operation and which has two subordinated loans for a nominal Euro 8 million.

With reference to the subordinated loan of Euro 400 million, it is recalled that the entire position is fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loan, stabilising on an annual basis the interest streams to be paid to the counterparty. On 4/12/2008, two IRS contracts were signed, one by Fondiaria-SAI to hedge the subordinated loan of Euro 150 million and the other by Milano Assicurazioni to hedge the subordinated loan of Euro 50 million. On 30/04/2009 an IRS agreement was signed hedging the subordinated loan of a notional Euro 100 million. Finally, on 30/09/2009 an IRS agreement with a notional amount of Euro 100 million was signed hedging the hybrid sub-ordinated loan of a notional Euro 250 million.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. issued a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010 and listed on the Luxembourg Stock Exchange.
The bonds, of a total nominal value of Euro 180.4 million, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa SanPaolo ordinary shares at the moment of the definition of the offer price. The annual coupon of the bonds and the return on maturity are 6.10%.

With reference to **Bank and other lenders**, amounting to Euro 447.9 million, the most significant amounts are reported below:

- Euro 139.4 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 interest derivative instruments, of which only two still in place at year-end, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 82.4 million refers entirely to the debt of the subsidiary Immobiliare Milano Assicurazioni. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is 31/12/2012;
- Euro 76.3 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan signed by Marina di Loano with Intesa SanPaolo with maturity on 17/03/2014 and an interest rate of Euribor at 3 months increased by 300 basis points. The company utilised a derivative instrument, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted. There are also two mortgages in place. The first in relation to the subsidiary Crivelli with maturity on 27/06/2017 at an interest rate of Euribor at 6 months increased by 90 basis points; the second for the subsidiary Meridiano Secondo with maturity on 25/09/2012 at an interest rate of Euribor at 3 months increased by 90 basis points;

- Euro 75 million refers to the senior loan contract agreed on January 11, 2008 between Fondiaria-SAI S.p.A. and Mediobanca for a nominal amount of Euro 250 million in order to support the temporary financial needs of the Parent Company. The loan was received in one single amount on 25/01/2008 with interest paid half-yearly. On 27/7/2009, Euro 100 million was repaid in advance and on 30/12/2009 a further Euro 75 million was repaid, in accordance with the restructuring contract signed on 24/6/2009 between Fondiaria-SAI and Mediobanca. The related payments are the principal cause of the change in the account on the previous year.
  The remaining Euro 75 million was repaid with maturity on 25/01/2010. Against this, Mediobanca has refinanced Euro 75 million, with issue date of 25/1/2010 and repayment date of 31/1/2011, applying a spread of Euribor at 12 months plus 200 bps;
- Euro 61.6 million refers to short-term loans for fixed use (so-called "hot money") obtained by the subsidiary Finitalia from various credit entities;
- Euro 13.1 million refers to the bonds issued in 2009 by BancaSai in part variable interest rate and in part fixed interest rate, with variable expiry from 2011 to 2014;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 31/12/2009 and at 31/12/2008, the Parent Company and the other Companies of the Group held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	31/12/2009		31/12/2008	
	Number	**Book value**	**Number**	**Book value**
Treasury shares held by:				
Fondiaria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	229,261	8,382,557	209,900
Sai Holding	1,200,000	28,306	1,200,000	28,306
Total	**14,382,557**	**321,933**	**12,782,557**	**302,572**
Saving treasury shares held by:				
Fondiaria –SAI	-	-	-	-
Total	**-**	**-**	**-**	**-**
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	19,189	18,340,027	22,741
Milano Assicurazioni	9,157,710	9,582	9,157,710	11,356
Saifin - Saifinanziaria	66,588	70	66,588	89
Total	**27,564,325**	**28,841**	**27,564,325**	**34,186**

The carrying value of the treasury shares of Fondiaria-SAI in the table differ from those recorded in the statutory financial statements; this difference results from international accounting standards which require the deduction of the cost of the treasury shares directly from net equity. The total fair value of the ordinary treasury shares in portfolio at December 31, 2009 amount to Euro 159.8 million.

Treasury shares

In 2009, the Parent Company did not carry out any share buy-back operations.
Therefore at year end, the total treasury shares in portfolio amounted to 3,200,000 ordinary shares, comprising 2.571% of the ordinary share capital.

The subsidiary Milano Assicurazioni in 2009 acquired 1,600,000 ordinary shares for a total of Euro 19.4 million; therefore at the end of the year Milano Assicurazioni holds 9,982,557 ordinary shares.
The subsidiary Sai Holding S.p.A. holds 1,200,000 ordinary shares.

Shares of the holding company

During 2009 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A..
At 31/12/2009, the Parent Company held 18,340,027 shares amounting to 4.47 % of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni S.p.A. held a further 9,157,710 ordinary shares totalling 2.23 % of the share capital.

PERFORMANCE OF THE LISTED SHARES OF THE GROUP

The share capital of the Company amounted at the year-end to Euro 167,043,712, divided into an equivalent number of shares of a nominal value of Euro 1 (124,482,490 ordinary shares and 42,561,222 saving shares).

In 2009, the share price was between a minimum of Euro 8.186 (at March 9, 2009) and a maximum of Euro 15.603 (at October 14, 2009) for the ordinary shares, and between a minimum of Euro 5.054 (at March 9, 2009) and a maximum of Euro 9.802 (at October 14, 2009) for the saving shares.

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

(values in Euro)	**30/12/2009**	**30/12/2008**	**Change %**
Fondiaria-SAI ord.	11.108	12.931	(14.09)
Fondiaria-SAI savings shares	7.910	8.118	(2.56)

The corresponding stock market capitalisation at the period end was Euro 1,719 million (Euro 1,955 million at 31/12/2008).

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

(values in Euro)	**30/12/2009**	**30/12/2008**	**Change %**
Milano Assicurazioni S.p.A. ord.	2.055	2.217	(7.29)
Milano Assicurazioni S.p.A. savings shares	2.221	2.250	(1.27)

The corresponding stock exchange capitalisation at the year-end was Euro 1,214 million (Euro 1,305 million at 31/12/2008).

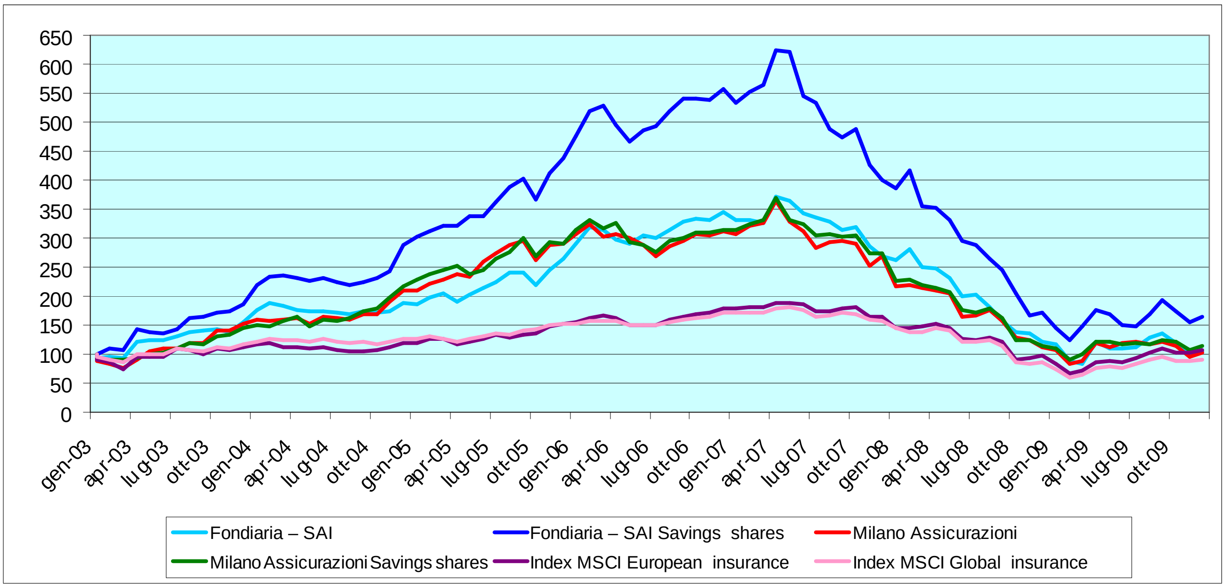
The following graph shows the performance of the Fondiaria SAI Group shares compared with the "European insurance" and "World" insurance indices, utilising a basis of 100 from January 2003.

The following securities were analysed:

- Fondiaria-SAI Ordinary
- Fondiaria-SAI Savings
- Milano Assicurazioni Ordinary
- Milano Assicurazioni Savings
- MSCI European insurance index
- MSCI World insurance index

The analysed period is seven years, which corresponds to the average length of the macroeconomic cycle in which, usually, a growth phase of the Stock Markets related to growth in the real economy is followed by a correctional phase with a deterioration of the macroeconomic scenario.
In the period analysed, as shown in the graph, all of the shares listed by the Group overperformed compared to the two benchmarks. In line with the recovery of the economy and the growth of the Stock indices, the Fondiaria SAI Group share price gained much ground, while in the periods of crisis and on the consequent correction in the stock markets, the share on average outperformed the benchmark indices. Among the four shares monitored, Fondiaria-SAI savings had in the period 2003-2009 a better performance than the others - at December 31, 2009 a value of 163.2 based on a 100 initial benchmark. The value recorded relates only to the share prices, without showing or including the coupons paid during the seven years.

Graph 3 – Group listed share performance



If the dividends issued in the period 2003-2009 are also included, a gross yield of over 30% for each of the four categories of the listed shares is recorded, with a maximum yield of over 130% just for the Fondiaria-SAI savings share.

Unitary gross dividends issued in the period 2003-2009

(values in Euro)	Year of payment of dividends						
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Fondiaria-SAI ord.	0.26	0.4	0.75	0.95	1	1.1	0.7
Fondiaria-SAI savings shares	0.312	0.452	0.802	1.002	1.052	1.152	0.752
Milano Assicurazioni ord.	0.05	0.2	0.26	0.28	0.3	0.34	0.15
Milano Assicurazioni savings shares	0.07	0.22	0.28	0.3	0.32	0.36	0.1656

RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

Rating

The Standard & Poor's rating agency in August 2009 confirmed the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni as "A-", revising the outlook from Stable to Negative. According to the agency, this change in the outlook reflects both the reduction in the operating result and capitalisation and an expected reduction in the medium term results. However the report underlines the solid leadership position held in the Non-Life sector and the continued improvement of the Enterprise Risk Management. The updated valuation of Standard & Poor's reflects the prevailing market conditions in which the Group must operate on equal terms with its competitors, while recognising the strong capacity of the Group to react, thanks to its leadership position, to the turbulent market conditions based on its strong fundamentals. In confirmation of the sound operational and strategic basis of the Group, the rating agency assigned the banking subsidiary BancaSai the "BBB" long-term rating and "A-3" short-term counterparty credit rating with a Negative outlook. The judgment is based on the strong integration of the Bank with the parent company and on the current and future role assumed within the Fondiaria-SAI insurance Group, which reflects the outlook.

OTHER INFORMATION

Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the extraordinary shareholders' meeting's resolution of Fondiaria-SAI of April 28, 2006. The Board of Directors meeting of June 20, 2007 resolved in advance the maturity of the vesting period established in the stock option plan regulations as follows:

- 40% of the options are exercisable from July 14, 2007 (12 months from the assignment date);
- 30% of the options are exercisable from July 14, 2008 (24 months from the assignment date);
- 30% of the options are exercisable from July 14, 2009 (36 months from the assignment date).

On the expiry of the vesting period, the beneficiaries may alternatively:

- maintain their options until their maturity;
- exercise the options, subscribing to the shares and maintaining them in portfolio;
- exercise the options, subscribing to the shares and selling them on the market.

In any case, the options not exercised within 5 years from the date of the Shareholders' Meeting are automatically void.

We report that, in accordance with IFRS 2 "Share-based payments", through appropriate evaluation models, the fair value of the options was determined; consequently personnel costs in the period of the consolidated financial statements of Fondiaria-SAI (net of the options assigned to subsidiaries) were increased against a net equity reserve of Euro 2.3 million, of which Euro 1.7 million relating to the Parent Company.

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

(in Euro)	**Number options granted**	**Residual life**	**Option value**	**Total cost**	**Cost at 31/12/2009**
Tranche A	5,173,360	0	2.792	14,345,862	-
Tranche B	3,880,020	0	2.708	10,433,219	-
Tranche C	3,880,020	0	2.809	10,822,218	2,334,796
Total Fondiaria SAI Group	**12,933,400**			**35,601,298**	**2,334,796**
Options granted to the holding company	2,066,600				
Total	**15,000,000**				

Social Report

At a time in which the global financial crisis has dented consumer confidence, for the Fondiaria SAI Group the corporate social responsibility report represents once more a “social contribution” which responds to the demands of the community. It is an intrinsic element of a corporate culture which involves all internal and external stakeholders of the Group and has a different focus in each of the principal geographic areas of activity: Turin, Milan, Florence and Genoa.

Although taking account of the difficult economic-financial situation which many believe was a consequences of policies principally oriented towards short-term results, our presence in the community and dedication to Corporate Social Responsibility has not waned since it was begun in the 1980s, nor have we abandoned a culture of responsibility.

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

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

LIBERATING THE INDIVIDUAL

The Fondiaria SAI Group operates in the belief that a selfish outlook can not fulfil the human spirit.
The protection from negative repercussions of events which can compromise economic well-being allows the person to dedicate resources and time to their interests and to their fulfilment; the offer of protection becomes, in the vision of the Fondiaria SAI Group, an indispensable requirement for growth and personal fulfilment and underlines the growing responsibility which the Insurance companies take in the achievement of well-being.
We stand out in this regard and promote “Liberating the Individual". Our commitment: “We ease your present and future worries and free up your energies to realise the most important projects in your life”.

The vision of the insurance business is based on motivation and responsibility. Motivation which must inform the actions of those who work daily in the Fondiaria SAI Group. Responsibility which is the result of a transparent and profitable relationship with stakeholders, those with direct interests such as employees, agents, clients and suppliers, but also those indirect stakeholders, such as institutions, cultural entities and more generally the citizenry.
The role of the company must equate with the corporate mission, fulfilling its aims.

Identity and Mission

The Fondiaria-SAI Group profile is based on three pillars: security, protection and trustworthiness. These are the distinctive characteristics of a company strongly focussed on developing its original vocation - to respond to the insurance needs of the household. The corporate mission is directly based on this approach. The Fondiaria-SAI Group, aware of its social responsibilities, views insurance as a vital constituent element of the individual which plays an important function in the financial system and in servicing the individual and collective need for security.

Values

In order to reach this objective, it is necessary to base every choice on solid values, which the Fondiaria SAI Group has identified as the four "guidelines" of its activity: Responsibility, Team Spirit, Innovation and Communication.

Responsibility
Responsibility is based upon taking care of the interests of customers, creating value for shareholders and operating honestly and correctly in management, focusing attention on social and environmental responsibility and fulfilling a role as part of larger Group.

Team Spirit
Team spirit is a value which is based on mutual respect between the members of a work team - essential for the creation of a winning team.

Innovation
For the Fondiaria SAI Group, innovation is the capacity to face the future maintaining one's cultural roots, an ability to manage change and to always remain aware of improved solutions and strategies and avail of market opportunities.

Communications
Communications is not just a corporate function, but an integrated activity that is focussed on the building of the corporate identity.

The Ethics Code

The core values which have always underlay the Fondiaria SAI Group form the basis of its Ethics Code, in the firm belief that trustworthiness will time and again create value.
This distinguishes the Group in the eyes of the market and other parties and the understanding and implementation of which – required by all those who operate with us (corporate boards, employees, agents and partners) – is the basis of all our actions and the first step in the realisation of our mission.

HUMAN RESOURCES

General Information

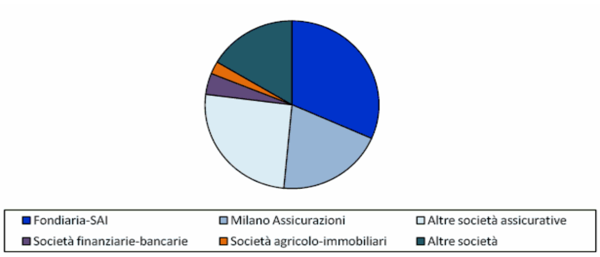
In 2009, the Fondiaria-SAI Group employed 8,417 people (7,932 at 31.12.08) of which 2,659 employees of the Parent Company (2,668 in 2008) and 5,578 in the subsidiaries (5,264 in 2008), and is broken down as follows:

Number	31/12/2009	31/12/2008	Changes
Italian companies	6,531	5,696	835
Foreign entities	1,886	2,236	(350)
Gruppo Fondiaria SAI S.p.A.	**8,417**	**7,932**	**485**

For the foreign companies, a decrease in the last six months of the year was recorded due to an internal reorganisation of the subsidiary DDOR NOVI SAD, which numbers 720 agents among its employees.

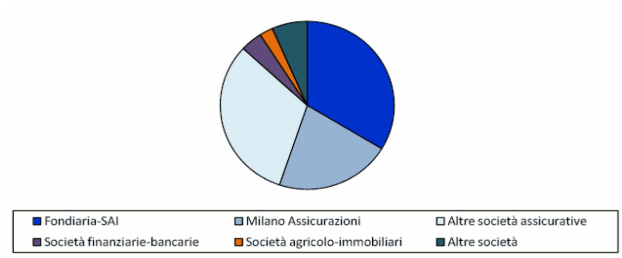
For the Italian companies, on the other hand, an increase in the last three months of the year was recorded due to the consolidation of the Atahotels Group, whose employees number 845.

AT 31/12/2009



Company	Personnel in %
Fondiaria-SAI	33
Milano Ass.ni	20
Other insurance companies	25
Financial/banking companies	4
Agricultural/real estate companies	2
Other companies	16

AT 31/12/2008



Company	Personnel in %
Fondiaria-SAI	33
Milano Ass.ni	22
Other insurance companies	31
Financial/banking companies	4
Agricultural/real estate companies	3
Other companies	7

Development and selection processes

In the Fondiaria SAI Group, the theme of professional growth of employees and the imparting of knowledge internally within the company is Managed with specific projects which under the coordination of the Development and Training Department involves employees from all of the corporate structures.
The training proposal is based on managerial training courses, specific role training and the development of professional skills.
In relation to this last aspect an initiative which combines the various management aspects of employees was put in place, creating the possibility for each employee to plan with their collaborators the most suitable training courses in order to guarantee targeted development of the Group human resources.

The overall offer drawn up by the Corporate University is made accessible to all personnel through an online course, which allows appraising of the activities in the programme, with all updates and the newly added courses in the year and the signing up of collaborators to various initiatives.

A central focus is the Technical Faculty, created as a response to the need for insurance training in a Group which seeks to instil a standardised professional culture suited to adapt to the changing market and business.
The Faculty is a true “scientific community” which progressively assumes the duty to conserve, integrate and impart all types of professional knowledge. This faculty is made up of professionals from all of the corporate areas of the Group and were selected from the operating lines based on distinguishing characteristics such as deep and recognised technical knowledge, extensive involvement in operations and a desire to share knowledge.
Each Faculty draws up, with the help of the Group Training Department, the learning modules with various levels of difficulty. The various modules allow, through different combinations, the creation of training courses for a range of grades of professionals within the Group.
The standard initiatives are based on the various personal requirements of the user and some are available online.

In 2009 the Faculty project was developed by Advanced Training Laboratories, based on a need, within an increasingly complex context where the changes do not impact anymore on individual sectors, but have a general relevance, to foster the updating of skills and professional experience also at an inter-departmental level.
These seminars are managed in a manner which involves the hiring of teachers/tutors of some work groups from the various departments in the resolution of complex technical problems.

Training at Fondiaria-SAI

2009 saw the development of training activities (over 6,600 student days compared to approx. 5,400 in 2008), together with a containment of total costs.

The most important Managerial Training activities were:

- the continuation of growth paths for Managers (Valuation Model, Development of Expertise, Leadership, Planning/Coordination, Delegation and Growth awareness, Problem Solving);
- the updating of this Course with Communication and Customer Relations initiatives;
- the start-up of two new initiatives, the first aimed at Managers and the second at Managers and Professionals with development potential, focused on respectively Implementation Skills (Implementation Will and Independence) and the Develompent of Managerial Ability.

From the point of view of Technical Insurance, Professional and IT Training:

- all of the claims networks were involved in the IES 2009 project in which the use of IT applications was explored with the latest updates and in relation to this, the impact on the roles and processes. For this project 34 internal teachers were employed among the liquidators who were trained on the technical aspects and on the teaching skills;

- specific projects were drawn up to support some structures in the phase of start-up or restructuring (AutoPresto&Bene, Sistemi sanitari, Settlement Services Offices);
- in addition to the initiatives already consolidated in the Catalogue, some new courses commenced, for example those for the advanced training of specialists (among which the Advanced Statistics Laboratory, the CAR course, the Analysis of Financial Statements for Bonds).

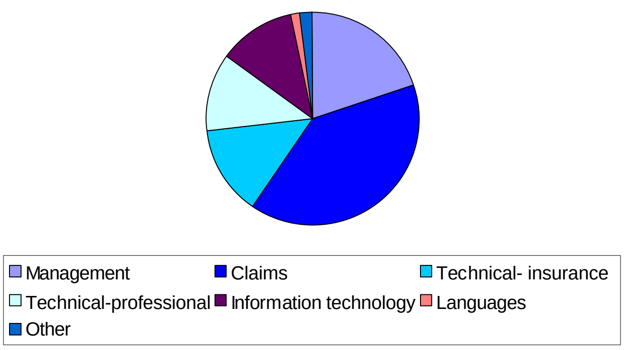
In 2009, approx. 2,680 employees were involved, 500 more than the previous year. The pro capita days remains substantially unchanged compared to the previous year (2.5).

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

In 2009, in relation to employees, approx. 6,630 student days were recorded (5,396 student days in 2008) and 3,821 attendances (3,426 attendances in 2008).

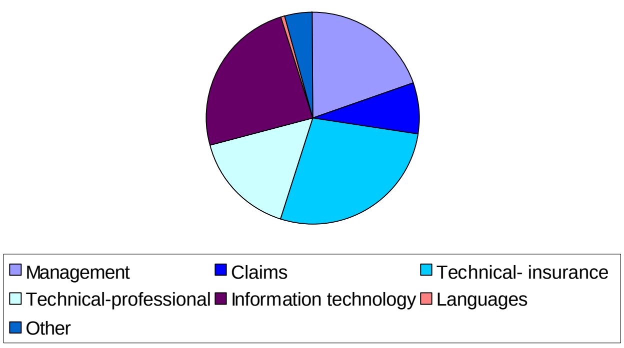
Graph 4 - Employees Involved by Type of Initiative and Course

At 31/12/2009



Courses	Personnel in %
Management	20
Claims	39
Technical- insurance	14
Technical-professional	12
Information technology	12
Languages	2
Other	2

At 31/12/2008

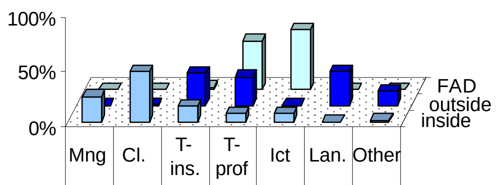


Courses	Personnel in %
Management	20
Claims	8
Technical- insurance	27
Technical-professional	16
Information technology	24
Languages	1
Other	4

The following graphs show the volume of activities broken down by the courses drawn up and organised within the Company for the classroom (INTERNAL) and distance (FAD) and the subscription to external courses (EXTERNAL).
A large part of the activities took place internally within the Group (student days internal courses + fad: 6,300 student days, 95% of the total).

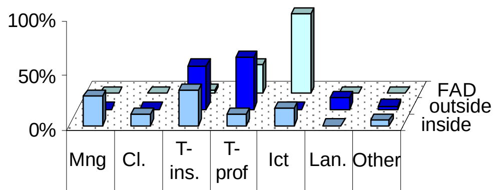
Graph 5 - Personnel Involved by Type of Initiative and Course Method

At t31/12/2009



	Mng	Cl.	T-ins.	T-prof	Ict	Lan.	Other
inside	23%	46%	14%	7%	8%	0%	1%
outside	0%	1%	29%	26%	0%	30%	13%
FAD	0%	0%	2%	44%	54%	0%	0%

At 31/12/2008



	Mng	Cl.	T-ins.	T-prof	Ict	Lan.	Other
inside	27%	10%	32%	10%	16%	0%	5%
outside	0%	0%	40%	47%	0%	10%	3%
FAD	0%	0%	2%	26%	72%	0%	0%

Industrial Relations Policy

Industrial relations within the Fondiaria-SAI Group were also carried out in 2009 according to the consolidated principles of information and dialogue on contractual negotiations.

In the year, in addition to integrated company contracts for the individual companies, 13 union agreements were signed, for a total of 77 agreements since July 30, 2002 (the date of the subscription to the Memorandum of Understanding relating to the merger by incorporation of la Fondiaria S.p.A. with SAI S.p.A.) to December 31, 2009.
The agreements in 2009 referred to both companies in the insurance sector and those in other sectors in which the Group operates (for example services).

Excluding those of an ordinary nature, in other words those concerning the implementation of the supplementary negotiations, the agreements signed on March 31, 2009 and December 14, 2009 are of particular importance.

The first agreement, signed by four categories after various negotiation phases, concerns a wide range of issues. In particular the merger by incorporation of Starvox S.p.A. into the Fondiaria SAI Servizi S.c.r.l. Group (previously Uniservizi), was covered and the allocation to the consortium company of the corporate structures which provide inter-group services. The operational means were also dealt with (Quick Settlement) of the management of some types of claims in light of the regulation introduced by article 1 bis of the CCNL.

The validity and the applicability of the agreement of 30/07/2002 was also restated in relation to the industrial relations system and the territorial structures, as well as the economic and regulatory protection in favour of workers, until the presentation of the new industrial plan.

With the same agreements the Parties also agreed to examine the problems related to CCNL of the activities carried out by the company Pronto Assistance Servizi, with the commitment to reach an agreement. On 25/06/2009 the signing of the agreements fixed the date of 01/04/2010 as the deadline for the transfer of these companies from CCNL in the commercial sector to the insurance sector.

The second agreement was a protocol of understanding signed on December 14, 2009 and in which the Parties agreed that the industrial relations system, economic and regulatory protection for workers and the creation of productive centres and smaller offices, established through the agreement relating to the merger of SAI/Fondiaria of 30/7/2002 and updated with the last agreement of 31/3/2009, is based on the effective implementation of the economic scenarios established in the 2009-2011 Industrial Plan.

In 2009, two agreements were signed concerning the reorganisation of some corporate entities of the Group. In particular the first related to the reorganisation of the Area Services, with the concentration of the Auto activities in Turin and the General Classes in Milan, while the second related to the reorganisation of the SASA Division within Milano Assicurazioni, as part of a policy for the greater integration and rationalisation of the structure and to increase the value of their distinctive know-now.

In July 2009, agreements were signed in relation to the issue of a variable premium whose amount, in line with the difficult general economic situation and the sector performance, was based on a reduction of approx. 30% on the 2008 premium.

Two agreements were signed for the loan of Fondo Banche Assicurazioni - FBA for two training courses, one for 2009 and the other for 2010, in relation to professional training for the updating, upskilling, re-conversion and growth and development of professional skills for the employees of the Group.

Between the end of 2009 and the beginning of 2010, the negotiations for the renewal of the updated contracts of Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A., SIAT S.p.A. and the other smaller companies, expiring on December 31, 2008 began, in order to draw up a single contract for the various disciplines, in line with those already drawn up in important insurance sector groups.

In relation to the events after the end of the year, the signing of an agreement on 12/1/2010 is highlighted which governs, from a regulatory and economic point of view, further aspects of the working relationship (work hours, shifts, etc. – as an update of the previous agreement of 25/6/2009), following the transfer from the commercial sector to the insurance sector of Pronto Assistance Servizi.

Workplace Health and Safety

The provisions for the application of regulations relating to workplace health and safety have been efficiently implemented by the Fondiaria-SAI Group.

The Prevention and Protection Service makes use of the technical skills of the internal structures, including, in the case of healthcare surveillance, the Health Care Management Office. This office represents a centralised structure that has been established to control any processes related to healthcare issues or which involve healthcare matters, and advocates the use of adequate resources, structures and methods for all of the Group’s companies.

A similar and innovative project that is unique in Italy provides General Management with a better strategic vision and homogeneity of healthcare related interventions among the various Group companies through the use of the four units belonging to the structure: medical consultancy management, Group healthcare services, a healthcare network and auditing. For this purpose, there are seven workplace physicians, each of whom has been assigned a territorial area, to execute periodic verifications for healthcare surveillance (pursuant to Legislative Decree 81/2008).

It is important to highlight that in addition to compliance with regulatory and contractual obligations, the Group's attention to the protection of employee health and safety as well as the prevention of healthcare problems is also shown through individual initiatives undertaken by the Group companies. In fact, a variety of different services of a medical/healthcare nature are carried out, including eye and audiometric examinations and other interventions for both male and female employees, including check-ups, ECG, flu vaccinations, etc.

With regard to compliance with the requirements of Legislative Decree 81/2008 all supporting documents have been made available, Employee Safety Agencies have been established, while, with regard to the management of emergencies, personnel have been assigned to fire-prevention and emergency aid teams. The training/continuing education of the aforementioned personnel involved 580 employees.

The efficiency of these teams is periodically verified with specific trial runs that involve entire facilities and hundreds of employees. The worksite inspections are carried out periodically by the Physicians along with the Prevention and Protection Service and the RLS.

In these circumstances, special attention is paid to fire-prevention and emergency aid safeguards, the layout of work environments and ergonomic elements, and if required, as in the case of noise or air quality, specific instrumental inspections are provided for. In certain offices, especially Turin, the provision of extraordinary maintenance, which will allow for significant improvements in terms of workplace safety and environmental comfort, have continued. In 2009, Tower B of the SAI Centre was completed.

Another aspect, relating to prevention, relates to the ongoing activities of employee training and information which are carried out in relation to the "guidelines for the use of video terminals" (Ministerial Decree 02/10/2000), through both classroom computer training days and independent learning programs that are made available through the Internet, involving approximately 200 employees during 2008. In 2010, a new training and information programme involving approx. 5,000 Group employees began.

AGENTS

Within a wider organisational restructuring which involves the setting up of a new first level structure aimed at managing the distribution activities by channel and the technical and professional activities (product development, actuaries, marketing, etc.) by market segment, just over a year ago the Network Department was set up, the integrated centre for the management and direction of the distribution channel for general and city agencies.

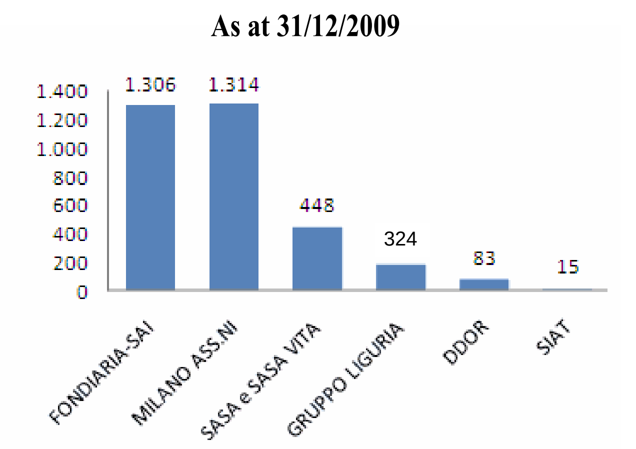
The Network Department is responsible for the management of mandates and the monitoring and control of the reporting to Management of the size of the channels and the creation of three line departments: Fondiaria-SAI Agency Networks, Milano Agency Networks and Group Commercial Coordination.

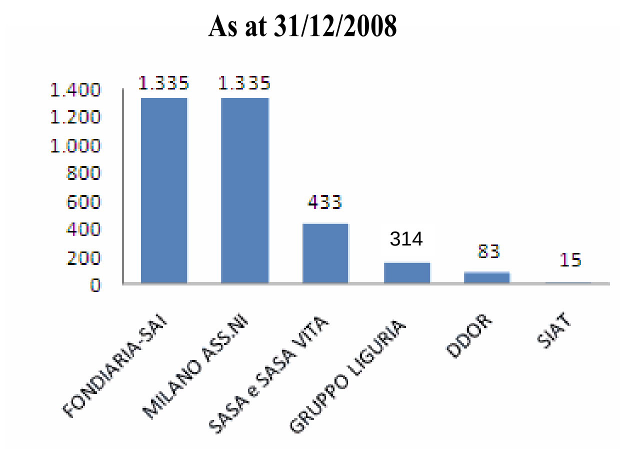
The first two structures ensure the carrying out of the commercial operations of the Group Agency Networks in terms of setting out and control of the commercial plans and budgets of the Agencies, creation and distribution of the national and local commercial initiatives, quantifying and distribution of the incentives to the Networks (commissions, rappel, contributions, etc.).
The Group Commercial Coordination involves all the service, support and assistance activities needed to maintain the business (technical assistance), territorial development and the Networks (selection and insertion of sales force) and the levels of professionalism of the Agents (training of sales force, develop consultation support to the market, etc.).

Within the Group Commercial Coordination, more significant organisational change relates to the Technical Assistance (support and assistance to the Agents in the valuation and quotation of business and in the active selection of the risks) from a "brand" logic (Fondiaria-SAI and Milano Assicurazioni technical assistance) to a "Group professional – technical" logic (mass risk assistance and personalised risk assistance). The objective of this organisational change is to provide greater quality and timely service to the Agents through enhanced capabilities and better Group organisational and operating solutions.

The need to focus both on information and increasingly toward client needs means that communication within the region is a crucial factor in the sales results of the Agencies.
The utilisation of the intranet portal "ComunicAgenzia" is an important Group service, capable of providing efficient commercial assistance to the Agencies. There is a need for a restyling (in course) which seeks to improve the general look of the web area, in addition to an improvement of the content. "ComunicAgenzia" is now an instrument for interaction, a tutor and an example of excellence in communication.

In 2009, premiums were mainly produced by 3,490 agencies operating through 2,875 points of sale and representing the traditional sales channels. Specifically, the distribution structure includes 1,306 sole agencies and other locations belonging to the Parent Company, as well as 2,184 sole and multi-firm agencies that collaborate with the other Group companies.
The agencies who signed up to the distribution mandate with Finitalia number 2,668 at the end of 2009 compared to 2,562 in 2008.
The BancaSai network in total includes 345 financial promoters, following the sales networks begun in June 2008.





Training of the Agency Network

The training of the Agency Network is strategically very important for the Fondiaria-SAI Group. The first training courses took place in the 1960s: the Group had not yet been created and the insurance Companies which now are part of the Group were separate entities with very different backgrounds and activities from each other.
Through different intensity and models, therefore, the training provided to the networks alternated between training courses dedicated to all the Agencies to more specific courses for only a part of the agencies, based on their role and their skills.
Initially, the training took place exclusively for the Agents with training in particular concentrated on the technical product aspects.
Over the years the topics were expanded to the analysis of market trends and to more managerial centred aspects, related to the vision of the Agent as a central element and a driving force of the Agency.
Simultaneously, with a view to the greater involvement of the other employees operating in the sales point, the courses were directed at sub-agents and sales persons, which have always represented a strategic point between the company and the market - both potential and existing clients.
In particular training courses were set up for new sales persons, in order to provide them with all the necessary know-how to offer the client a very high level of consultancy.

Commercial Training

For a number of years the Fondiaria-SAI Group has an extremely high level training centre which offers all the sales network a series of training courses: the focus of all the multiple activities is called Gate Training.
Gate provides different types of courses:

- Scheduled courses in which it is possible to register (on the Internet) based upon the role undertaken by the Agency and the previous professional and training experience already acquired;
- Specific courses for specific categories with specialised needs. For example purposes, this Group includes courses for New Agents and New Sales Persons but also courses for Senior Agents on very specialised subjects (such as, for example, Corporate guarantees);
- Meetings and seminars held nationwide, based on very pragmatic issues, often organised with Area commercial managers and consequently strictly related to the activities undertaken in the area.

The thematic subdivision of the courses also takes account of the role carried out within the Agency: there are courses for the Agents, Sub-agents and Front Line sales persons, that is the employees who deal with clients directly.
A second level of courses also allows a choice of course based on the individual needs of each operator. These themes, also based on the role covered, refer to the following categories:

- Technical issues, on products, on specific markets, on procedures and on internal IT functioning within the company and on regulatory and fiscal aspects:
- Commercial issues, which vary from the most up-to-date selling techniques to the analysis of the market instruments utilised to optimise the efficiency on the market;
- Matters in relation to conduct and relations, in order to approach clients with transparency, efficiency and knowledge;

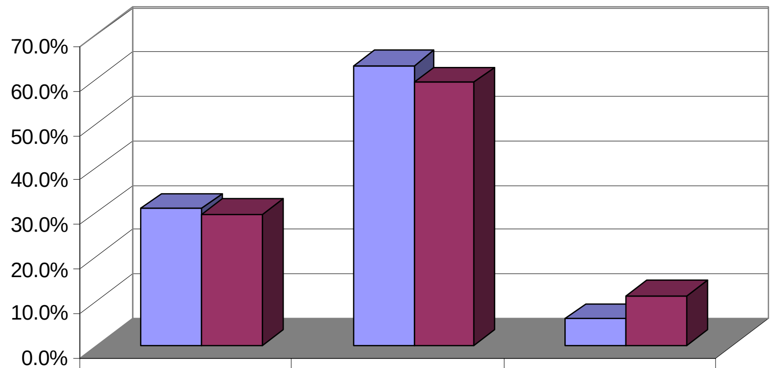
- Managerial issues, dedicated to those that must, in addition to the selling activity, manage the agency team, in order to achieve growth for the “Agency enterprise”.

The courses on technical issues are normally held by internal teachers, while for the other courses external consultants specialised in the subject matter are often utilised.
Following this first level of training, directly managed by the Company, the Agents had the opportunity to “review” the teaching content of some of the courses undertaken by their collaborators, updating these also in line with the training obligations imposed by ISVAP Regulation 5/2006.
This deals with courses more of a technical nature (product, regulations) for which the Company supplies the necessary teaching instruments in order to guarantee an effective training service. In support of the Agents with not a great deal of training experience, training modules are also available for the management of the training course (Teacher Training).

During 2009 the number of Gate Training courses provided to the agency networks was significant and required a large contribution of the human resources involved and the economic means necessary.
Considering only the scheduled courses and the specific courses organised by the Company, Fondiaria-SAI undertook 2,108 courses (296 in 2008) for a total of 33,388 attendances (4,190 in 2008). The data for Milano Assicurazioni was just as significant: 1,954 courses (271 in 2008) for a total of 18,300 attendances (3,243 attendances in 2008).
Adding also the training activity developed independently by the respective commercial managers, the total courses amount to 7,890 (1,338 in 2008) for Fondiaria-SAI and 5,496 for Milano Assicurazioni (1,759 in 2008), exceeding 100,000 class attendances.

The number of classroom attendances of Agents, Sub-agents and Front line personnel for both Fondiaria-SAI and Milano Assicurazioni are shown below.

Classroom attendance - 2009



	Agents	Sub-agents	Front line
Fondiaria-SAI	30.9%	63.1%	6.0%
Milano Ass.ni	29.6%	59.3%	11.1%

CUSTOMERS

The Client-Policy ratio

An index of particular importance for the Group is the "cross-selling rate" or the ratio between the number of policies subscribed to and the number of Clients. The index represents, both for the segment and the total Client base (corporate and retail), a loyalty index, as the turnover of the Policyholders is greatest when "insurance consumption" is low.
Greater satisfaction and loyalty of the Clients translates into the increased possibility of cross-selling. If a Client is satisfied with their policy, they are more likely to subscribe to further coverage, in this way awarding the company. An inverse correlation between the level of satisfaction of the Client and the rate of erosion exists, while a direct correlation between the cross-selling index and profitability exists.

The cross-selling rate for the listed companies of the Group is reported.

2009 Cross-selling rates

	Fondiaria-SAI	Milano Assicurazioni (*)
CORPORATE		
No. of Clients	197,871	211,024
No. of policies	564,859	423,417
No. of policies per client	**2.9**	**2.0**
RETAIL		
No. of Clients	4,418,584	3,669,643
No. of policies	7,065,251	5,565,051
No. of policies per client	**1.6**	**1.5**

(*) includes SASA

SUPPLIERS

In the supply of goods and services Fondiaria-SAI is committed to the principles of the Ethics Code of the Group and the internal procedures. In this context and in accordance with these regulations, the employees involved in transactions with suppliers must in the selection of such comply with the requirements of quality, price, convenience, capacity and efficiency or other predefined characteristics and make choices on an objective, impartial and transparent basis, avoiding any actions based on favouritism or on the certainty or the hope to obtain advantage, also with reference to situations outside of the supply relationship, for themselves or for the Group.

The Group in fact considers that the creation of a network of long-term and satisfactory reciprocal relations with qualified suppliers represents a strategic objective and a source of competitive success.
To guarantee the quality of the settlement service, a Group Supplier Register has been established and an Internet site has been set up for all of the Suppliers regularly used for claims management.

The role of Suppliers

- **Experts/assessors:** these have the duty to evaluate the damage and to assess the causes and the responsibility of claims. Their activity is fundamental for the correct quantification of damage, in order to limit any attempts at fraud.
- **Medical professionals**: their duty is to evaluate the injuries suffered by a damaged party following a claim; this generally includes expert insurance medical-legal professionals. In light of the new provisions introduced by the direct indemnity procedure, the objective is to avail of a trusted medical network, fully trained in the problems relating to the valuation of physical damage, in line with the settlement policies of the Group and able to draw up correct and timely evaluations, in agreement to the greatest extent possible with the insured party/damaged party.
- **Legal experts**: they have the duty to assist the parties, protecting the rights of the insured party in the case of a dispute. The Group places particular attention on the number of disputes attributable to each professional, in order to guarantee, where possible, equal volumes.

COMMUNITY

Corporate Social Responsibility

2009 was a particularly significant time in which public companies and institutions, although operating in a difficult and uncertain environment, saw some timid signs of recovery after hitting the bottom of an unprecedented international crisis. It is the commonly held opinion of economists and commentators that this phase will be seen as without historic precedence, during which capitalism must analyse and justify its basis for existence: the free hand of the market.
The most important lesson of the crisis is to rethink market capitalism, starting from some fundamental points: regulation, transparency and sustainable development and a system of values which must rethink corporate management culture. In this regard, while many companies are rediscovering their fundamental values, the Fondiaria SAI Group, drawing on its historical social vocation and the prudent tradition of those who have worked in the insurance sector, has always operated within an ethical outlook which experts have noted as protection from the economic crisis.

Responsibility, team spirit, innovation and communication are the values which the Fondiaria SAI Group is committed to - responding not just to the needs of its Clients, but also to the social demands of all stakeholders: Human Resources, Public Entities, the Community, Associations and the Citizenry. A set of guidelines, which in addition to establishing some clear sets of professional conduct regulations, are at the heart of the corporate responsibility of the company, through which the group contributes to creating a foundation for widespread well being and development which encompasses everybody.

For example purposes, details of the principal initiatives undertaken by the Fondiaria-SAI Group in 2009 are reported below.

Corporate Image and Public Relations Interventions

Despite the difficult financial crisis, and as testament to the commitment to the world of culture in a moment in which a critical phase in the economic cycle was being endured, in the period the cultural commitment of Fondiaria-SAI not just remained unchanged, but increased:

- in September the Group was the main sponsor of the MI.TO. Settembre Musica;
- in October – for the sixth consecutive year – the commitment to organise the Serata Inaugurale was renewed (with "La Traviata" of Giuseppe Verdi) on the lyrical stage of the Regio of Turin Theatre – of which Fondiaria-SAI is a founding member of the Foundation;
- in November – for the first time – the Group was the leading organiser, along with the Teatro Stabile of Turin, of Prospettiva09, the theatre, dance and arts festival which was widely acclaimed by the public;
- finally in November – as part of the collaboration with the National Cinema Museum – of which the Group is a member of the Management Committee – the group acted as one of the main supporters of the Turin Film Festival.

Four cultural initiatives of particular importance for Turin to which are added many areas of forefront activity in the social, culture and sports fields in the capital and in all of Piedmont. The Group in fact in the period under examination has supported many cultural associations (as well as the previous stated institutions, also the Council for the appreciation of Arts and Culture of Turin, of which Fondiaria-SAI is a member of the Management Board, the friends of the University of Turin and the Cultural Association for Turin - Agora), and is present in sport and offers its support to small and large initiatives of a social nature, also through the Fondiaria SAI Foundation.

The Fondiaria Sai Foundation

In today's world, operating a corporation incurs social responsibility. In 2004, in order to comprehensively respond to the needs of the community, in line with the policies and the commitment of the Group to reconcile ethical and business values in all corporate processes, the Fondiaria SAI Foundation was created.

The Foundation is entirely financed by the founding Shareholders, Fondiaria-SAI and Milano Assicurazioni which, also in 2009 made an annual contribution of Euro 300 thousand each.

For greater details on the Foundation, reference is made to the www.fondazionefondiariasai.it or the Corporate Social Responsibility Report.

COMMUNICATIONS

Internal communications

In order to assist the integration of the different corporate cultures present within the Group, the planning and study of a variety of Internal Communications activities continued throughout the period, which through the creation of print/online tools and internal events have involved, and will continue to involve, the Group in upcoming months.
Among the most important activities we report:

- the sharing of information through a newsletter and a house organ for all employees of the Group and all of the distribution networks (in particular - together with the Network Management – a new title dedicated to all of the Group agents was created - Team – Professione Agente);
- the elaboration of ad hoc Communication Plans and the realisation of communication projects for the various companies of the Group;
- creating customer loyalty among the best clients (Club Assicurati) through the creation of a quarterly magazine, LINEA DIRETTA CLUB;
- the continuation of the integration of the Intranet system;
- the management of the large billboards and agency signs for all the Group;
- the planning of events targeted at employees and agency networks.

Branding and External Communication

The revision of the formal codes of the "client communication", begun in 2008, and inspired by the general principles of greater clarity and transparency, was completed and produced important concrete results within all of the products of the new Retail Più range (Casa Smart, Infortuni Smart, Fabbricati Classic, Commercio Classic, Casa Classic) and the Difesa Più range (Fabbricati Full), distributed respectively by Fondiaria-SAI and by Milano Assicurazioni.
The review involved both the verbal language in the contractual documents and, in general, the creative concepts of the marketing communication instruments used in order to guarantee the Agencies real support in the marketing initiatives on the local markets: for each new product a set of promo publicity instruments were prepared capable of responding to the majority of communication requirements, ranging from the traditional media to the more innovative realm of the web and focusing the message on the user friendliness for the client.

In line with the strategy for progressive differentiation of the Non-Life products, begun with the launch of the Retail Più and Difesa Più ranges, the Communication department has underlined the necessity to develop distinct brand identities for the Fondiaria-SAI and Milano Assicurazioni groups capable of tapping into a wider market, with the objective to produce more contacts with potential clients and to develop new business.
In order to better communicate the diversification strategy, different communication codes were put in place which were immediately applied to the advertising campaigns in the first half for the Vita Open policies of the Group.

The new architecture makes the consolidation work of the individual brands on the market more fluid in order to strengthen the respective images and to establish for them a leading role in communication, while the Fondiaria SAI Group will continue to carry out its inherent role as a "guarantee" but in a more invisible manner.
On this basis it was possible to implement a review of the visual identity system of the Group (better known as the "Style Chart") which, in five years after its introduction is beginning to show some signs of inadequacy. The new communication priorities on the one hand and the need for a less invasive and more modern recognition graphic system come together in a new visual identity system, which is simple, to the point and common to all Group companies.

Within the duties assigned, adequate support and the necessary visibility of the initiatives developed by the corporate business centres was provided (for example, the sales consultant recruiting campaigns at national level) by the Group Companies.

In addition, the Agencies were guaranteed the necessary ongoing assistance in the realisation of local communication tools, based on the specific local marketing needs and pursuant to ISVAP Circular 533/d which requires the prior authorisation by the insurance Company of all communications of a commercial nature by brokers. The utilisation of the ComunicAgenzia portal continues to grow among users of the networks, accompanied by a high level of satisfaction both for the quality of the product supplied and for the response times.

The commitment of Management in the creation of a stronger communication culture was furthered with the half yearly publication of the VISION magazine, which at the year-end inaugurated a new project: VisionAgenzie, the electronic newspaper sent every two months to the Group agencies to highlight the most interesting cases and effective local communication carried out by colleagues in the region, to share positive experiences and to emphasis the less obvious sales points.

Sponsorship and donations

Within the social sphere, the policy favoured – based on the traditional concerns of the Group, the problems related to marginalisation and physical and mental illness.
The support continued of AIMAC – Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of initiatives and publications, and to the AID – Italian Dyslexic Association, set up to provide awareness to the professional and educational world and public opinion on dyslexia.
The aid to ATHLA Onlus was renewed, the Free Time Association for handicapped persons, established with the objective of socially integrating disabled persons through occupational opportunities which free time can provide when well managed. In particular, this year, the contribution was put towards the purchase of a minibus for the transport of disabled persons.

Fondiaria-SAI and Milano Assicurazioni make a contribution to the "Visitors Commission" of the Ospedale Maggiore of Milano, a charity which is involved with hospitality for family members of those recovering from conditions of poverty.

Among the social-cultural initiatives, the Group has supported the second edition of the Fiuggi Film Festival, a film festival entirely dedicated to the family, and for which a stand has been erected which gives great visibility to the brand and which has garnered public attention, presenting among other issues, the innovative product Auto Presto&Bene.

Fondiaria-SAI then renewed its support, as the official sponsor, of the Meeting of Rimini, the XXX edition of the meeting for friendship between communities, attended by 800,000 people and with 120 roundtable meetings on the theme "Making acquaintances is always special" with the participation of 200 internationally renowned speakers, which came to the interest of the public and of the media.

Always attentive to the needs and the particular features of the region in which it operates, Fondiaria-SAI has supported for many years the AIM – the Metropolitan Interests Association, established with the objective to support the Milan metropolitan area through research, projects, conventions and publications. This year, in particular, a contribution was given for the creation of the "Milan health capital – hospitals, research, industry, civil society", which with extensive research, historical reconstruction and the description of present and future scenarios confirms Milan as the health centre not just for Lombardy, but for the entire country.

Among the initiatives to which the Group is continuously committed is the support of culture in all of its manifestations, with great importance on the support of the MITO Settembre Musica, the international music festival, which presented its third edition. MITO once again united Milan and Turin for 21 days in a series of high level events, accessible to all target audiences and more than half of which were free: over 200,000 persons of every age and social level took part in 213 events, with 4/5 appointments per day, in the official festival calendar.

Press Office

In a year affected by great instability in the global economic-financial environment, in order to guarantee transparency in market communication and to maintain a solid and trustworthy image of the Company, the press office activities were focused on a concrete transmission to the media of the data and information regarding the Group, both at institutional level and in relation to the client offer.

Through interviews with the Chief Executive Officer, particular focus was placed on the strategies and initiatives undertaken to mitigate the difficulties in the period, and to protect profit margins.

In this sense, the Shareholders' meeting and the presentation of the new Industrial Plan 2009-2011 to the financial community, of which the press office managed the media impact, represents a particularly significant opportunity to communicate in a full and extensive manner.

During the year Fondiaria-SAI and Milano Assicurazioni published a total of 42 price sensitive press releases.

LITIGATION

Actions by shareholders

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. against the Company in relation to the fulfilment of public purchase offer obligations pursuant to CONSOB regulation of December 2002, it should be mentioned that one first instance proceedings is pending and during the course of 2009 no new summons notices were received.

Eight proceedings initiated by the Company for the reform of judgements issued by the Court of Milan are pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeals of Florence following the counterparty's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Milan Court of Appeals – in the only two second level judgements issued on the matter – has fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are two summary judgements currently before the Court of Cassation brought forth by Promofinan S.p.A. and Messrs Marcegaglia in appeal of the judgement in our favour that was issued by the Milan Court of Appeals. The Company has counter-appealed.

The provisions for risks and charges in the financial statements are sufficient against the litigation in course.

Tax Audits

On 21/7/2008, the Regional Management of the Tuscan Tax Office, following a general audit on 2004 returns, notified the Parent Company of a Contestation relating to the taxes for the years 2003, 2004 and 2005.

The tax audit concerned, in addition to the formal controls on all tax compliance, Direct Income Taxes, VAT, Withholding taxes, Insurance taxes and other indirect taxes and a large part of activities undertaken by the Company.
The contents of the contestation, principally regarding correct accrual accounting, are being analysed in detail by the company in order to assess and quantify the risks and substance to the claims.

In its defence, the Company on 19/09/2008 communicated, in accordance with article 12, paragraph 7, of Law No. 212/00, a note containing observations and requests on some matters contained in the Tax Notice.

On 9/6/2009 the Company presented, in accordance with article 6 of Legislative Decree No. 218/1997, a declaration of concordance to the Tuscan Regional Management in relation to the 2004 issues. Following the notification on 21/07/2008 of the Assessment, Fondiaria-SAI began a counter motion with the Tuscan Tax Office which led to the establishment of points relating to 2004-2006 concerning deeds signed with the subscription of the relative payments in September 2009.

In consequence of the deeds signed, on September 17, 2009 the Company, against a total request of over Euro 95 million, paid Euro 20.4 million of higher taxes, interest and penalties which correspond to effective higher charges of Euro 15.5 million taking account of some factors leading to lower future tax payments.

In relation to the Tax Assessment notified to the subsidiary Milano Assicurazioni, of July 31, 2008, by the Central Tax Assessment Office – Fiscal Control Sector – Large Companies Office, for 2004 and the years 2003, 2005 and 2006, on December 1, 2009 a declaration for IRES and IRAP purposes for the year 2004 was signed.
In consequence of the deeds signed, on December 2, 2009, Milano Assicurazioni paid Euro 381 thousand for IRAP (including interest and penalties) and on December 24, 2009, through the consolidated company Fondiaria-SAI, Euro 2,744 thousand for IRES (including interest and penalties).

In relation to the other significant issues contained in the above stated tax assesment, on December 28, 2009 tax notices were made in relation to: IRES and IRAP for 2003; VAT for 2004; withholding taxes for the years 2003 and 2004.
With reference to these deeds, the company began a dispute and for the IRAP declaration the company requested the nullification in "auto-guardianship".

ANNUAL CORPORATE GOVERNANCE REPORT

FIRST SECTION – THE GOVERNANCE STRUCTURE OF THE COMPANY: GENERAL GUIDELINES

1) Introduction

Information is provided below on the governance structure of the Company and on the implementations of the principles and recommendations contained in the self-governance code of listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and revised in March 2006 by the Committee (hereafter: the "Code").

The Company commenced, from the year 2006, a progressive updating to the recommendations contained in the new code for the parts not already in line with company practices and concerned, in each case, the operations of the business.

The present report provides information in relation to the compliance of the corporate governance of the Company with the recommendations of the Code, describing the actions already implemented at the date of the present report and those programmed to apply these recommendations. In the case of non-compliance with the recommendations of the Code, these are clarified and justified.

2) Information on the Corporate Boards

2.1) <u>Board of Directors and Executive Committee</u>
The Board of Directors is responsible for operational activities and organisational and strategic direction of the Company and the Group, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.

The directors may not be appointed for a period above three years and may be re-elected.

In compliance with the regulation introduced by law No. 262 of December 28, 2005 (hereafter: "Savings Law"), the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the nomination of the Board of Directors, in order that one Director may be elected by the minority shareholders.

In accordance with article 147 of Legislative Decree No. 58/98 (hereafter "Consolidated Finance Act"), as introduced by the Savings Law and in relation to the provisions of the honourability of the directors, these latter must have the requisites required for the holding of office by the special regulations applicable to insurance companies (D.M. 186/1997).

The Board of Directors delegated to an Executive Committee their powers with the exclusion of those expressly reserved to the Board and those which according to law may not be delegated.

In accordance with article 14 of the company by-laws, the Company, with the exception of those reserved by law or the company by-laws to the shareholder or board meetings, may delegate their powers to the Chairman, Vice Chairman and/or to one or more of its members, determining the content, the limits and any manner for the exercise of the delegated powers.

In accordance with these statutory provisions, the Board attributed special powers to the Chairman and to the Chief Executive Officer.

The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman are described in the second section of the present report.

2.2) The Board of Statutory Auditors

The Board of Statutory Auditors undertakes its duties in accordance with Legislative Decree 58/98.

The statutory auditors remain in office for three years. The procedure for their appointment, in accordance with law and the by-laws, stipulates that a statutory auditor and an alternate auditor are elected by the minority shareholders and that the Chairman of the Board of Statutory Auditors is deemed as the standing member elected by the minority shareholders.

While awaiting approval of the regulation contained in article 148, paragraph 4 of the Consolidated Finance Act, the requisites of honourability and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

Consob has established regulatory limits on the accumulation of offices of director or statutory auditor for board members of listed companies.

2.3) Shareholder Meetings and shareholders

The Shareholders' Meeting is held at least once a year for the approval of the annual accounts and to pass resolutions on all matters put before them by the Board of Directors and in accordance with law.

The share capital, composed of ordinary and saving shares with rights as per the company by-laws, is controlled by Premafin Finanziaria - Holding di Partecipazioni S.p.A. pursuant to article 2359, paragraphs 1 and 2 of the civil code.

Fondiaria-SAI is not aware of shareholder agreements relating to holdings in the share capital of the Company.

3) Management and control

The Company is not subject to management and coordination pursuant to article 2497 of the civil code. The company however undertakes management and coordination in accordance with the regulations cited in relation to its subsidiaries, including Milano Assicurazioni and its direct subsidiaries.

The Company has also created rules of conduct for the subsidiary companies, in order to ensure compliance with the management and coordination of the Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with. These conduct rules provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI on some operations relating to subsidiary companies, considered significant based on the nature of the operation or the amount.

SECOND SECTION - INFORMATION ON THE IMPLEMENTATION OF THE SELF-GOVERNANCE CODE

The organisational structures adopted and, where different than those recommended by the Code, the reasons for the choices made, are outlined below.

1) Board of Directors and Executive Committee

1.1) Role of the Board of Directors

The Board of Directors, in addition to exercising powers and complying with the requirements of the civil code, undertakes exclusively, in accordance with law or regulations and/or business practice, the following functions:

a) Examines and approves the strategic, industrial and financial plans of the Company and of the Group which the Company heads, the corporate governance of the Company and the structure of the Group. In relation to the boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Group;
b) Periodically verify the adequacy of the internal control system, assisted by the Internal Control Committee;
c) Evaluates, based on the information and reports received from the executive functions, the adequacy of the organisational, administration and accounting system of the Company and of the Group, with particular reference to the internal control system and to the management of the conflict of interests, as well as the general operational performance. Approves the company organisational structure;
d) Attributes and revokes powers to the directors and to the Executive Committee, defining their limits and procedures for the exercise of these powers;
e) Determines, after examining the proposals of the Remuneration Committee and after having consulted the Board of Statutory Auditors, the fees of the executive directors and those who hold specific positions, as well as dividing the total fees to which the directors are entitled among the individual members of the board;

f) Examines and approves the operations of the Company and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

The Board also defines the guidelines of the internal control system, in order that the principal risks are correctly identified, as well as adequately measured, managed and monitored.

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies their adequacy and effective functioning and is assisted by the Internal Control Committee as per point 3.3 below.

The Chief Executive Officer has the responsibility to overview the functioning of the internal control system, identifying the business risks and undertaking the design, management and monitoring of the internal control system, through which he appoints the manager of the Audit function of the Group as per point 3.2.4 below.

The Board of Directors annually approves the work plan of the Group Audit function.

ISVAP, first with circular No. 577/D of December 30, 2005 and subsequently with Regulation No. 20 of March 26, 2008, which repealed the above-mentioned circular, issued provisions which reserve the central strategic role of the Board of Directors in relation to the definition of the organisational structure, of the decisional processes, of the allocation of powers and employment policies and the management of the risks, in accordance with the provisions deriving from the Savings Law and from the Self-Governance Code of listed companies.

1.2) Composition of the Board of Directors

The composition of the Board of Directors, unchanged at the current date compared to December 31, 2009 and which currently comprises of 18 members, is reported in the present report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2011.

The appointment of the directors was resolved at the Shareholders' AGM of April 24, 2009 approving the only slate presented by the majority shareholder.

We recall that the Board of Directors appointed Mr. Salvatore Ligresti as honorary Chairman of the Company, inviting him to attend all the meetings of the Board and of the Executive Committee.

As recommended in the Code, the Board of Directors evaluated the size, composition and the functioning of the Board and of its committees and also that all the necessary and appropriate professional figures are present on the board.

1.3) Executive Committee

In accordance with article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee, currently composed of 7 members, its powers, with the exclusion of those which by law or regulation may not be delegated, and also those concerning all decisions in relation to significant operations with related parties, which are the exclusive remit of the Board. The Board of Statutory Auditors are called to attend Executive Committee meetings.

Subject to the exclusive duties of the Board as described above, there are no attribution of exclusive duties to the Executive Committee in relation to specific types of operations or spending limits.

The resolutions of the Executive Committee are reported to the Board at the following BoD meeting, together with updated information on the operations approved.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, the three Vice Chairmen and the Chief Executive Officer. The current composition has remained unchanged compared to December 31, 2009.

1.4) Representative of the Company and delegation of powers by Board of Directors

The Chairman, Vice Chairmen and the Chief Executive Officer represent the company against third parties and in legal matters.

The delegated management powers of the Chairman, the Vice Chairmen and the Chief Executive Officer, pursuant to article 14 of the by-laws, are attributed by the Board.

Currently, the Board of Directors has delegated to the Chairman and to the Chief Executive Officer all of the ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 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 parties delegated are directly responsible for the deeds undertaken in the exercise of the powers; the entire Board of Directors has a greater supervision power of the direction and control of the overall activities of the enterprise in its various components, ensuring that each director is updated and operates in an informed manner.

The parties delegated report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the powers attributed above.

In each case, the Board receives from the Executive Committee and from the executive directors, on the occasion of the individual meetings, exhaustive information on the most important operations, for their size and nature, made by the Company and its subsidiaries. These delegated bodies report, also in accordance with article 2381 of the civil code, on the general operating performance and on the outlook. The same information is provided, in the Board meetings, also to the Board of Statutory Auditors, pursuant to article 150 of the Consolidated Finance Act, also with regard to operations in which the directors have an interest.

The delegated boards (executive directors and Executive Committee) also provide adequate information to the Board of Directors and to the statutory auditors, in the Board meetings, in relation to atypical, unusual or related party transactions whose examination and approval are not reserved to the Board of Directors.

1.5) Chairman of the Board of Directors

The Chairman of the Board of Directors convenes and co-ordinates the meetings of the Board and the Executive Committee. The Chairman ensures that the directors and the members of the Committee are provided with, before each meeting, the documentation and the information necessary, except in the cases of necessity and urgency with reference to the nature of the deliberations to be taken, in line with the degree of confidentiality and the timing with which the Board or Executive Committee must assume these decisions. The Chairman, with the agreement of the participants, may invite participation at the meetings of the Board and the Executive Committee - as attendees and/or with consultant duties – of external parties to these meetings. The Chairman of the Board of Directors, in addition, presides over and organises the Shareholders' Meeting. He is also attributed - as described - powers by the Board, as previously indicated. The Chairman normally exercises these powers only in the case of necessity or urgency, in the absence or impediment of the Chief Executive Officer, or - in any case - when particular circumstances render it necessary.

1.6) Meetings of the Board of Directors and Executive Committee

The Board of Directors meet regularly.

The Executive Committee however meets whenever it is necessary to undertake an executive resolution on one or more matters in cases of necessity or urgency with respect to the time necessary to call the entire Board of Directors. By its nature, the Executive Committee does not meet regularly whereby its members are involved in the ordinary management of the Company;

During the year 2009:

- the Board of Directors met 14 times, with an average meeting duration of one hour 45 minutes;
- the Executive Committee met 2 times, with an average meeting duration of one hour 30 minutes;

It is expected that a similar number of meetings will take place in 2010. At the date of the present report, 3 Board of Directors meetings had been held in 2010 and 1 Executive Committee meeting had been held.

1.7) Non-executive and independent directors

In addition to the Chairman and Chief Executive Officer – with executive powers of the Company attributed by the Board – the Vice Chairman is also considered as an executive director. Antonio Talarico has been delegated management and/or functional directional powers of subsidiary companies operating in the real estate sector, including the group company Immobiliare Lombarda S.p.A., which manages the real estate assets of the Group. The same applies to the Director Gioacchino Paolo Ligresti, who covers the role of Chairman, with managerial powers, of Immobiliare Lombarda.

All the directors other than those indicated above are to be considered non-executive, in that they do not hold operational and/or functional directional powers in the operations. In addition to their number, the non-executive directors are for their expertise and authority such as to guarantee that their judgement can have a significant weight on the Board decisions, contributing their specific competences to the making of decisions that conform to corporate interests. The contribution of the non-executive directors is particularly useful on matters in which the interests of the executive directors and those more generally of the shareholders do not coincide. In fact, the non-executive component of the Board may evaluate with greater detachment the proposals and operations of the directors with executive powers.

In accordance with the definitions of the new Code, the non-executive independent directors are: Mr. Andrea Broggini, Mr. Maurizio Comoli, Ms. Valentina Marocco, Mr. Enzo Mei, Mr. Giuseppe Morbidelli and Mr. Cosimo Rucellai. These directors, in fact, are not in the situations indicated by the Code where their position is not compatible with that of an independent director.

The number of the independent directors is such as to balance the number of other directors on the Board.

The Board of Directors, most recently in February 2010, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board. The directors stated as independent were held to be in compliance with the requirements of the Code. Particular attention is paid to the criteria utilised to evaluate the significance of the professional relationships undertaken by some directors with the Company and with the Group, considering for these purposes the qualitative criteria (relevance of the professional relationship under the office held) and also quantitative criteria, with reference to the amount of remuneration both in absolute and relative terms, relating to the totality of professional activities of the interested parties.

The Board made similar verifications with reference to independence pursuant to article 147-ter of the Consolidated Finance Act, introduced by the Savings Law.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Currently there are no formal meetings of the independent directors in the absence of the other directors, nor has a lead independent director been appointed. Exchange of opinions and observations between the independent directors are, where necessary, brought to the attention of the Board of Directors on discussions relating to significant transactions of an extraordinary nature. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

In general, the directors accept the office when they believe they can dedicate the necessary time to a diligent undertaking of their duties, also taking into consideration other offices held in other companies. The directors must be aware of the tasks and responsibilities relating to their appointment. They act and deliberate in a knowledgeable and independent manner pursuing the creation of value for the shareholders. The Chairman and Chief Executive Officer ensure that the Board is also informed on the principal new legislation and regulations relating to the Company and corporate bodies.

1.8) Appointments of directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 26, 2010 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies, is shown below:

Jonella LIGRESTI

Chairman of:	SAI HOLDING ITALIA S.p.A.
Vice Chairman of:	GILLI S.r.l. PREMAFIN FINANZIARIA S.p.A.
Director of:	ASSONIME Associazione fra le società italiane per azioni FINADIN S.p.A. Finanziaria di Investimenti ITALMOBILIARE S.p.A. MEDIOBANCA S.p.A. MILANO ASSICURAZIONI S.p.A. RCS MediaGroup S.p.A.

Giulia Maria LIGRESTI

Chairman and Chief Executive Officer of:	PREMAFIN FINANZIARIA S.p.A.
Chairman of:	GILLI S.r.l. SAIFIN SAIFINANZIARIA S.p.A.
Chief Executive Officer of:	SAI HOLDING ITALIA S.p.A.
Director of:	FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A. ORCHESTRA FILARMONICA DELLA SCALA PIRELLI & C. S.p.A. SAILUX S.A. SAINTERNATIONAL S.A.

Massimo PINI

Chairman of:	GEMINA S.p.A. Shareholder Pact
Vice Chairman of:	ADR S.p.A. IMMOBILIARE LOMBARDA S.p.A.
Director of:	FINADIN S.p.A. Finanziaria di Investimenti ISTITUTO EUROPEO DI ONCOLOGIA S.r.l. MILANO ASSICURAZIONI S.p.A.

Antonio TALARICO

Chairman of:	FINADIN S.p.A. Finanziaria di Investimenti MARINA DI LOANO S.p.A. NUOVE INIZIATIVE TOSCANE S.r.l. SAIAGRICOLA S.p.A.
Vice Chairman of:	IMPREGILO S.p.A.
Chief Executive Officer of:	IMMOBILIARE LOMBARDA S.p.A.
Director of:	ATAHOTELS S.p.A. IGLI S.p.A. MILANO ASSICURAZIONI S.p.A. SAI INVESTIMENTI SGR S.p.A.

Fausto MARCHIONNI

Chairman and Chief Executive Officer of:	MILANO ASSICURAZIONI S.p.A. SIAT S.p.A.
Chairman of:	ATAHOTELS S.p.A. AUTO PRESTO & BENE S.r.l. BANCA SAI S.p.A. PRONTO ASSISTANCE SERVIZI S.p.A. SAI INVESTIMENTI SGR S.p.A. SISTEMI SANITARI S.c.r.l.
Vice Chairman of:	BIM VITA S.p.A.
Director of:	ANIA (Motor TPL indirect indemnity) ASSONIME Associazione fra le società italiane per azioni C.A.I. – COMPAGNIA AEREA ITALIANA S.p.A. DDOR-Novi Sad IRSA

Andrea BROGGINI

Director of:	BANCA EUROMOBILIARE (Suisse) S.A. FASTWEB S.p.A. FEDERAZIONE DELLE COOP. MIGROS KASTOR AG KNORR-BREMSE Systeme für Schienenfahrzeuge GmbH MARCH LIMITED POLLUX FUNDS AG

Maurizio COMOLI

Vice Chairman of Supervisory Board of:	BANCO POPOLARE Scarl
Chairman of the Board of Statutory Auditors:	BASTOGI S.p.A.
	MIRATO S.p.A.
Statutory Auditor:	BRIOSCHI Sviluppo Immobiliare S.p.A.
	LORO PIANA S.p.A.

Francesco CORSI

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

Carlo d'URSO

Vice Chairman of:	IMMSI S.p.A.
Director of:	CHE BANCA! S.p.A.
	F.C.INTERNAZIONALE MILANO S.p.A.
	GRUPPO BANCA LEONARDO S.p.A.
	PREMAFIN FINANZIARIA S.p.A.
	STILO IMMOBILIARE FINANZIARIA S.r.l.

Vincenzo LA RUSSA

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

Gioacchino Paolo LIGRESTI

Chairman of:	ATAHOTELS SUISSE S.A.
	IMMOBILIARE LOMBARDA S.p.A.
	S.R.P. ASSET MANAGEMENT S.A.
	SAINT GEORGE CAPITAL MANAGEMENT
	STAR MANAGEMENT S.r.l.
Vice Chairman of:	ATAHOTELS S.p.A.
	BANCA GESFID S.A.
	BANCA SAI S.p.A.
	MILANO ASSICURAZIONI S.p.A.
	MARINA DI LOANO S.p.A.
	PREMAFIN FINANZIARIA S.p.A.
	SAI INVESTIMENTI SGR S.p.A.
	SAIAGRICOLA S.p.A.

Director of:	GRUPPO BANCA LEONARDO S.p.A. FINSAI INTERNATIONAL S.A. GILLI S.r.l. MILAN A.C. SAI HOLDING ITALIA S.p.A. SAILUX S.A. SAINTERNATIONAL S.A. SAINTERNATIONAL LUGANO BRANCH S.A.

Lia LO VECCHIO

Director of:	MILANO ASSICURAZIONI S.p.A. SIAT S.p.A.

Valentina MAROCCO

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

Enzo MEI

Chairman of:	SOCIETÀ GESTIONE CAPANNELLE S.p.A.
Chief Executive Officer of:	GENERAL SERVICE ITALIA S.p.A.
Director of:	BEE TEAM S.p.A. LA MAGONA S.r.l. VIGEST S.r.l.

Giuseppe MORBIDELLI

Director of:	BANCA CR FIRENZE S.p.A.

Cosimo RUCELLAI

Vice Chairman of:	MILANO ASSICURAZIONI S.p.A.
Director of:	ESSELUNGA S.p.A. SUPERMARKETS ITALIANI S.p.A.

Salvatore SPINIELLO

Chairman of the Board of Directors of:	CAMPO CARLO MAGNO S.p.A. IMMOBILIARE ANDRONICA S.p.A.
Director of:	EUROFLY SERVICE S.P.A.

Shareholders' Representative	RCS MEDIAGROUP S.p.A.
Sole Director of:	G.B. & CO S.R.L. G.B.H. S.P.A.
Chairman of the Board of Statutory Auditors:	EMITTENTI TITOLI S.p.A. GRANDI LAVORI FINCOSIT S.p.A. INDIPENDENT INVESTMENT S.p.A. TA.RO. S.p.A. UNICREDIT FAMILY FINANCING S.p.A.
Statutory Auditor:	ASG S.c.a.r.l. BANCO DI SICILIA S.p.A. BIT MARKET SERVICE S.p.A. FINAGIN S.p.A. LAZARD INVESTMENTS S.r.l. M.S.M.C. IMMOBILIARE DUE S.r.l. PRO MAC S.p.A. TELECOM ITALIA S.p.A. TI MEDIA S.p.A. UNICREDIT BANCA S.p.A.

Sergio VIGLIANISI

Director of:	MARCORA COSTRUZIONI S.p.A.

The Board did not express its opinion on the maximum number of offices of director or statutory auditor held in other listed companies, including abroad, in financial, banking and insurance companies or of a significant size which can be considered compatible with a current undertaking of the office of director of the Company. The Board also considered it preferable to make a specific valuation case by case, on the approval of the present report.

On the outcome of this valuation, the Board considers that the number of offices of director and/or statutory auditor held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of Fondiaria-SAI, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group. The Board reserves the right to consider, where necessary, the position taken, also in order to provide an indication to the shareholders before the expiry of their mandate in order that they may have an additional element of valuation in the selection of the candidates for the office of director.

1.9) Appointment of the directors

In 2009, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is sufficiently concentrated and there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

On the occasion of the appointment of the directors, the shareholders that wish to propose nominations must file the proposal at the registered office of the company before the shareholders' meeting together with the curriculum vitae of each candidate.

At the shareholders' meeting of April 24, 2009 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates and distributed to the participants. The candidature is accompanied by a declaration by the relevant party in relation to holding of the necessary requisites in accordance with law and the by-laws, as well as the independence of the party. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 24, 2009 which appointed the last Board of Directors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

i. From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
ii. from the slate that obtains the second largest number of votes, the first candidate by progressive number on the slate is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate and providing that this slate is not linked in any manner, even indirectly, with the shareholders who presented or voted upon the slate obtaining the highest number of votes. Where this latter condition is not complied with, account is taken of the slate with the third highest number of votes, provided both of the above-mentioned conditions are complied with, and so forth. Where both the conditions are not complied with reference to all slates other than the first slate by number of votes, all the candidates are elected from this latter.

Each slate must contain and expressly indicate at least two persons that are independent pursuant to the requirements for independence of statutory auditors as per article 148, paragraph 3 of Legislative Decree 58/1998, as supplemented. Where only two candidates meet these requisites, these candidates may not be assigned from the last two progressive numbers of each slate.

The shareholders presenting a “minority slate” are governed also by Consob communication No. DEM/9017893 of February 26, 2009.

1.10) Directors’ remuneration

The remuneration of directors is decided by the Board pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the party concerned, and with the prior favourable approval of the Rumeration Committee as per point 1.12 below.

The Board has always determined, upon appointment, the remuneration of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office.

In 2009 no bonuses were paid to directors as remuneration in relation to activities carried out.

The remuneration paid to the directors in 2009 is reported in a schedule in the Notes to the financial statements.

1.11) Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI agreed to assign the options of the 2006-2011 stock option plan in favour of executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company Premafin Finanziaria, for the acquisition of saving shares of Fondiaria-SAI.

The assignment by the Board was made in execution of the extraordinary shareholders’ meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the executive directors, a total of 8,700,000 options were assigned in favour of the parties and in accordance with the quantities approved by the above-mentioned shareholders’ meeting. In relation to the management, the stock option plan relates to 75% of the executives in service in the Group, totalling 6,300,000 options. The number of the options assigned to the individual beneficiaries takes into account the level of responsibility attributed and of the impact of the office held in the activities of the business and toward its results.

The Board also required that the exercise of the options would be related to the achievement of the principal objectives of the Group’s 2006-2008 Industrial Plan.

The option rights assigned became partially exercisable by the beneficiaries from July 14, 2007, after the first phase of the vesting period of 12 months established for both plans by the respective regulations, as modified by the Board of Directors’ meeting of June 20, 2007, that - as announced to the market – expired a year earlier than the three vesting period phases originally established by the Board, also taking into account the advanced achievement of some of the 2006-2008 Industrial Plan objectives of the Group.

With regard to the executive directors, it is intended to create – in principle - an adequate remuneration structure, which facilitates their interests along with the creation of value for the shareholders over the medium-long term period, through the achievement of the Industrial Plan of the Group. In this manner, it was also considered necessary to comply with the recommendations contained in the Code in relation to linking a part of the remuneration of the executive directors to the financial results of the Company and of the Group.

In addition, the utilisation of the instrument in question also in favour of senior management contributes – in principle - to providing incentive and loyalty and creating the appropriate conditions for the achievement of the objectives of the Plan.

1.12) Remuneration Committee

Also taking into account the adoption of the above-mentioned stock option plans, the Board of Directors of Fondiaria-SAI, from March 2007, appointed a Remuneration Committee, which has the following functions, with reference also to the subsidiary companies:

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;
- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the executive directors and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

The Remuneration Committee is currently composed of the Chief Executive Officer and of two non-executive independent directors, Mr. Enzo Mei and Mr. Cosimo Rucellai. The Board also considered it appropriate that the Chief Executive Officer was a member of the Committee in order to allow co-ordination of the operational management. The Chief Executive Officer did not participate at meetings where his remuneration was discussed.

In 2009, the Committee met once during the year. Minutes are kept of the Committee meetings. Until now, in 2010 no meetings have been held, nor are any scheduled.

1.13) Significant and inter-group operations and transactions with related parties

The Board of Directors approved specific conduct principles for the undertaking of significant operations, inter-group operations and operations with related parties. In defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the inter-group and related parties operations - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

In line with the conduct principles in question, the guidelines were drawn up (and approved by the Board of Directors) in accordance with ISVAP regulation No. 25 of May 26, 2008, which introduced significant new provisions on the supervision of inter-group operations, including those – in particular – with related parties.

Significant operations
In the attribution to the Chairman and to the Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Fondiaria-SAI indicated the criteria in order to identify the significant operations, which must be subjected to examination and authorisation by the Board of Directors or by the Executive Committee.

Inter-group and related party transactions
With reference to the inter-group and related party transactions, it is noted that:

a) The inter-group and related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, relating to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of Consob Regulation No. 11971/1999, are reserved to the exclusive and prior approval of the Board of Directors; Consob No. 11971/1999, obligation to make available an information document to the public;
b) They are presented for examination and approval by the Board of Directors or the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman and Chief Executive Officer, any series of inter-group and related party transactions specifically identified by type and value, considered individually or cumulatively with other transactions in the previous twelve months.

It is also noted that, subject to that stated above and in accordance with that established for insurance companies by ISVAP regulation No. 25, the inter-group transactions, including those with related parties, in which at least one of the parties is an insurance company – where such transactions are considered significant according to the quantitative parameters determined by the same regulations - are subject to prior communication to ISVAP. In particular, the transactions with subsidiary companies or holdings of at least 20%, or with the parent company and parties controlled by this latter, may not be undertaken before the completion of the silence-approval period by ISVAP.

For the purposes of the implementation of the above-mentioned conduct principles, each director and statutory auditor, as well as executives with strategic responsibilities, are requested to provide a list of related parties. The request was also made to statutory auditors in line with the recommendations of the Code in order to report the position of the statutory auditors and of the directors with regard to the operations of the issuer in which the statutory auditor has an interest.

A directive was then issued by the Chief Executive Officer to regulate the operating procedures for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

In general all inter-group and related party transactions must comply with correctness criteria, both in substance and in form.

Where the nature, value or others characteristics of the transaction requires, the Board of Directors will ensure that the transactions with related parties are concluded with the assistance of independent experts for the evaluation of assets and for the provision of financial, legal or technical consultants for fairness and/or legal opinions.

The directors that have an interest in the operation must inform in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting. Where this relates to an Executive Director, he must abstain from undertaking the operation.

In the cases relating to the previous paragraph, the Board of Directors' resolutions provide adequate reasons and the benefits for the Company from the operation.

The Board of Directors will resolve on the most appropriate action to be taken in the case where the exclusion of the directors at the moment of the resolution could prejudice the constitutive of the necessary quorum.

2) The Board of Statutory Auditors

2.1) <u>Composition, role and meetings of the Board of Statutory Auditors</u>
The current Board of Statutory Auditors is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 24, 2009, when only one slate was presented by shareholders, within the terms established by the by-laws. This slate obtained the majority of the votes at the shareholders' meeting.

After the appointment, in accordance with current provisions, the Board of Directors made a formal verification that the statutory auditors appointed by the shareholders' meeting held the requirements to hold such an office pursuant to article 148, paragraph 3, of the Consolidated Finance Act. The Board of Statutory Auditors periodically verifies the requirements of each member, as well as whether the members are independent based on the criteria of the Code with reference to the directors, in accordance with the recommendations of the Code.

The Board of Statutory Auditors were requested, as reported, to provide a list of related parties, in line with the recommendations of the Code in order to align the position of the statutory auditors with that of the directors with regard to the operations of the Company in which the statutory auditor has an interest.

The Board of Statutory Auditors reviews the appointment of the independent audit firm. They also periodically hold meetings with the Group Audit Function and participate at the meetings of the Internal Control Committee for the reciprocal exchange of information of common interest.

In 2009, the Board of Statutory Auditors met 22 times with an average meeting duration of three hours. It is expected that a similar number of meetings will take place in 2010. Currently, the Board of Statutory Auditors has met seven times in 2010.

2.2) <u>Appointment of the Board of Statutory Auditors</u>
Following the statutory modifications introduced pursuant to the Consolidated Finance Act, as subsequently modified by the Savings Law, the transparency of the procedure for the nomination of the statutory auditors is assured, which permits one standing member of the Board of Statutory Auditors to be elected by the minority shareholders and that the chairman of the Board is the standing member elected by the minority shareholders.

The By-Laws provide for the appointment of the Statutory Auditors with a voting of slates mechanism.

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Company at least 15 days before the date fixed for the shareholders' meeting in first convocation, except in the cases as per article 144, paragraph 5 of Consob Regulation No. 11971/1999. Together with the slates, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital with voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 24, 2009 which appointed the last Board of Statutory Auditors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

The shareholders presenting a "minority slate" are governed also by Consob communication No. DEM/9017893 of February 26, 2009.

2.3) Offices held by members of the Board of Statutory Auditors in other companies

The office of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed Italian companies is reported below:

Antonino D'AMBROSIO

Statutory Auditor:	PREMAFIN FINANZIARIA HP S.p.A.

Marco SPADACINI

Director of:	MONDADORI EDITORE S.p.A.
Chairman of the Board of Statutory Auditors :	ATLANTIA S.p.A.
	SORIN S.p.A.

The Chairman of the Board of Statutory Auditors, Mr. Benito Giovanni MARINO, does not currently hold offices in other listed companies.

3) Internal Control

3.1) Introduction

The current provisions require that insurance companies adopt adequate internal control procedures. ISVAP in turn - since 1999 and, recently, with Regulation No. 20 of March 26, 2008 - defined the internal control system of the companies and the relative functioning procedures, providing indications in order to facilitate, while respecting entrepreneurial independence, the realisation of adequate control systems and risk management, which each enterprise must develop, taking into account the size of their operations and their risk profile.

The internal control system comprises the overall rules, procedures and organisational structures needed in order to ensure the correct functioning and good performance of the enterprise and to guarantee, with a reasonable margin of security:

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company's assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Pursuant to the previously cited ISVAP regulation No. 20, the enterprise – in order to maintain an acceptable level of risk in line with available capital, must have an adequate system of risk management, with respect to the size, nature and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise's objectives.

The Company therefore undertook, where necessary, a gradual adjustment of the organisation in accordance with the provisions of ISVAP.

3.2) <u>Control procedures utilised</u>

3.2.1) Line control

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures today provide for control by the individual operating units (so-called "line control"), as well as by the managers of each unit.

3.2.2) Group Risk Management department

The monitoring of risks is covered by the Group Risk Management department, with the duties of:

- Managing the activities to develop and complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Undertake recurring monitoring of the risks through the reporting indicators;
- Contribute to the definition of the operating limits and the relative tolerance thresholds relating to the measurement of the risks assigned to the operating structures and draw up the procedures for the prompt verification of these limits;
- Prepare reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the violation of fixed operating limits;
- Defines, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- Communicating, together with the Group Audit function, the periodic reports to ISVAP.

The Group Risk Management function also undertakes specific periodic stress testing in relation to the principal sources of risk and reports these results to the Board of Directors.

The Risk Management department of the Group reports hierarchically to the Chief Executive Officer of Fondiaria-SAI and departmentally to the Board of Directors of Fondiaria-SAI and its subsidiaries.

In February 2009, the Board of Directors of the Company approved the guidelines for the management of risks and for the carrying out of the decisional process relating to the new investments (so-called Group Risk Policy), with the following principal objectives:

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

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

The Board of Directors of each of the Group companies was requested to adopt the document and to set out its operating limits accordingly, taking account of its own idiosyncrisies and possible restrictions in relation to risk tolerance.

Within the Fondiaria-SAI Group a process of adjustment to the above stated Solvency II regime is in course. In this regard the impacts of the new solvency regulations are being monitored closely both at the level of the standard formula and of internal use, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

3.2.3) Group Compliance Department

The Board of Directors approved the creation, from January 1, 2009, of a Group Compliance department, which is assigned the duties contained in ISVAP regulation No. 20 of March 26, 2008, and in particular:

- to identify on an ongoing basis the regulations applicable to the company and evaluate their impact on the company's processes and procedures;
- to evaluate the adequacy and efficiency of the organisational measures adopted for the prevention of the risk of non conformity to the regulations and propose organisational and procedural amendments in order to ensure an adequate profile of the risks;
- to evaluate the effectiveness of the organisational adjustments consequent of the suggested modifications;
- to prepare adequate information flows to the corporate boards of the company and other departments involved.

The Compliance department of the Group reports hierarchically to the Chief Executive Officer of Fondiaria-SAI and departmentally to the Board of Directors of Fondiaria-SAI and its subsidiaries.

The Group compliance department annually prepares a work plan which is presented to the Board of Directors of Fondiaria-SAI.

The manager of the Group Compliance department, in addition, coordinates a specific Compliance and Corporate Governance Coordination Committee, whose permanent members include the Audit department manager and the Risk Management department manager, as well as other Group centralised departments.

This Committee is a formalised and regulated body through which, while maintaining autonomy and independence from the departments involved, undertakes, in relation to the internal control system and management of the risks of the Fondiaria-SAI Group, the following objectives:

- permits the Compliance department to identify the principal initiatives to be undertaken;
- guarantees a functional coordination of the departments involved in the governance process;
- guarantees the coordination, while respecting the autonomy, of the plans of the individual departments;
- favours the interchange of knowledge and problems managed by the individual departments;
- defines and agrees intervention guidelines with relative definition of the priority levels.

The Committee therefore also represents the organisational interface between Audit, Risk Management and Compliance, expressly contained in the above-mentioned ISVAP regulation No. 20.

3.2.4) Group Audit Department

The verification of the adequacy, efficiency and effectiveness of the procedures adopted and, in general, of the internal control system, is undertaken by the Audit department of the Group, reporting to the Chief Executive Officer of Fondiaria-SAI and departmentally to the Board of Directors of Fondiaria-SAI and its subsidiaries. The Audit activities also extend to all the business processes of Fondiaria-SAI and of Group companies (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors annually approves the work plan of the Group Audit department, which is prepared independently on the basis of a valuation of the typical operating risks of Fondiaria-SAI and of the other insurance companies of the Group. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers. This department – which liases with the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the “Executive Responsible”) in relation to the management model pursuant to law No. 262/2005, as per point 3.4 below - also coordinates with the Internal Control Committee, to which it reports upon its work, with the Board of Statutory Auditors and with the audit firm of the Company.

The managers of the operating area of the business must ensure that the Group Audit function has free access to all operating structures and all documentation relating to the operating area subject to control. The Group Audit function has contacts with all the officers of the Company and of the Group companies and its manager has the necessary authority to guarantee the independence of the function.

The Group Audit Manager – as illustrated - reports departmentally to the Board of Directors of Fondiaria-SAI and its subsidiaries.

In addition, following the attribution of a specific Internal Control Committee of the functions in accordance with the Code and as already reported (see point 3.3 below) and having regard to the fact that, among these functions, are the evaluation of the work plans prepared by the Group Audit function and the receiving of their reports, this latter prepares these reports, presenting them to the Internal Control Committee. This latter, in turn, reports to the Board of Directors its opinions of the work plan of the Group Audit function and on the adequacy of the internal control system.

The Board, in accordance with that stated by regulation No. 20 of ISVAP, annually examines and approves the following documents, which are prepared by the Group Audit department, and subsequently communicated to ISVAP:

- A report on the internal control system and risk management system;
- The corporate and operational organisational structure, specifying the duties attributed to the individual business units and identifying the managers;
- The manner of delegation and establishing power limits;
- The structure of the Group Audit, Risk Management and Compliance departments and the number of employees dedicated to the activities as well as the characteristics and technical-professional experience;
- The internal audit activities undertaken, any deficiencies reported and the corrective actions adopted;
- The strategic information and communication technology (ICT) plan, in order to ensure the existence and maintenance of a highly integrated overall architecture from an application and technological viewpoint and adequate to the entity's needs.

3.3) Internal Control Committee

The Board of Directors has set up an Internal Control Committee, to assist the Board of Directors, which has the duties of analysing the problems relating to the control of the business activities, attributing to it specific functions which have merely a consultative and proposing function, while the deliberations are exclusively the competence of the Board of Directors.

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Enzo Mei, Salvatore Spiniello and Maurizio Comoli. This latter is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board resolved to attribute to these directors a special remuneration for the role undertaken.

All the statutory auditors are invited to participate at the meetings of the Internal Control Committee. Minutes are kept of the Committee meetings.

The Internal Control Committee has the role to:

a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;

c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;
d) Assist the Board, in relation to the application of law No. 262/2005, in the supervision:
   - On the implementation of the Action Plan;
   - On the effective compliance with the administration and accounting procedures;
   - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
   - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
e) Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
f) Evaluates the work plan prepared by the Group Audit function and receive periodic reports;
g) Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
h) Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
i) Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
j) Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

In the undertaking of its consultative functions, the Committee was also appointed to undertake a preliminary examination of the inter-group and related party transactions, in accordance with the guidelines and conduct principles adopted by the Board of Directors, which were subject to examination and approval by the Board of Directors or by the Executive Committee.

The Committee reports at least every six months, at the time of the approval of the annual and half-yearly accounts, and informs the Board on the work carried out and the adequacy of the internal control system.

The Committee has an active role in evaluating the work plan of the Group Audit function and of the periodic reports issued.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning. The Board also assigned an amount to permit the Internal Control Committee, where necessary, to make recourse to external professional advisors for the analysis of specific issues of particular complexity and of risks for the Company.

In 2009, the Committee met 12 times, with an average meeting duration of 1 hour 35 minutes. It is expected that a similar number of meetings will take place in 2010. In 2010 the Committee has already met 5 times.

In particular, in 2009 in the meetings prior to those that the Board of Directors called to approve the draft financial statements for the year ended December 31, 2008, the Committee expressed its favourable opinion on the Group Audit function and considered, at the present moment, the internal control system of the Company to be adequate. The Committee also expressed its opinion:

- that the accounting principles utilised, having consulted with the Executive Responsible and taking into account the considerations of the audit firm, on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- that, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Company at December 31, 2008;
- that the governance rules adopted by the Company, to the current knowledge of the Committee, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations supplied by Assonime ed Emittenti Titoli S.p.A., taking into account the recommendations of the Self-Governance Code and justifying the reasons for the choices made where these are different than those recommended by the Code.

On the occasion of a subsequent meeting before the Board of Directors' meeting called to approve the half year report at June 30, 2009, the Internal Control Committee confirmed its evaluation on the adequacy of the internal control system, and also did not report any critical elements in the audit undertaken by the audit firm.

3.4) Executive responsible for the preparation of corporate accounting documents

The Board of Directors' meeting of April 24, 2009 appointed the Executive Responsible as Mr. Pier Giorgio Bedogni, Deputy General Manager of the Company and Administrative Director.

In accordance with the provisions of the company by-laws, the Board undertook the appointment with the favourable opinion of the Board of Statutory Auditors and verified the professional qualifications of the person appointed pursuant to the company by-laws which requires that the Executive Responsible is a person of "adequate professional ability who has undertaken management activity in the administrative/accounting sector or finance or management control or internal audit of a company whose financial instruments are listed on a regulated market or that undertake banking, insurance or financial activities or, in any case, is of significant size".

The duration of the appointment was established until the expiry of the mandate of the current Board of Directors.

The Company also adopted a specific management model with reference to application of law No. 262/2005, which introduced the above-mentioned article 154-bis of the Consolidated Finance Act. This management model is integrated into the organisational structure of Fondiaria-SAI and its constitution is based on the fact that the administrative and accounting procedures are part of a wider internal control system, whose responsibility is - and remains - that of the Board of Directors. This latter, however, maintains the general responsibility of direction in relation to the provisions introduced by the above-mentioned law No. 262/2005.

3.5) Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01

The Board of Directors of the Company approved an organisational, management and control Model appropriate to prevent the committing of offences contained in Legislative Decree No. 231 of June 8, 2001, relating to the "Regulation of administrative responsibility of legal persons, of companies and of associations including those without legal form, in accordance with article 11 of law No. 300 of September 29, 2000", which introduced for the first time into Italian law criminal responsibility, which is added to that of personal responsibility.

The Board considered that the adoption of the organisational, management and control Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Fondiaria-SAI and all other parties with co-interests, in the undertaking of their activities, and correct conduct so as to prevent the risk of offences as contained in the decree.

In compliance with the provisions of the Decree, the Model approved by the Board of Directors complies with the following principles:

- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principal of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;
- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervision Board of the relevant information;
- The creation of specific preventive "controls", specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control "ex ante");
- The availability to the Supervision Board of adequate resources to support the duties assigned and the achievement of results reasonably obtainable;
- The activity of verifying the functioning of the Model with consequent periodic updating ("ex post" control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervision Board, it was considered appropriate to opt for a mixed composition, with two external professionals with knowledge of the Company and of the Group together with one internal party.

Finally, the Board of Directors approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Fondiaria-SAI believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

4) Independent Auditors

The ordinary Shareholders' Meeting of April 28, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

In order to align the time period of the audit appointment with that of the parent company Premafin Finanziaria - Holding di Partecipazioni S.p.A., in accordance with applicable regulations, the revocation of the auditing appointment conferred to Deloitte & Touche S.p.A. for the residual years of 2010 and 2011 will be proposed with conferment to Reconta Ernst & Young S.p.A for the period 2010-2018.

Within the Group, the audit has already been appointed for some subsidiaries to the audit firm Reconta Ernst & Young S.p.A.

5) The Shareholders' Meeting and relations with the market

5.1) <u>Shareholders' Meetings</u>

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, as an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information.

Normally all of the directors attend the Shareholders' Meetings.

The Shareholders' Meetings are convened through public notices at least 30 days before the date for first call in the Official Gazette and in the daily newspaper Il Sole 24 Ore, as well as on the internet site of the Company.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion.

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

5.2) General representative of the saving shareholders

The Special Shareholders' Meeting of Savings Shareholders of April 30, 2007 appointed Mr. Sandro Quagliotti Common Representative of the Savings Shareholders for the years 2007/2008/2009 and, therefore, until the approval of the financial statements as at December 31, 2009.

5.3) Relations with institutional investors and other shareholders

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman and the Chief Executive Officer.

The Company has nominated the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company involved. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the shareholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) Treatment of corporate information

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chief Executive Officer. The executives and the employees of the Company and its subsidiaries are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by Consob - relating to operations on financial instruments undertaken by “relevant persons”, considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company’s website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to “confidential” information.

In relation to the regulations which govern insider trading offences and market manipulation, a procedure is also implemented relating to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Companies in a manner not in line with current regulations. This procedure in particular relates to:

- The operations on treasury shares, of the parent company and of the listed subsidiaries;
- The operations on determined financial instruments;
- The counterparties with which the Company operates.

5.5) <u>Social Report</u>

In 2009, the social responsibility statement concerning the activities of the Fondiaria-SAI Group was presented for the year 2008.

This document, already prepared with reference to the previous two years, analyses, from a qualitative and quantitative viewpoint, the impact of the Group activities on the various stakeholders whose interests, in addition to those of the shareholders, vary in relation to the Company and the Group.

The social report is available on the Company’s website.

Tables are attached which summarise the Company’s procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders’ meetings, internal control and investor relations.

Board of Directors

Office	Members	Executive	Non Executive	Independent - Self-Govern. Code	***	Number of other offices *	Internal Control Committee **	Internal Control Committee ***	Remuneration Committee **	Remuneration Committee ***	Nomination Committee (a) **	Nomination Committee (a) ***	Executive Committee **	Executive Committee ***
Chairman	Jonella LIGRESTI	X			93%	9							X	100%
Vice Chairman	Giulia Maria LIGRESTI		X		79%	10							X	50%
Vice Chairman	Massimo PINI		X		93%	6							X	100%
Vice Chairman	Antonio TALARICO	X			100%	10							X	100%
Chief Executive Officer	Fausto MARCHIONNI	X			100%	14			X	100%			X	100%
Director	Andrea BROGGINI		X	X	86%	7								
Director	Maurizio COMOLI		X	X	58%	5	X (3)	100%						
Director	Francesco CORSI		X		100%	0								
Director	Carlo d'URSO		X		100%	6								
Director	Vincenzo LA RUSSA		X		72%	0							X	100%
Director	Gioacchino Paolo LIGRESTI	X			86%	21							X	100%
Director	Lia LO VECCHIO		X		79%	2								
Director	Valentina MAROCCO (1)		X	X	100%	0								
Director	Enzo MEI		X	X	79%	5	X	100%	X	100%				
Director	Giuseppe MORBIDELLI		X	X	79%	1								
Director	Cosimo RUCELLAI		X	X	93%	3								
Director	Salvatore SPINIELLO		X		93%	21	X	84%						
Director	Sergio VIGLIANISI (1)		X		67%	1								
Director	Oscar ZANNONI (2)		X	X	67%				X	100%				

(1) in office from 24/4/2009
(2) deceased on 23/09/2009
(3) in office from 24/4/2009 - up to that date the office was held by Ezio Toselli

a) Reasons for the absence of Committee
The ownership of the Company is sufficiently concentrated and there have never been any difficulties by the controlling shareholder to prepare proposals

Number of meetings held in the year	**Board of Director: 14**	**Internal Control Committee: 12**	**Executive Committee: 2**
	Remuneration Committee: 1		

NOTE:

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

** This column indicates with an “X” whether the member of the BoD is a member of the Committee.

*** This column indicates the attendance of the Director compared to the number of BoD and Committee meetings.

Office	Members	Attendance at Board meetings	Number of offices *
Chairman	Giovanni Benito MARINO	100%	-
Standing Auditor	Antonino D'AMBROSIO (1)	100%	1
Standing Auditor	Marco SPADACINI	91%	3
Alternate Auditor	Alessandro MALERBA		
Alternate Auditor	Maria Luisa MOSCONI		
Alternate Auditor	Rossella PORFIDO		

(1) In office from April 24, 2009

Number of meetings held in the year: 22

Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA):: 2%

NOTE:

* This column indicates the offices held as director or statutory auditor in other listed companies in regulated Italian markets. The report on corporate governance indicates all offices held.

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related parties?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		
Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.
Internal Control			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)			Group Internal Audit
Investor relations			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			***Investor Relations Department*** - Corso G. Galilei, 12 TURIN Tel. 011/6657.642 *e-mail: investorrelations@fondiaria-sai.it*

CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE IN ACCORDANCE WITH ARTICLE 123 BIS OF THE CONSOLIDATED FINANCE ACT

a) Share capital structure

The subscribed and paid-in share capital is Euro 167,043,712.00.

The categories of shares that make up the share capital are as follows:

	No. shares	% of share capital	Quoted on	Rights and obligations
Ordinary shares	124,482,490	74.52	MTA – BORSA ITALIANA S.p.A.	(*)
Savings shares	42,561,222	25.48	MTA – BORSA ITALIANA S.p.A.	(**)

(*) Each Fondiaria-SAI S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Fondiaria-SAI S.p.A.
On the distribution of the profits or on the liquidation of the company, the ordinary shares of Fondiaria-SAI S.p.A. do not have any privileges.

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company by-laws and other rights pursuant to law.
In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.
The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 6.5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.
The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 5.2% of the nominal value of the share.
When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.
Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

With reference to the Fondiaria-SAI 2006-2011 stock option plans in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and of the parent company for the purchase of savings shares of Fondiaria-SAI, reference should be made to the first part of the report, as well as the press release of the Company published on September 14, 2007.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

The significant shareholdings of the Company, in accordance with article 120 of the Consolidated Finance Act, are as follows:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Premafin Finanziaria S.p.A. H.P.		53.191	47.075
	Premafin Finanziaria S.p.A. H.P.	37.567	42.474
	Milano Assicurazioni S.p.A. (*)	8.019	-
	Finadin S.p.A.	4.070	4.601
	Fondiaria-SAI S.p.A. (*)	2.571	-
	SAI Holding Italia S.p.A.(*)	0.964	-
Blackrock Inv. Management Ltd. (**)		2.894	3.271
Dimensional Fund Advisors L.P. (**)		2.005	2.266

(*) excluded voting right pursuant to law
(**) as manager of the individual and collective investment portfolios

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Fondiaria-SAI and those held by subsidiaries may not exercise voting rights pursuant to law.

g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

h) Change of control clauses

Fondiaria-SAI signed bancassurance agreements with the Unicredit Group and with the Banco Popolare Group, which may be void in the case of change in control of Fondiaria-SAI.
Milano Assicurazioni signed a bancassurance agreement with Banco Popolare di Milano which may be void on the change of control of Milano Assicurazioni.
The loan contracts signed by some direct or indirect subsidiaries (excluding Milano Assicurazioni) include the usual change of control clauses.
Other loan contracts signed by some of the subsidiaries provide for advance repayment and/or cancellation by the financier in the case of changes in the shareholder structure.

i) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer.

l) Appointment and replacement of the directors and changes to the by-laws

Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The new statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by CONSOB.
The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.
The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.
The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or where no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.
Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

- The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;

- When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with the statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.
In the event that the majority of the Directors' offices become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

m) Powers to increase share capital and authorisation to purchase treasury shares

The Board of Directors does not have powers to increase the share capital pursuant to article 2443 of the civil code.
We recall that:

1. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a maximum amount of Euro 8,700,000 through the issue of a maximum of 8,700,000 savings shares of a nominal value of Euro 1.00 each, to be assigned to the executive directors of the Company, its subsidiaries and parent company, in accordance with the terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches, for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.

2. The extraordinary shareholders' meeting of April 28, 2006 approved a further share capital increase for a maximum amount of Euro 6,249,400.00 through the issue of a maximum of 6,249,400 savings shares of a nominal value of Euro 1.00 each, to be assigned to the management of the Company, its subsidiaries and parent company, in accordance with the terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches, for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.

In relation to the authorisation to purchase treasury shares in accordance with article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 24, 2009 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 500,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 7,500,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by CONSOB, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

With reference to the requirements of Article 123 bis, paragraph 2, letter A of the Consolidated Finance Act, we report that the Parent Company complies with the Self-Governance Code for listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and revised in March 2006 by the Committee. The conduct code is available on the internet site www.borsaitaliana.it

Principal characteristics of the risk management and internal control system in relation to the financial disclosure process in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

Introduction

The Fondiaria SAI Group, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code for listed companies, is progressively implementing the Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a targetted and systematic mapping of the principal corporate processes and their related risks and controls.

In order to ensure an improvement in terms of quality, transparency, reliability and accuracy of the corporate disclosure and to make the risk management and internal control systems more effective in terms of financial disclosure, the Board of Directors, in fulfilment of the indications introduced by Law No.262 of December 28, 2005 (the so-called Savings Law) for the monitoring of the administrative-accounting system, approved a management model, integrated as part of the organisational structure of the Fondiaria SAI Group, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: the Management model).

Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure

In 2007 the Company began a specific project called "Savings law 262/2005" with the objective to establish a Management Model, in line with the best industry practices, establishing a risk management and internal control system in relation to the financial disclosure process. This system was drawn up based on the following pillars:

- Company Level Controls;
- IT General Controls;
- Administrative-Accounting Model.

The Company Level Controls include the aspects of the wider Internal Control System which here relate to, as identified in the CoSO Framework (Committee of Sponsoring Organizations of the Treadway Commission's report, Internal Control—Integrated Framework), the regulations, provisions and mechanisms of control utilised by the Group, with effects on the quality of financial disclosure. In particular they include the conduct of company managers, the manners of delegating authorisation and responsibility, the policies, the procedures and the programmes at corporate level, as well as the constant monitoring of risks, and the internal and external transmission of financial disclosure.

The IT General Controls, in accordance with the COBIT methodological approach (ie. Control Objectives for Information and related Technology), establish the evaluation of controls which oversee the design, acquisition, development and management of the IT system and which must act as an effective and efficient control system in that the processes for the production of obligatory and accounting disclosure for public consumption are conditioned by various components of the IT architecture (systems and infrastructure, platforms, applications) which support the operating activities.

With reference to the Administrative-Accounting Model the methodological approach adopted is based on the establishment of intervention parameters taking account of:

- - analysis of the contribution of the individual companies to the Consolidated Financial Statements of the Group, through the identification of significant financial statement account items based on quantitative and qualitative significance parameters;
- - the correlation of the administrative-accounting processes related to the significant financial statement accounts, which contribute and generate information of a balance sheet, economic and financial nature.

In the selection of the Subsidiary Companies, the total number of financial statement accounts equal or higher to the significance threshold is considered, identified based on a percentage of net equity or the result for the year of the Parent Company, based on specific qualitative factors, such as for example the type of business, in order to include the companies considered "significant" although with a number of financial statement accounts lower than the significance threshold.

Specifically, the Companies recognised as significant in terms of contribution to the Consolidated Financial Statements currently consists of the following:

- insurance: Dialogo Assicurazioni SpA, Liguria Società di Assicurazioni SpA, Liguria Vita S.p.A., Popolare Vita SpA, SIAT Società Italiana Assicurazioni e Riassicurazioni SpA, The Lawrence RE Ireland Ltd
- real estate: Immobiliare Lombarda S.p.A.;
- banking: Banca SAI S.p.A.;
- services: Gruppo Fondiaria-SAI Servizi S.c.r.l.

The principal corporate processes, related to the most significant financial statement accounts (such as for example "Goodwill and Other Fixed Assets", "Loans", "Shares and Bonds", "Premium Reserves, Claims, Actuarial Reserves and Other Subordinated Liabilities", "Premiums and commissions", "Claim charges") and considered significant in relation to the financial disclosure process are attributable to the areas of Finance, Administration, Subscription (Non-Life and Life), Reserves management (Non-Life and Life), Claim settlement and Reinsurance.

The Parent Company has mapped the administrative-accounting processes, identified through a significance rating based on the preparation of the financial statements, with:

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;

- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market. These evaluations were carried out using the following parameters:
    - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
    - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities:

- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- definition of the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

With reference to the maintenance of the documentation, the Management Model attributed:

- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Human Resources and Organisation management, the updating of the documentation relating to the corporate processes;
- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting significance of the processes established.

In order to govern the updating methods of the database of the activities carried out by the individual organisational units, as well as the integrated corporate processes with relative risks, controls and any offsetting actions, the Parent Company has prepared a procedure, identifying, within the various significant companies in terms of contribution to the Consolidated Financial Statements, the Organisational Manager who supports the individual Process Owners and who has a close relationship with the Risk Management manager.

For the new corporate processes, the procedure establishes that the Organisational Manager works with the Human Resources and Organisational management to initiate the consequent analysis, recording and design of the process flow. At the same time the Risk Management department establishes the identification of the risks, the identification and evaluation of the control activities and the establishment of any offsetting actions. The unit operates in accordance with law 262 attributing to the new processes, based on a significance analysis, the administrative-accounting significance, providing communications to the various Governance managers.

In relation to the existing corporate processes, the Organisational Manager has the responsibility to verify on a quarterly basis the correspondence between that documented in the overall documentation and that effectively implemented, communicating any impacts in terms of the modification of the processes and the risks and controls related to the implementation of analyses by the Human Resources and Organisational Management, of the Risk Management department and of the unit implementing law 262.

The Management Model has identified the duties of the Executive Responsible for the preparation of the corporate accounting documents, appointed in accordance with paragraph 1, of article 154-bis of Legislative Decree No.58/9, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.
The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.
The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

In order to increase the level of responsibility undertaken by the various personnel in relation to regulations in force, the Management Model has established internal declarations of the individual Process Owners, and of the principal subsidiaries, who declare that the administrative-accounting procedures relating to the corporate processes correctly represent the activities and the controls necessary to offset the administrative-accounting risks. The declaration provision methods above are regulated through a relative procedure.

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Internal Control Committee.

In relation to the mitigation actions identified, the Board of Directors, with prior consultation of the Internal Control Committee and on the proposal of the Chief Executive Officer and the Executive Responsible, draws up the budget, the intervention plans and the relative priorities.
The implementation of these actions is attributed to the individual Process Owners which, with the support of the organisational managers, monitor quarterly the relative state of advancement. The Executive Responsible, receiving information from the individual Process Owners, reports bi-annually to the Internal Control Committee on the situation in relation to the offsetting actions identified, supported by the dedicated unit.

In relation to the information required by article 123-bis, paragraph 2, letters C & D of the CFA, reference is made respectively to points 5) and 1) in the Second Section of the Corporate Governance Report.

SIGNIFICANT EVENTS AFTER THE YEAR-END

Pirelli shareholder pact

The Pirelli & C. shareholder pact was renewed for three years, with expiry on April 15, 2013. All of the participants of the agreement stated their will to renew the pact within the terms established, expiring on January 15, 2010.

The agreement relates in total to 46.22% of the share capital and is comprised of nine shareholders: Camfin (20.32%), Mediobanca ed Edizione (4.61% each), Fondiaria-SAI (4.42%), Allianz and Generali (4.41% each), Intesa Sanpaolo (1.62%), Massimo Moratti (1.19%) and Sinpar (0.63%).

Banca Sai Network Project

With prior authorisation by ISVAP on February 9, 2010 the company SAI NETWORK S.p.A. was incorporated with a share capital of Euro 2 million, subscribed and paid-in for 51% by BancaSai and for 24.5% each by Fondiaria-SAI and Milano Assicurazioni.

This company, previously transformed into a Bank through the procedure with the Bank of Italy, is a vehicle company established for the implementation of a project created to improve the interaction between the insurance and banking channels of the Group, establishing for agents another bank – BANCA SAI NETWORK, to develop together a project which provides for, among other matters, the entry of the agents into the share capital of the future bank.

Atahotels

In February 2010, Fondiaria-SAI and Milano Assicurazioni, each for their respective share, paid in a total of Euro 10 million for partial coverage of the 2009 loss.

Sale of the investment held in SAI Asset Management SGR.

On March 17, 2010 - Fondiaria-SAI S.p.A. sold to third parties 450,000 ordinary shares, representing 90% of the share capital, of SAI Asset Management SGR – società di gestione del risparmio S.p.A. at a price of Euro 4.9 million.

The acquisition is conditional on the Bank of Italy’s approval.
The Fondiaria-SAI Group intends to maintain a holding of 10% in the share capital of the asset management company in view of the industrial project of the buyers which is based upon, in addition to the development of the ordinary individual and collective asset management activities, the strengthening of consultancy activity on behalf of private and institutional investors.

Following the above sale, the Income Statement of the Fondiaria SAI Group will benefit from a gain of Euro 0.6 million.

Standard & Poor's rating

On March 26, 2010, the rating agency Standard & Poor's, within a general review of the Italian insurance market, revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni, from A- to BBB+. This change in the rating is related to the deterioration in the operating performance as well as the reduced financial and capital flexibility.

The outlook is confirmed as negative, due to concerns on the capacity of the Group to return profitability to its historical levels. However the report underlines the solid leadership position held in the Non-Life sector in Italy and the continued improvement of the ERM.

S&P's rating reflects the current difficult market conditions within the Non-Life sector. The Group remains confident that the actions implemented can, in the medium term period, return the profitability of the business to satisfactory levels.

OUTLOOK

Within a still uncertain economic and financial scenario and a market experiencing strong competitive tariff pressures, in the Non-Life Classes the Company will continue the prudent selection of portfolios which seeks to offset the negative market performance, with the objective of reaching moderate growth in the Motor sector and an improvement in the technical balance. From 2008, the company has favoured a strong balance sheet rather than an uncontrolled development of premiums, particularly in the Motor TPL class.

In relation to the Life Division, although still affected by the difficulties stemming from the economic crisis, the lines of development already explored in the 2009-2011 Industrial Plan are considered to be still viable, with the favouring of more traditional products rather than those with a high finance content, allowing therefore an improvement in the division result thanks both to the quality of development and the investment policies pursued.

The Company aims to offset the decrease in the technical account in the current year: this objective - while safeguarding the industrial management equilibrium and maintaining a cautious policy to ensure balance sheet solidity in the medium-long term - may be again heavily affected by the technical performance in the Non-Life Division.

Within an overall financial scenario still featuring low interest rates and highly volatile equity markets, the financial management will continue with its normal prudent approach, with the objective of optimising the risk-yield profile, alongside the commitments undertaken towards our Policyholders, through rigorous valuation of the creditworthiness of new investments and the introduction of coverage against share price risks.

Milan, March 26, 2010

For the Board of Directors
The Chairman

Ms. Jonella LIGRESTI

2009 Consolidated Financial Statements

Fondiaria-SAI S.p.A. is a limited liability company incorporated in Italy: the addresses of the registered office and of the locations in which the main activities are carried out are indicated in the introduction to the accounts. The Company is listed on the Italian Stock Exchange. The principal activities of the Company and of its subsidiaries are described in the Directors' Report and in the section Segment Information.

The present consolidated financial statements comprise, pursuant to IAS 1.8 (Presentation of Financial Statements), the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of change in Shareholders' Equity, the Cash Flow Statement and the Notes to the Financial Statements. They also include the attachments as per ISVAP Regulation No.7 of July 13, 2007 and the information required by Consob and the Stock Exchange pursuant to article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Fondiaria-SAI S.p.A. have the objective to present financial statements in accordance with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), also taking into account the formats and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007 and subsequent amendments.
They also include additional information, illustrating some IAS/IFRS examples which are considered best practice.
In the preparation of the financial statements, it is assumed that Fondiaria-SAI prepares the consolidated financial statements in accordance with the IAS/IFRS currently in application.

BALANCE SHEET - ASSETS

(Euro thousand)

		2009	2008
1	**INTANGIBLE ASSETS**	**1,896,618**	**1,899,998**
1.1	Goodwill	1,593,007	1,640,721
1.2	Other intangible assets	303,611	259,277
2	**PROPERTY, PLANT & EQUIPMENT**	**930,898**	**1,244,217**
2.1	Buildings	833,668	1,057,869
2.2	Other tangible assets	97,230	186,348
3	**TECHNICAL RESERVES - REINSURANCE AMOUNT**	**870,300**	**833,548**
4	**INVESTMENTS**	**34,215,873**	**33,437,833**
4.1	Investment property	2,580,936	2,459,751
4.2	Investments in subsidiaries, associates and joint ventures	366,688	292,879
4.3	Investments held to maturity	808,473	845,789
4.4	Loans and receivables	2,908,010	1,776,024
4.5	Available-for-sale financial assets	18,896,658	19,982,715
4.6	Financial assets at fair value through profit or loss	8,655,108	8,080,675
5	**OTHER RECEIVABLES**	**2,422,885**	**2,520,006**
5.1	Receivables from direct insurance operations	1,817,234	1,861,642
5.2	Receivables from reinsurance operations	133,333	138,325
5.3	Other receivables	472,318	520,039
6	**OTHER ASSETS**	**4,920,061**	**939,393**
6.1	Non-current assets or of a discontinued group held for sale	4,102,633	7,622
6.2	Deferred acquisition costs	142,111	226,969
6.3	Deferred tax assets	174,230	117,314
6.4	Current tax assets	304,633	351,399
6.5	Other assets	196,454	236,089
7	**CASH AND CASH EQUIVALENTS**	**576,033**	**760,072**
	TOTAL ASSETS	**45,832,668**	**41,635,067**

BALANCE SHEET - SHAREHOLDERS' EQUITY & LIABILITIES

(Euro thousand)

		2009	2008
1	**SHAREHOLDERS' EQUITY**	**3,710,651**	**3,894,808**
1.1	**Group**	**2,716,187**	**2,934,779**
1.1.1	Share capital	167,044	167,044
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	209,947	209,947
1.1.4	Retained earnings and other reserves	3,010,474	3,069,434
1.1.5	(Treasury shares)	-321,933	-302,573
1.1.6	Translation reserve	-3,857	4,043
1.1.7	Profit or loss on available-for-sale financial assets	-53,957	-350,020
1.1.8	Other gains and losses recorded directly in equity	51,062	49,495
1.1.9	Group net profit/(loss) for the year	-342,593	87,409
1.2	**minority interest equity**	**994,464**	**960,029**
1.2.1	Minority capital and reserves	1,071,435	1,054,232
1.2.2	Gains and losses recorded directly in equity	-28,051	-97,558
1.2.3	Minority interest profit	-48,920	3,355
2	**PROVISIONS**	**298,631**	**463,037**
3	**TECHNICAL RESERVES**	**31,718,050**	**29,321,536**
4	**FINANCIAL LIABILITIES**	**4,750,460**	**6,263,208**
4.1	Financial liabilities at fair value through profit or loss	2,085,415	3,454,262
4.2	Other financial liabilities	2,665,045	2,808,946
5	**PAYABLES**	**850,121**	**958,201**
5.1	Payables from direct insurance operations	135,466	120,625
5.2	Payables from reinsurance operations	99,010	89,170
5.3	Other payables	615,645	748,406
6	**OTHER LIABILITIES**	**4,504,755**	**734,277**
6.1	Liabilities in a discontinued group held for sale	3,873,998	0
6.2	Deferred tax liabilities	137,761	249,586
6.3	Current tax liabilities	16,977	8,056
6.4	Other liabilities	476,019	476,635
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**45,832,668**	**41,635,067**

INCOME STATEMENT

(Euro thousand)

		2009	2008
1.1	Net premiums	11,888,742	11,153,553
1.1.1	*Gross premiums*	*12,268,043*	*11,493,086*
1.1.2	*Premiums ceded to re-insurers*	*-379,301*	*-339,533*
1.2	Commission income	70,686	89,319
1.3	Income and charges from financial instruments at fair value through profit or loss statement	906,125	-341,548
1.4	Income from investments in subsidiaries, associates and joint ventures	14,212	38,062
1.5	Income from other financial instruments and property investments	1,130,956	1,413,772
1.5.1	*Interest income*	*765,794*	*924,990*
1.5.2	*Other income*	*159,180*	*262,623*
1.5.3	*Profits realised*	*201,391*	*225,710*
1.5.4	*Valuation gains*	*4,591*	*449*
1.6	Other revenues	682,277	460,392
1	**TOTAL REVENUES AND INCOME**	**14,692,998**	**12,813,550**
2.1	Net charges relating to claims	-11,872,025	-8,965,047
2.1.2	*Amounts paid and changes in technical reserves*	*-12,155,745*	*-9,126,604*
2.1.3	*Reinsurers' share*	*283,720*	*161,557*
2.2	Commission expenses	-38,261	-32,611
2.3	Charges from investments in subsidiaries, associates and joint ventures	-83,540	-7,236
2.4	Charges from other financial instruments and property investments	-498,384	-679,962
2.4.1	*Interest expense*	*-102,652*	*-144,866*
2.4.2	*Other charges*	*-65,698*	*-71,354*
2.4.3	*Losses realised*	*-110,428*	*-193,203*
2.4.4	*Valuation losses*	*-219,606*	*-270,539*
2.5	Management expenses	-1,910,631	-1,948,428
2.5.1	*Commissions and other acquisition expenses*	*-1,458,127*	*-1,478,826*
2.5.2	*Investment management charges*	*-12,458*	*-17,932*
2.5.3	*Other administration expenses*	*-440,046*	*-451,670*
2.6	Other costs	-815,292	-1,005,774
2	**TOTAL COSTS AND CHARGES**	**-15,218,133**	**-12,639,058**
	PROFIT/(LOSS) BEFORE TAXES	**-525,135**	**174,492**
3	Income taxes	**132,940**	**-83,728**
	NET PROFIT/(LOSS)	**-392,195**	**90,764**
4	**PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**	**682**	**0**
	CONSOLIDATED PROFIT/(LOSS)	**-391,513**	**90,764**
	Group share	-342,593	87,409
	Minority share	-48,920	3,355

COMPREHENSIVE INCOME STATEMENT

	2009	2008
CONSOLIDATED PROFIT/(LOSS)	**-391,513**	**90,764**
Change in reserve for net exchange differences	-7,900	5,666
Profit or loss on available-for-sale financial assets	366,290	-903,781
Profit or loss on cash flow hedges	-1,573	-10,827
Profit or loss on a net foreign investment hedge	0	0
Change in net equity of holdings	4,042	-26,759
Change in revaluation reserve of intangible assets	0	0
Change in revaluation reserve of tangible fixed assets	-668	9,431
Income/(charges) on non-current assets or of a discontinued group held for sale	-675	0
Actuarial profits and losses and adjustments to employee defined plans	-224	-4,731
Others items	-55	17,072
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**359,237**	**-913,929**
Total Comprehensive consolidated income	**-32,276**	**-823,165**
group share	**-52,863**	**-686,545**
minority share	**20,587**	**-136,620**

Statement of changes in Consolidated Shareholders’ Equity for the year ended December 31, 2009

Relating to the statement of change in shareholders' equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1 and the amendments introduced by ISVAP measure No. 2784 of March 8, 2010 is shown below.

In particular:

- The account “Profit and loss on available-for-sale financial assets” refers to the recording of effects of the valuation of the related financial instruments net of those attributable to the policyholders and recorded as a deferred liability to policyholders.
- The column “Allocation” relates to, among others, the allocation of the profit for the year, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves, and the changes in profits and losses recorded directly in equity.
  The column “Reclassification adjustments to the income statement” includes the gains and losses previously recorded directly in equity which are reclassified in the income statement in accordance with international accounting standards.
- The account “Transfers” reports, among others, the ordinary distribution of dividends and the decrease of capital and other reserves, among which the purchase of treasury shares.

The table highlights all of the changes net of taxes and of profits and losses, deriving from the valuation of financial assets available-for-sale, attributable to policyholders and recordable under insurance liabilities.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31-12-2007	Change in opening balances	Allocation	Reclassification to Income Statement	Transfers	Balance at 31-12-2008	Change in opening balances	Allocation	Reclassification to Income Statement	Transfers	Balance at 31-12-2009
Griuo Net Equity	Share capital	168,534	0	1,090		-2,580	167,044					167,044
	Other equity instruments	0	0	0		0	0					0
	Capital reserves	207,785	0	2,162		0	209,947					209,947
	Retained earnings and other reserves	2,807,956	0	261,478		0	3,069,434		15,807		-74,767	3,010,474
	(Treasury shares)	-310,961	0	77,085		-68,697	-302,573				-19,360	-321,933
	Profit/(loss) for the year	506,966	0	-224,928		-194,629	87,409		-388,466		-41,536	-342,593
	Other comprehensive income items	477,472	0	-692,161	-157,458	75,665	-296,482		238,305	51,425		-6,752
	Total Group share	**3,857,752**	**0**	**-575,274**	**-157,458**	**-190,241**	**2,934,779**	**0**	**-134,354**	**51,425**	**-135,663**	**2,716,187**
Minority Interest Net Equity	Minority interest capital and reserves	1,157,681	0	-103,449		0	1,054,232		48,626		-31,423	1,071,435
	Profit/(loss) for the year	113,085	0	-41,859		-67,871	3,355		-47,889		-4,386	-48,920
	Other comprehensive income items	42,417	0	-140,352	-13,914	14,291	-97,558		41,516	27,991		-28,051
	Total Minority Interest share	**1,313,183**	**0**	**-285,660**	**-13,914**	**-53,580**	**960,029**	**0**	**42,253**	**27,991**	**-35,809**	**994,464**
Total		**5,170,935**	**0**	**-860,934**	**-171,372**	**-243,821**	**3,894,808**	**0**	**-92,101**	**79,416**	**-171,472**	**3,710,651**

Consolidated cash flow statement for the year ended December 31, 2009

In relation to the Cash Flow Statement, the attachment as per Regulation No. 7/2007 is provided which complies with IAS 7; this statement provides for a schedule prepared with a series of minimum requirements and, relating to the presentation of the cash flow deriving from operating activities requires the utilisation, alternatively, of the direct method, which indicates the principal categories of gross receipts and payments, or the indirect method, in which the results for the period are adjusted for the effects of non-cash items, of any deferral or accrual of future operating receipts and payments, and from revenues or costs relating to financial cash flows deriving from investments and financial activities.
The indirect form of the cash flow statement, reported below, separately shows the net liquidity deriving from operating activity and that deriving from investment and financial activity.

CASH FLOW STATEMENT (indirect method)

(Euro thousand)	31/12/2009	31/12/2008
Profit/(loss) before taxes	**-525,135**	**174,492**
Non-cash adjustments	**4,234,246**	**-6,622**
Change in non-life unearned premium reserve	23,277	1,134
Change in claims reserve and other non-life technical reserves	310,595	-387,819
Change in actuarial reserves and other life technical reserves	3,649,380	-279,179
Change in deferred acquisition costs	84,858	71,179
Change in provisions	-164,406	226,861
Non-cash income/charges from financial instruments, property investments & holdings	49,871	99,042
Other movements	280,671	262,160
Change in payables & receivables from operating activities	**-261,632**	**-423,534**
Change in payables and receivables from direct insurance operations & reinsurance	-120,833	-222,612
Change in other payables and receivables	-140,799	-200,922
Income taxes paid	**-35,262**	**-265,288**
Net liquidity generated/absorbed from cash items relating to investing & financing activities	**-2,213,134**	**-52,021**
Liabilities from financial contracts issued by insurance companies	17,722	-871,339
Bank and interbank payables	376,355	49,236
Loans and receivables from banks and interbank	-375,231	-67,888
Other financial instruments at fair value recorded through profit and loss	-2,231,980	837,970
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**1,199,083**	**-572,973**

Net liquidity generated/absorbed from property investments	82,815	-208,194
Net cash generated/absorbed from investments in subsidiaries, associates & joint ventures	-78,915	9,425
Net cash generated/absorbed from loans and receivables	49,268	-374,348
Net cash generated/absorbed from investments held to maturity	-56,000	-845,789
Net cash generated/absorbed from available-for-sale financial assets	-743,306	2,361,303
Net cash generated/absorbed from intangible & tangible fixed assets	-80,147	-293,401
Net cash generated/absorbed from investing activities	6,256	0
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-820,029**	**648,996**

Net cash generated/absorbed from Group equity instruments	0	18,107
Net cash generated/absorbed from treasury shares	-19,360	-68,697
Distribution of Dividends relating to the Group	-116,904	-194,629
Net cash generated/absorbed from minority interest capital & reserves	83,355	-356,509
Net cash generated/absorbed from sub-ordinated liabilities & financial instruments in holdings	0	250,000
Net cash generated/absorbed from other financial liabilities	-510,184	334,582
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-563,093**	**-17,146**

Exchange difference effect on cash and cash equivalents	**2,892**	**0**

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	760,072	701,195
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-184,039	58,877
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	576,033	760,072

Explanatory Notes

PART A - Accounting Principles

Section 1 - Declaration of compliance with international accounting standards

Following the entry into force of European Regulation No. 1606 of July 2002, European companies that trade on regulated markets must adopt IAS/IFRS for the preparation of consolidated financial statements with the purpose of improving comparability and transparency at European level.

The application in the European community of the international accounting standards - IAS for those issued up to 2001 and IFRS for those issued subsequently, as well as the relative interpretations, the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) is undertaken through an approval process, in order to guarantee that the international accounting standards are compatible with European Community Directives and is concluded with the publication of the documents adopted in the Official Gazette of the European Union.

REGULATIONS

Relating to the principal changes or additions to EU Regulations, compared to the principles adopted in the previous financial statements, we highlight, in particular the changes to IAS 1 relating to the comprehensive income statement – the so-called OCI (Other Comprehensive Income) statement, to IFRS 7 in relation to disclosure on the reclassification of financial instruments and the hierarchy of fair value as well as the application of IFRS 8 on operating segments and IFRIC 12 relating to agreements for service concessions.

In consideration of the importance of the above-mentioned changes, the Supervision Authority with Regulation No.. 2784 of March 8, 2010 considered it appropriate to make specific amendments to the technical form of the consolidated financial statements (Reg. 7/2007). In order to provide adequate disclosure to all interested parties and guarantee uniformity of the data presented by the various companies and safeguard the comparability of the data of the interim and consolidated accounts.

The Group has since the 2009 half-year report substantially provided all information required by the above-stated standards, in conformance with best and market practice.

Relating to the Bank of Italy/CONSOB/ISVAP Document No. 4 of March 2010 issued by the joint coordination Table in relation to the application of the IAS/IFRS criteria for the "Years 2009 and 2010" - Information to be provided in the financial reports on the verification of reductions in values of assets (impairment test), on the contractual clauses of financial debt, on debt restructuring and on the "Hierarchy of fair value", we highlight that the Group has always sought to provide the best financial communication possible and to this end, in consideration of the greater complexity of the financial statements on the one hand and on the evident importance and significance of these "specific" market events on the other, a detailed re-examination was made of the information provided in order to improve the usefulness of such information, providing at the same time a series of improved disclosure on the matters of greatest significance. In this regard and in full compliance with the initiative of the Bank of Italy, CONSOB and ISVAP, the requirements were fully fulfilled through the relative disclosure.

Section 2 - General preparation principles

The financial statements were prepared on the going concern principle. There are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

The consolidated financial statements were prepared based on the ISVAP instructions contained in Regulation No. 7 of July 13, 2007.

Section 3 - Consolidation methods

CONSOLIDATION PRINCIPLES

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the consolidated financial statements, the balance sheets of the companies of the Group examined by the respective Boards of Directors were utilised. These financial statements were adjusted and reclassified in order to reflect the application of the International Accounting Standards.

CONSOLIDATION PROCEDURES

- Line-by-line

The consolidated financial statements include the financial statements of the Parent Company and of the companies, Italian and foreign, in which Fondiaria-SAI has the power to exercise control as defined in paragraph 4 of IAS 27, also in consideration of potential voting rights.
Control also exists when the Parent Company owns half or less of the voting power of an entity when there is:

- The control of more than half of the voting rights in virtue of an agreement with other investors;
- The power to determine the financial and operating policies of the entity in virtue of a clause in the company's by-laws or of a contract;
- The power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- The power to exercise the majority of the voting rights in the Board of Directors or equivalent administrative body.

Under the line-by-line consolidated method, the book value of the investments is eliminated against the relative net equity, recording the total assets and liabilities as well as income and charges of the investing company.
The share of net equity and result for the period relating to third party shareholders are recorded in specific accounts in the balance sheet and income statement.
The differences between the carrying value of the investments and the share of net equity, which arises at the acquisition date of the investments, is attributed to the identifiable specific fixed assets where the higher cost reflects the fair value and to the specific intangible assets (among which the Voba -Value of business acquired), the Vif (Value in Force), the Value of the premiums or of the client list, in this case valuing also the minority share and the tax effect and, residually, to the account Goodwill, in the case of a higher price paid to reflect the future prospects of the economic results.

- Proportional consolidation

Also included in the consolidated financial statements are the companies in which a company has joint control with other shareholders and based on a contractual agreement, in accordance with the provisions of IAS 31. In this case, the inclusion in the consolidation is undertaken, alternatively through the utilisation of the net equity method or in accordance with the proportional method of the investment held.

- Equity method consolidation

The associated companies are valued under the net equity method in accordance with IAS 28: an associated company is an entity in which the Parent Company has a significant influence without being a subsidiary - or a joint venture investment.
In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.
In accordance with this procedure, the consolidated financial statements only include the share of book net equity of the investment including the result for the year, but not the individual accounts of the financial statements.

- Other consolidation operations

The other consolidation operations prevalently consist of the substantive application of uniform accounting principles in the accounts of the financial statements and in the formal presentation of the consolidated financial statements.

In particular, the utilisation of a rigid financial statement format, such as that required by the Supervision Authority, together with the utilisation of a common reporting package for all of the Group companies, ensures the compliance of the formal standardisation.
With reference to the substantive application of uniform accounting principles the following occurred:

- The elimination of the dividends paid or deliberated by the consolidated companies;
- The elimination of significant inter-company transactions, both in the income statement and the balance sheet;
- The elimination of gains and losses deriving from sale/purchase operations made between Group companies and relating to equity values, even if consolidated under the Net Equity method;

- The necessary adjustments to apply standard accounting principles within the Group;
- The recording, where applicable, of the tax effects consequent of any adjustments to apply uniform measurement criteria in the accounts of the financial statements or other consolidated adjustments.

DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are as of December 31, 2009, a date coinciding with that of all the financial statements of the line-by-line consolidated companies.
Therefore, there were no problems in the uniform accounting of the periods, considering the uniformity of the administrative periods of the financial statements in the consolidation.

CURRENCY

The present financial statements are expressed in Euro as this is the currency in which the majority of the operations of the Group are carried out. Considering therefore the substantial uniformity of the functional currencies with the presentation currency of the consolidated financial statements, the conversion of financial statements in currencies other than the Euro was made applying the current exchange rates at the year-end for the balance sheet accounts and the average rate for the income statement.
The exchange rates utilised are reported, for the principal currencies other than the Euro in the notes to the financial statements.
It is also indicated in the accounts whether the amounts reported are in thousands or millions.

Section 4 - Accounting principles

The accounting principles adopted are in line with those utilised in the previous year.
The main accounting principles utilised in the financial statements are shown below:

ASSETS

1. INTANGIBLE ASSETS

Goodwill
In accordance with IAS 38 "Intangible assets" and IFRS 3, Goodwill, having an indefinite useful life, these are not systematically amortised, but subject to an impairment test, made on an annual basis or a shorter period where events or circumstances indicate the existence of a permanent loss in value.

For this purpose, the Group:

- Identified the cash flow generating units relating to the goodwill recorded;
- This identification is made through criteria which takes into account the minimum organisational level to which the goodwill is monitored by senior management;
- Determines the recoverable value of the cash-generating unit as the higher between its fair value and its value in use;

- For the goodwill which utilises the value in use the future cash flows from the cash-generating unit were identified;
- Appropriately discounted the cash flows in order to determine the "recoverable value" of the goodwill and record any loss in value.

For the business combinations and the other business aggregations completed in 2009, reference should be made to part F.

Intangible assets with indefinite useful life
The intangible assets with indefinite useful life principally consists of brands, which do not have limitations in terms of useful life from a contractual, legal, economic and competitive viewpoint. The intangible assets with indefinite useful life are not amortised but are subject annually, or more frequently where there is an indication that the asset may have suffered a loss in value, to a verification which identifies any reduction in value.

Other intangible assets
In accordance with IAS 38 an intangible asset is recorded only if identifiable, controllable, determinable in the cost and capable of generating future economic benefits.
Consequently, set-up and formation costs and research and advertising costs are recorded in the income statement when incurred.
The intangible assets which may be capitalised are amortised on a straight-line basis with reference to the relative useful life, with prior verification of whether there has been a loss in value. There are no intangible assets generated internally.

The notes to the accounts provide indications on the useful life of the various categories of intangible assets.

2. PROPERTY, PLANT & EQUIPMENT

This account includes buildings for use by the company and other fixed assets.
IAS 16 "Property, plant and equipment" provides that, on initial inscription, the buildings for use by the enterprise are recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the revalued amount (paragraph 31).
In relation to investment property, the Group decided to utilise the cost principle for the valuation of buildings for both own use and investment use. Reference should be made to the paragraph relating to property investments.

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the current value of the minimum lease payments. The corresponding liability due to the lessor is recorded in the financial statements under payables. The relative costs are recorded under the method established by IAS 17.

Also included in this category are buildings classified as inventory in the accounts of the companies operating in the real estate segment. These are valued, in accordance with IAS 2, at the lower between cost (including purchase cost, transformation and other costs incurred) and net realisable value. In particular, the purchase cost of the buildings completed and the real estate initiatives in course is determined based on the historic cost increased by the costs incurred for works of an extraordinary nature, which increase the value permanently or the purchase cost of investments allocated to assets up to the current value attributed to them at the moment of acquisition. The cost is also increased for improvement expenses and, for buildings under construction, borrowing costs capitalised, as specifically relating to the construction.
Relating to the agricultural activities, for the anticipated cultivations a valuation of the work was made at the reporting date, while for the biological activities the fair value was determined through a comparison between the production values and market values.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The reserves attributable to the reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves. In particular in relation to the unearned Premium Reserves, these are calculated in accordance with article 32 of Legislative Decree 173/97 for the gross Unearned Premium.

4. INVESTMENTS

Investment property

The investment properties are represented by properties held for rental purposes and/or for the appreciation of the capital invested.
IAS 40 "Investment properties", which governs the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, they should be recorded at cost, while in subsequent evaluations the entity can choose between the cost valuation or the fair value.
The fair value is the price at which the ownership of the building can be exchanged between knowledgeable and willing parties at an arm's length transaction, which is normally referred to as the market price.
Except where indicated otherwise, the Group has chosen to utilise the cost as the principal valuation of all buildings - those utilised by the entity, those held as investment property and those utilised by third parties.
In accordance with IAS 16, which refers to IAS 40, it was decided to:

- Separate from the value of the buildings fully held, the value of the land where they are located as, having an unlimited duration, they are not subject to depreciation;
- Record the depreciation on the net value, thus determined, applying specific technical-economic depreciation rates determined in relation to the expected residual use of the individual buildings, represented by the structure and related plant;

The investment properties are subject to an impairment test also through comparison of the book value with the estimate of the fair value, undertaken by independent valuation experts.

The revaluation of the buildings made in previous years was not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflects the change in the price indices or that they were made for approximation of the fair value of the buildings at the revaluation date.
The buildings conferred to the Tikal R.E. Closed Real Estate Fund, vice-versa utilised the fair value as replacement of cost, as these buildings, due to the above-mentioned conferment, are subject to systematic improvements, in order to maximise profitability, also in the short-term period.
Any profit or loss deriving from the elimination of an investment property is recorded in the income statement in the year of its elimination.

Investments in subsidiaries, associates and joint ventures
Included in the account "Subsidiaries, associated companies and joint ventures" are the investments in associated companies valued under the net equity method, and some investments in subsidiaries which the Group considers to be non-material and therefore maintained at cost. As already described in the paragraph relating to the consolidation, no entity of the Group having joint control with other parties (joint ventures) is recorded in this account, due to the application of the proportional consolidation method.

Financial Instruments
IAS 39 – "Financial Instruments: recognition and measurement" provides that the financial instruments are classified, not according to their nature, but based on their use within the operations of the entity. In particular, IAS 39 requires, for the financial assets, the following categories:

- "financial instruments valued at fair value through profit or loss" - includes the securities held to be traded in the short-term period and securities which, at initial recognition, have the characteristics to be designated by the entity in this category;
- "loans and receivables" which, in addition to receivables and loans in the strict sense, as defined by the Italian accounting principles, also include debt securities not listed, as not destined for sale and whose recovery depends exclusively on the credit worthiness of the issuer;
- "financial instruments held-to-maturity", which include debt securities with fixed maturity and fixed or determinable payments which the entity intends to, and is capable of, holding to maturity;
- "available-for-sale financial instruments", relates to a residual category which includes securities not classified in the previous categories.

On first recognition, the financial assets are recorded at fair value which generally corresponds to the price paid for their acquisition. Subsequently, the individual categories are recognised in accordance with IAS 39 criteria. In particular:

- The financial instruments at fair value through profit or loss, as indicated by the name of the category, are valued at fair value, recording the difference between the fair value and the initial value in the income statement;
- The financial instruments held to maturity and the loans and receivables are valued at amortised cost, calculated utilising the effective interest rate method;
- The available-for-sale financial instruments are valued at fair value, recording the differences in a separate equity reserve. This reserve is reversed to the income statement at the moment of the realisation of the financial instrument or where a loss has occurred from a reduction in value.

In addition, the ordinary sales and purchases of financial assets are recorded at the settlement date of the operation, that is to say the date in which the Group receives or delivers the above-mentioned asset.

We also recall that in accordance with IAS 32, no gains or losses deriving from sale/purchase operations on treasury shares are recorded in the income statement, while the amount paid or received is recorded directly in net equity.

This method is also adopted for the sales of treasury shares which do not result in loss of control. Therefore, as long as control is maintained the gains and losses from dilution are recorded in net equity for a better representation of the result for the year. This accounting method is not applied however for the sale of investments in subsidiaries held in portfolio of the separated management of the Life Sector, considering the particular consolidation mechanism of these profits in the services to be recognised to the policyholders.
It is also noted that for the accounting treatment of the acquisitions of further holdings in investments in companies that are already subsidiaries, the choice was made to record to Group net equity the difference between the purchase cost and book value of the minority shares acquired, applying the so called economic entity theory.

Reclassification of financial instruments

We recall, that in accordance with IAS 39, currently in force, as enacted on October 1 3, 2008, a financial asset classified as available-for-sale may be reclassified in the category "loans and receivables" provided it complies, at the acquisition date, with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The operational choices and the relative impacts, are recorded in the notes.

Loans and receivables

The account includes loans as defined by IAS 39.9, with the exclusion of trade receivables.
In particular, the account includes the deposits of the reinsurers of the ceding companies, some debt securities held which are not listed on an active market, the mortgages and loans given, as well as loans on life policies and time deposit contracts.
This latter includes the value of the "time deposit" securities acquired, while the value of the "time deposit" security sold is recorded under Financial Liabilities in the account Other Financial Liabilities.

The interest and the difference between the "current" and "forward" value is recorded as Income deriving from other financial instruments.
The loans and receivables are measured under the amortised cost method, using the effective interest rate method.

Investments held-to-maturity

This account includes financial instruments with fixed maturities and fixed and determinable payments which the Group has the intention and capacity to hold until maturity. Specifically debt financial instruments of the life sector servicing policies with specific provisons are included in this account. The valuation method is measured at amortised cost, using the effective interest rate criteria.

Measurement of the fair value of financial instruments
The fair value represents the payment for which an asset may be exchanged or a liability settled in an arm's length transaction between willing and knowledgeable parties, at a certain date; therefore, this consists of the price that would be paid in an ordinary transaction, or a transaction which concerns market participants or transactions between willing market participants, therefore excluding forced transactions.
The determination of the fair value of the financial instruments is based on the going concern of the business.

The calculation criteria of the hierarchy of fair value, based on market parameters, are shown below:

Level 1: Quotations taken from active markets
The valuation is the market price of the same financial instrument subject to valuation, taken from quotations on an active market.
Level 2: Valuation methods based on observable market parameters
The valuation of the financial instrument is not based on the market price of the financial instrument subject to valuation, but on prices available from market quotations of similar activities or through valuation techniques for which all the important factors (such as credit and liquidity spreads) are taken from observable market data.
Level 3: Valuation methods based on non observable market parameters
The determination of the fair value is based on valuation techniques which are prevalently based on significant input not available on the market and results, therefore, in estimates and assumptions by management. Where the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

Financial assets available-for-sale
The account includes all non-derivative financial assets, designated as available-for-sale. The account relates to the major part of the financial assets of the Group, represented by equity securities prevalently listed, mutual investment quotas and debt securities (both listed and non listed), which the Group has designated as belonging to this category.

As previously illustrated, the gains and losses deriving from fair value changes of these assets are recorded directly in equity until they are sold or have incurred a loss in value. At that moment the gains or losses, already recorded in equity, are recorded in the income statement of the period.

Impairment on financial instruments belonging to the AFS segment
In relation to the recording of losses for the reduction in value, we report that paragraph 59 of IAS 39 indicates indicators of a possible reduction in qualitative factors such as:

- significant financial difficulties of the issuer;
- non contractual compliance or non payment of interest or capital;
- the risk of commencement or the commencement of receivership of the issuer;
- the elimination of an active market for the financial assets subject to valuation;

- data which indicates the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
  - unfavourable changes in the payments of the beneficiaries in the Group;
  - local or national economic conditions which are related to the non compliance of the activities within the Group.

Paragraph 61 of IAS 39 states that the reduction of value of an instrument represented by capital includes information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction of the market value of an equity instrument below the original purchase cost constitutes evident impairment.

Following the publication of the "IFRIC Update" last July, it became clear that the two criteria "significant or prolonged" must be applied separately and not jointly. The requirement of the above stated Joint Document No.4 of March 3 has already been applied by the Group from the 2009 half-year report.

And therefore, it is noted that:

- the IAS/IFRS standards are "principle based" and therefore application is subject to reasonable and prudent choices by the enterprise;
- in particular there are no quantitative regulations or "mechanisms" to determine the notion of "significant or prolonged" as cited above;
- the only certain principle, which becomes a clear applicable regulation, is that in the presence of clear impairment, the entire negative reserve recorded under net equity must be fully recorded in the income statement.

Therefore for the purposes of the recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. A reduction of the market value above 80% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original book value, for a period of two years.

For the AFS financial instruments not within the "automatic" criteria stated above, in the presence of significant losses on equity securities and funds, further analytical evaluations are however carried out in order to ascertain the presence of any impairment indicators.

Where such analysis indicates difficulty in the recovery of the book value, the entire negative reserve is recognised to the income statement.

Financial assets at fair value through the profit or loss account

The account includes the financial instruments held for trading in the short-term period, as well as the assets which the Group has designated in this category in accordance with IAS 39 currently in force. The category includes therefore both debt securities and equity securities listed and non listed, as well as the positions open on derivative finance contracts held for both efficient management and for fair value and cash flow hedges.

This account also includes financial instruments hedging insurance or investment contracts issued by the insurance company for which the investment risk is borne by the policyholder, as well as the financial assets deriving from the management of pension funds (so-called class D of the investments according to Italian GAAP).
We recall that pursuant to the above-mentioned Amendment to IAS 39 in October 2008, the category of financial assets through the profit and loss has become an "open" category and, therefore, if the asset is no longer held for the purposes of its sale or repurchase in the short-term, the asset may be classified outside of the category. It may also be reclassified in the presence of "rare circumstances" established by IAS 39.50B. As highlighted by the same IAS Board, the deterioration of the world financial markets in the final four months of 2008 was a clear example.

5. OTHER RECEIVABLES

This account includes the trade receivables as per IAS 32 AG4 (a) in application of IAS 39.
The principal receivables recorded in the account relate to positions with: policyholders for premiums due, agents and other brokers, co-insurance and reinsurance companies.

The receivables are valued at amortised cost calculated using the effective interest rate method, identified calculating the rate which equates to the present value of the future cash flows of the receivable to the amount of the loan granted.
The amortised cost method is not utilised for receivables of a short-term nature. The receivables are valued at historical cost which coincides with the nominal value and are periodically subject to impairment tests. Similar criteria is utilised for the receivables without established maturities.

Periodically, an estimate is made of the unrecoverable credit risk. The uncollectible receivables are written down at the moment of the identification, taking into account the financial effects relating to the expected realisable period, where significant.

6. OTHER ASSETS

Non-current assets or of a discontinued group held for sale
This account includes non current assets or groups discontinued in accordance with the definition of IFRS 5. These assets are recorded at cost and valued at the lower between book value and fair value, net of selling costs.

Deferred acquisition costs
The acquisition commissions due to the brokers for the acquisition of long term policies are capitalised and amortised over the average duration of the contracts to which they refer. For the Life sector, the amortisation is made up to the limits of the policy loading. Periodically, the future use of the acquisition commissions are re-examined. All other charges incurred for the acquisition of the risks relating to long-term contracts and for their management are recorded in the income statement in the year incurred.

Current and deferred tax assets

The account current tax assets refers to assets of a fiscal nature as defined by IAS 12.

The Group records the effects relating to current and deferred income taxes based on the valuation of the tax charge for the year determined in accordance with current fiscal regulations. Where there are temporary differences between the result for the year and the assessable result, the deferred temporary tax is calculated taking into account the nominal fiscal rate in force at the moment of the reversal and adequate adjustments are made in the case of a change in rates compared to those applied in previous years.

The deferred tax assets are recorded up to the amount of their probable recovery in relation to the capacity to generate with continuity assessable taxable income.

In relation to this account, also recorded are the assets deriving from the payment of taxes pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02 as brought into law by article 1 of Law 265/2002, as supplemented. This is in compliance with Regulation No. 7 of 13/07/2007 even if the above-mentioned assets do not relate to income taxes.

At the year-end, the deferred and current income taxes are reported net of the tax liabilities in accordance with the compensation rules permitted by IAS 12.

Other assets

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not within the application of IFRS 4 and the other assets of a residual nature which are not within the previous accounts.

Financial service contracts related to insurance policies

The index linked and unit linked products of a financial nature are divided into a financial contract component (IAS 32 and 39) and a service contract (IAS 18) for the administration management of the investor's position.

With reference to the service component of the index and unit linked contracts, IAS 18 requires that:

- The related revenues and costs of the operation must be recorded simultaneously;
- the associated revenues and costs for an operation which results in services must be recorded with reference to the stage of completion of the operation.

The stage of completion may be determined by a variety of methods. In particular, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

On the basis of these considerations it was determined, in accordance with the linear method, the quota of the amortisation of the costs incurred on the financial contracts and, conversely, the quota still not matured of the revenues related to these contracts.

Therefore for the financial contract component the liability is valued at Fair Value while the service contract component being the cash flows (loading) not aligned with the costs (commissions and management costs), defers the revenues (Deferred Income Revenue) and the acquisition commissions (Deferred Acquisition Cost).

For the index-linked products the estimate of the DIR and the DAC, amortised for the period between the commencement up to the valuation date, is made directly on the portfolio in force taking into consideration the total loading and the acquisition commissions by tranche.
For the unit linked products of a financial nature, it is considered that the revenue flows, loading and management commissions, this latter for the estimated amount, are higher than the costs and they are recorded on an accruals basis over the residual duration of the contract.

7. CASH AND CASH EQUIVALENTS

The account includes cash, bank current accounts and deposits payable on demand as well as other highly liquid investments, readily convertible into cash and without any risks.
These balances are recorded at their nominal value.

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

Pertaining to the Group
The account includes instruments representative of capital and the related Group equity reserves.
The account **Retained Earnings and other equity reserves** includes the reserves from the first-time application of the international accounting standards, the consolidation reserve and the catastrophic reserves and equalisation reserves pursuant to IFRS 4.14 (a), as well as the reserves deriving from the share-based payments.
The account **Profits and losses on available-for-sale financial assets** includes the gains and losses consequent of the valuation of the available-for-sale financial assets net of the related deferred tax where applicable, and the part attributable to the policyholders and recorded under insurance liabilities (so-called shadow accounting).
The account **Treasury shares** includes, as adjustments to the Group net equity, the book value of the instruments representative of capital of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

Minority interest share
The account includes the instruments and the components representative of capital and related to minority share equity reserves.

2. PROVISIONS

The account includes the liabilities defined and governed by IAS 37. The provisions for risks and charges are only made when the Group has an actual obligation (legal or implicit) which derives from a past event and for which it is possible to make a reasonable estimate of the presumable financial obligation. The future financial cash flows are only discounted where the effect is significant: In this case the adjustment of the provisions made for the passing of time is recorded as a financial charge on the basis of a discount rate which reflects the current valuation of the cost of money on the market.

3. TECHNICAL RESERVES

The account includes the commitments deriving from insurance contracts gross of the reinsurance cessions. In particular, they include the reserves made following verification of the liabilities and the deferred liabilities to policyholders.
The general regulations on the technical reserves, pursuant to articles 36 and 37 of Legislative Decree 37/209, establish the principle that the amount of reserves must always be sufficient to permit the companies to meet, as far as reasonably foreseeable, the commitments assumed on insurance contracts; the reserves are therefore calculated in accordance with the individual financial statement criteria and therefore no recalculation of the technical reserves was made as per IFRS 4. Specifically:

Non-Life Unearned Premium Reserve
Article 37 of Legislative Decree 209/05 requires the obligation to record the unearned premium reserve under two components, “reserve for fraction of premium” and “reserve for risks in course”.

- *Reserve for fraction of premium*
This is calculated in all the classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in articles 51 and 52 of Legislative Decree 173/97.
For the risks deriving from hailstorms and nuclear energy, the calculation was applied as per M.D. of May 23, 1981.
For the Credit Class, the provisions of article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.
In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural calamity, in accordance with ISVAP Regulation No. 16.
In the Bond class, the supplementary reserves in accordance with article 12 of ISVAP Regulation No. 16 were made.

- *Reserve for risks in course*
This component of the premium reserve is made in accordance with article 9 of Regulation 16/08 to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction, in order that the expected costs of these risks exceed the reserve for the premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the above-mentioned Regulation, applied separately for each class, and, within each class, for each type of risk included. The ratio of claims utilised was valued also taking into account a sufficient period of time in relation to the nature of each class or of individual types of risks included.

Non-Life Claims Reserve
The claims reserve represents the total amount of the funds which, from a prudent valuation made based on objective elements, are necessary to meet the payment of claims open at the year-end, as well as the relative settlement expenses.
The claims reserve was valued in accordance with the provisions of Article 27 and thereafter of Regulation 16/08, utilising the last cost as the calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims incurred but not reported at the year end.

In particular:

- *Motor TPL Division*
  In accordance with article 37, paragraphs 5 and 6 of Legislative Decree 209/05 and articles 24-34 of Regulation No. 16, the Company determined the claims reserve as illustrated below.

  a.1 Reserve for claims reported

  The claims reserve includes the sums that from a prudent evaluation made based on objective elements and separate for each claim, are necessary against the payment of the claims during the year, or in previous years, and still not paid, as well as the relative settlement expenses.

  The reserve is valued equal to the last cost and therefore takes account of all foreseeable charges, determined on the basis of historical data and objective prospective elements.

  The claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process, assigned to a management level within the company, which utilises statistical-actuarial methods in order to determine the measure of the last cost of the claims.

  In the case of non reporting of the reserves by the settlement offices a statistical average cost reserve is applied.

  The average statistical cost was defined regrouping the claims in uniform categories, subdivided by each type of claim (material, injury, mortal), type of vehicle, province. For these categories of claims the average statistical cost was obtained from the average cost paid on the basis of the damages settled in the year and in the previous years to those estimated. In order to obtain reliable estimates, it is necessary that the number of each homogeneous group identified is sufficiently large; when this does not occur the provincial factor is replaced by the regional factor, or regions are combined until eventually the integration of the entire national territory. In this manner it is possible to obtain sufficiently sizable combinations. On the CARD Debtor the average statistical cost was adjusted to take account of the regulations defined by ISVAP relating to the threshold and platform on physical claims while on the CARD material damage it was equal to the flat-rate due.

  In particular, with the introduction of direct indemnity in 2007 and considering that the Card lump sum changed last in 2009, it was necessary to separately evaluate the claims reserve of the current generation from that of the previous generation claims.

  <u>Current generation</u>

  On this data a verification process was made based on the principal statistical basis:

  - cancellation speed;
  - settlement speed;
  - average cost paid;
  - average reserve cost;

- average cost accepted;
- ratio between claims and premiums.

Previous generations

With reference to the previous generations the historical series of the claims caused by our policyholders with the claims managed were updated. This historical series, for the introduction of the direct indemnity, is not linear, which is the basis of each actuarial statistical method. For this reason the Fisher-Lange model was updated in order to include the operational discontinuity and take into account the projection of future payments.

In particular the indicators relating to the percentage of claims accepted and the speed of settlement were calculated for each year in order to better differentiate the behaviour in the CARD regime from previous years. The analysis of the average cost paid was supported by the analysis of the serious claims.

The process for the determination of the Motor TPL is based on the following principles:

- The Fisher Lange method was confirmed as the actuarial statistical benchmark method in that, taking account also of the number of claims, it permits the estimate of the reserve without neglecting any changes to the settlement policies due to the direct indemnity.
- In support of the Fisher Lange method, it was considered appropriate to continue to utilise the Chain Ladder to weigh the Fisher Lange estimate. It is noted that while this method is useful due to the ease in obtaining the requested information (simply know the cumulative amounts paid of the individual generations) on the other hand it requires that the fundamental assumption of the constant progression of the cumulative payments is satisfied over time. No consideration was taken of the last there years estimated by the method, in that there was no consistency in the payments due on the introduction of direct indemnity.
- Considered that the valuation was made on claims, the reserve determined with these methods includes the IBNR claims reserve.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims accepted, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

The settlement expenses reserve was calculated applying a percentage, based on observable experience, to the total reserve, whose last cost valuation included this component.

a.2 Reserve for claims not yet reported

The reserve for claims incurred but not reported (IBNR) was determined based on the criteria defined by article 32 of ISVAP Regulation No.16 of March 4, 2008 as shown below.

Considering that the valuation of the claims reserve at last cost is carried out by year, the estimate includes the provision necessary to meet the claims attributable to the year but not yet reported at the year-end, estimated with reference to historical experience in previous years.

The estimate of the number of IBNR expected was carried out with the Chain-Ladder method applied on a historical series of claims reported. An "accepted claims" rate was applied to the IBNR number in line with the actual in order to obtain the definitive estimate.

In order to quantify the allocation to the total claims reserve, the strength of the IBNR reserve compared with the previous year based on the results recorded in the year is analysed and subsequently a residual amount is allocated both in terms of total costs and in terms of average cost.

- *Other Non-Life Classes*

The valuations were made analytically claim-by-claim by the settlement structure. These valuations were adjusted by the management based on the results of specific valuation models, in order to determine the last cost of the claims. These models take into account past experience in relation to the adequacy of the claim reserve and the effective late claims.

- *Settlement expenses*

  With reference to the quantitative and attribution of the settlement expenses the following is noted:
  - on payment, the external expenses are directly attributed to the individual claims, while the individual expenses are broken down by class and, within this, by year, based on the amount of the payment (indemnity plus external expenses).
  - on the reserve, the external and internal expenses are a component of the valuation of the reserve at last cost and are subsequently determined applying to the total reserve a percentage defined based on the experience from the trend in the settlement expenses.

- *Late claims reserve*

  Considering that the valuation of the claims reserve at last cost is carried out by year, the claims reserve includes the provision necessary to meet the claims attributable to the year but not yet reported at the year-end, estimated with reference to historical experience in previous years.

Other technical reserves

Also included, in accordance with article 37, paragraph 8 of Legislative Decree 209/05, is the ageing reserve comprising the insurance contracts against long term health and for which the company has renounced the right of withdrawal; the reserve was calculated in accordance with paragraph eight of the above-mentioned article.

Catastrophic and equalisation reserves

IFRS 4 “Insurance contracts” defines insurance liabilities as a net contractual obligation by the insurer in accordance with an insurance contract.

Based on this definition, the accounts prepared in accordance with IAS/IFRS may not include any component of the premium reserves which, although obligatory in accordance with Italian GAAP in that made against specific regulations and not concerning the individual insurance contracts but the overall contracts covering a certain risk of a catastrophic nature and are provisioned, based on a flat-rate, in addition to the reserve for premium fraction of the individual contracts, calculated with the pro-rata method, with the purpose of strengthening the reserves to cover these risks of a catastrophic nature.

Therefore, these additional reserves are made not against claims already occurring (which gives rise to a contractual obligation of the insurer, to be recorded in the claims reserve) but against the possibility that the claims of this nature will occur in the future. In accordance with IFRS 4, this possibility is met not with a liability, but with a greater amount of net equity.

Life technical reserves

The technical reserves of the direct insurance relating to the Life Division is calculated analytically for each contract, on the basis of the commitments without detraction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and management expenses) adopted for the calculation of the premiums relating to the contracts in force. In any case, the actuarial reserve is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical reserves.

The actuarial reserve also includes the additional reserve on the revaluation service contracts, pursuant to ISVAP Regulation No. 21 and the additional reserves for the base techniques to take into account the higher charges which the company must incur against the existing differences between the interest rate given to the policyholders and the trend of the expected yields of the separated managements over the next four years.

These reserves meet the commitments relating to the life insurance policies and those with discretional profit participation.

Shadow Accounting

In order to provide greater disclosure of the data application was made of paragraph 30 of IFRS 4 to correlate the value of the actuarial reserve relating to the discretional profit participation contracts of the policyholders (including the separated management in the Life Division) with the value of the relative assets determined in accordance with IAS 39.

The securities included in the separated management of the Life Division are included in fact in the category “available-for-sale”, or in the category “fair value through the profit or loss” and, as such, are valued at fair value, recording an increase in equity or in the result for the period of the difference between the fair value and the carrying value determined in accordance with Italian GAAP.

Therefore, the return on the securities included in the separated management determines the returns of the policyholders and the impact on the amount of the actuarial reserve.
The technical reserves were adjusted for the contracts inserted in the separated management in accordance with the valuation of the related assets, recording the difference in equity (or through the income statement); in this manner the technical reserves of these contracts take into account the share of the policyholders of the latent gains and losses of the securities assigned to the separated management. Finally, based on the contractual clauses and current regulations, these differences are recognised to the policyholders only when realised with the sale of the relative assets.

It should be noted that the recognition method is adopted in the limits of safeguarding the minimum guaranteed return contractually, within each separated management, for each minimum guaranteed line, in order not to infringe on the rights of the policyholders. In addition, the recognition period of the gain/losses not realised in the income statement takes account of the operating nature of each company and consists of a variable time period between two and five years. We report that, following the previously mentioned amendment to IAS 39, account was taken of the reclassification of financial instruments also for shadow accounting purposes.
The above-mentioned accounting treatment reduces, although partially, the valuation mismatch between assets and liabilities.

Adequacy test on liabilities (Liability Adequacy Test or LAT)
In accordance with IFRS 4 insurance companies must verify the appropriateness of the technical reserves recorded in the accounts. This verification must be made in accordance with some minimum provisions based on the best current estimates of the cash flows related to the contracts in portfolio at the year-end and those related (for example settlement expenses), as well as taking into account cash flows deriving from guarantees and implicit options.

Any deficiencies in the technical reserves recorded in the accounts in relation to the estimate of the future cash flows must be fully recognised in the income statement.

In relation to this it is noted that the Italian regulations do not explicitly provide for tests on the appropriateness of the technical-insurance reserves. However, the special Italian provisions in relation to insurance require certain fulfilments which are similar to IFRS 4, although not satisfying all the requirements.
In particular, for the Life sector the actuarial reserves are determined with demographic and financial assumptions utilised in order to determine the pure premium (first order technical bases), in turn integrated by the so-called additional technical reserves based on current assumptions at the moment of the valuation (second order technical bases). These include:

- the reserve on the expected returns as per article 35 of ISVAP Regulation No. 21 which however is not extended to the duration of the contracts;
- the additional reserve for demographic risk, under article 50, paragraph 2 of ISVAP Regulation No. 21;
- the additional reserves to guarantee the result and/or repayment of the capital (pursuant to article 41 Legislative Decree 209/05).

Therefore, the Group developed a measurement model on the appropriateness of the insurance liabilities in the Life sector which is illustrated in section F relating to the uncertainty of the financial insurance flows.

With reference to the Non-Life sector, it is considered that the components of the premium reserve attributable to the risk reserve in course, which is considered necessary whenever the expected claims in the class are higher than those utilised in the construction of the tariff premium, represents a reasonable approximation of the adequacy test of the liabilities. In relation to the claims reserve, the Italian regulations established that these must be determined in accordance with the last cost criteria, that is the total sum paid to the beneficiary at the moment of compensation. Also in this case it is considered that the determination of the claims reserve in accordance with Italian GAAP based on the principle of the last cost is inclusive of the principal future cash flows without taking into account any discounting factors and which therefore may be considered greater than those from the application of the L.A.T. in accordance with IFRS 4.

4. FINANCIAL LIABILITIES

The account includes the financial liabilities pursuant to IAS 39 other than commercial payables as described in IAS 32 AG4 (a).

Financial liabilities at fair value through profit or loss account

The account includes the financial liabilities valued at fair value through profit or loss defined by IAS 39. In particular, the account includes the commitments to policyholders on investment contracts not included in IFRS 4, as well as those deriving from the management of pension funds.

This category includes the liabilities relating to those products with characteristics indicated by article 41, paragraph 1 and 2 of Legislative Decree 209/95, unit and index linked, as well as Class VI insurance contracts, whose limited underlying insurance risk resulted in the reclassification from insurance contracts to financial contracts.

In this case the recording through the profit and loss of the fair value changes permits the correlation with the valuation of the underlying assets and in accordance with the European Commission in relation to the correlated valuations between the assets and liabilities in the Explanatory memo of November 19, 2004, and IAS 39 as well as the indications provided by Isvap in Regulation No. 7 of July 13, 2007.

The account also includes the losses on derivative finance contracts at the end of the year.

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39 not included in the previous category. This account includes the financial and operating payables of the Group, such as the subordinated loan (for the financial component), the deposits received from reinsurance, other loans and other financial payables.

The investment contracts not in application of IFRS 4 are also included, other than unit and index linked, such as, for example, contracts pursuant to article 33, paragraph 4 of Legislative Decree 209/05.

These liabilities which on first recognition are recorded at fair value, are subsequently valued at amortised cost determined utilising the effective interest rate method.

5. PAYABLES

The account includes trade payables as per IAS 32 AG4 (a) and IAS 39. In particular, the account includes the payables deriving from direct and indirect insurance operations, as well as provisions for employee leaving indemnities.

Employee leaving indemnity and other employee benefits

Following the pension reforms, from January 1, 2007 with application of Legislative Decree No. 252/2005, private sector employees may choose, depending on whether they work in a company with less or more than 50 employees, to allocate the portion of the Employee Leaving Indemnity that matures after January 1, 2007 to an INPS Treasury Fund or to a Complementary Pension. This choice must be made by June 30, 2007 or within six months from the employment date.

Following this reform the portion matured at December 31, 2006 continues to be considered as a "defined benefit plan", but the liability was recalculated without taking into account the pro-rata service as the service to be valued has already fully matured, giving rise to the "curtailment" recorded in the income statement in 2007 in one single amount (see paragraph 111 of IAS 19).

In relation to the portion matured after December 31, 2006 and allocated to the INPS Treasury Fund and/or Complementary Pension, this is considered a defined contribution plan and therefore no longer subject to actuarial valuation.

It is also recorded that, as indicated in the Internal Communication to the Associates of Assirevi, as all the companies of the Group have chosen the accounting treatment to record the Actuarial Gains And Losses directly to Equity in the specific Reserve, the amounts recorded up to 31/12/2006 were reclassified to "Retained earnings".

Service bonus pursuant to Art. 32 CCNL

The fund was created for all employees of insurance companies that had completed 25 and 35 years of service at the company based on the annual contributions matured at the payment date. In accordance with Italian GAAP, a provision is made for each employee in service of the amount matured. The provision is used for the premiums paid. Also this is recorded in accordance with IAS 19, as qualifying under "other long-term employee benefits".

6. OTHER LIABILITIES

Current and deferred tax liabilities

The account includes the liabilities of a fiscal nature as defined and governed by IAS 12.

The valuation of the fiscal charge, current and deferred, relating to the income taxes is made based on the current national rates at the balance sheet date.

In particular, the recording of the deferred liabilities occurs, generally, for all the temporary differences, whether they relate to equity or income statement account items, which will reverse in future years applying, to the temporary differences, the rates in force when they reverse.

At the year-end, the current and deferred tax liabilities are recorded net of the corresponding tax assets in accordance with the compensation regulations of IAS 12.

INCOME STATEMENT

INSURANCE CONTRACTS

From the date of entry into force of IFRS 4, all the contracts not having a significant insurance risk, although legally insurance contracts, were reclassified. In particular all the contracts relating to the Life Division (except those with discretional profit participation for which IFRS 4 provides adoption of the current accounting principles at the date of transition to IAS) which do not enter within the previous definition, must be recorded as financial contracts and therefore in accordance with the provisions of IAS 39 ("deposit accounting" method). The contracts which comply with the definition of IFRS 4 are recorded in accordance with the current rules of Italian GAAP and the relative reserves are subject to an adequacy test.

Therefore, based on IAS/IFRS principles, the insurance policies are classified in the following categories:

- Insurance contracts and financial instruments with discretional profit participation are applied in accordance with IFRS 4 "Insurance Contracts";
- Other financial instruments, accounted for in accordance with IAS 39 "Financial instruments: recognition and measurement" and IAS 18 "Revenues" for any service component.

Based on the analysis made on the policies in portfolio, all the contracts of the Non-Life Division are accounted in accordance with IFRS 4 as are all the contracts of the Life Division with the exception of the unit linked contracts of some portfolio indices, which were valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (valued at fair value through the profit or loss) from the component of premiums attributable to the services on behalf of the policyholders, valued in accordance with IAS 18.

PREMIUMS WRITTEN

The gross premiums written include the amounts matured during the year for the insurance contracts, as defined by IFRS 4 (Insurance Contracts). The revenues relating to the policies that although legally are considered insurance contracts but have an insignificant insurance risk are not included in this account and come under the scope of IAS 39 and IAS 18. These contracts are in fact treated under the "deposit accounting" method which, among other matters, requires the recording in the income statement of the explicit and implicit loading, recorded in the account "commission income".

The contracts recorded in application of IFRS 4 are treated in accordance with the accounting principles of the statutory accounts. In particular, in accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation in relation to the accounts of insurance companies, the premiums include:

- The cancellations due to technical reversals of the individual securities issued in the year;
- The cancellation of premiums in the Life Division from annuities expired in previous years;
- The changes of contracts with or without changes in premiums, made through replacement or supplemented.

COMMISSION INCOME AND CHARGES

The accounts include the commissions relating to the investment contracts not included within the application of IFRS 4. As already referred to in the comment on the premium accounts, they refer to:

- index-linked contracts within Class V "Capital redemption policy";
- unit-linked contracts, which record, under commission income, the loading on the contracts and the management commission income and, under commission expenses, the commissions paid to the brokers.

This account also includes the commission income for revenues on financial services which are recorded, based on existing contractual agreements, in the period in which the services were rendered.

INVESTMENT INCOME

Net Income from financial instruments recorded at fair value through profit or loss

The account includes the gains and losses, including dividends and from trading, and the positive and negative changes to financial assets and liabilities measured at fair value through profit or loss. The change in value is determined based on the difference between the fair value and the book value of the financial instruments recorded in this category.

Income/charges from investments in subsidiaries, associates and joint ventures

Includes the income originated from investments in associated companies recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Income/charges from other financial instruments and property investments

Recorded in these accounts are:

- income and gains realised (and charges and losses realised) on the investments classified in the category "available-for-sale";
- income and charges on loans and receivables;
- income and charges relating to property investments.

OTHER REVENUES

The account comprises:

- the revenues deriving from the sale of goods, from services other than those of a financial nature and from the utilisation, by third parties, of intangible and tangible assets and other activities of the company;
- the other net technical income related to insurance contracts;
- The exchange differences recorded in the income statement as per IAS 21;
- the gains realised and any restatement in values relating to intangible and tangible assets.

NET CHARGES RELATING TO CLAIMS

The account comprises:

- the amounts paid, net of recovery;
- the changes in claims reserves and other technical reserves in the Non-Life Division;
- the changes in actuarial reserves and other technical reserves in the Life Division;
- The changes in technical reserves relating to the contracts for which the investment risk is borne by the policyholder relating to insurance contracts and financial instruments applied in accordance with IFRS 4.

The amounts recorded include the settlement expenses both paid and accrued, which include all the expenses relating to inspection, verification, valuation and settlement of the claims and are attributed to the individual classes based on the amounts of the claims treated and the sums paid, taking into account their differences.

INVESTMENTS CHARGES

Charges from investments in subsidiaries, associates and joint ventures
Includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Charges from other financial instruments and property investments
The account includes charges from property investments and financial instruments not measured at fair value through profit or loss and in particular:

- Financial charges recognised utilising the effective interest method;
- Other charges and, in particular, the costs relating to investment property, such as condominium expenses, and maintenance and repairs not of an incremental nature;
- Losses realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Losses on valuation, deriving principally from depreciation and impairment.

MANAGEMENT EXPENSES

Commissions and other acquisition expenses
The account includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

Investment management charges
Refers to general expenses and personnel costs relating to the management of the financial instruments, investment property and investments, as well as custodial and administration costs.

Other administration expenses

The account includes general and personnel expenses not attributed to the relative claims charges, contract acquisition expenses and investment management charges. The account relates in particular to the general expenses and personnel costs of the companies which exercise activities other than in the insurance sector, not otherwise allocated, as well as the general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not included within IFRS 4.

OTHER COSTS

The account comprises:

- The costs relating to the sale of goods other than those of a financial nature;
- The other net technical charges relating to insurance contracts, for which reference should be made to the comments on the premium accounts;
- The provisions made in the year;
- The exchange differences recorded in the income statement as per IAS 21;
- The losses realised, impairment and depreciation on tangible fixed assets, and on intangible assets.

INCOME TAXES

The income taxes recorded in the income statement include all taxes, current and deferred, calculated on the income of the Group on the basis of the nominal tax rates in force at the balance sheet date and excludes those directly recorded in equity, in that the relative adjustments to assets and liabilities in the accounts are directly recorded in equity.

The account is comprised of:

- The charges (or income) for current taxes in the year and any adjustments made in the year for current taxes relating to previous years;
- The charges (or income) for deferred taxes relating to the temporary fiscal differences as well as adjustments to deferred taxes made in previous years following, in particular, changes in tax rates;
- The amount of the deferred tax charge or income based on the cancellation, in future years, of the temporary fiscal differences which were originally recorded;
- The amount of tax charges (or income) relating to changes in accounting principles, valuation processes, estimates or errors compared to those made in previous years.

COMPREHENSIVE INCOME STATEMENT

The statement shows the revenue and cost accounts (including adjustments from reclassification) not recorded in the profits (loss) account in the year in that they are recorded directly to net equity; therefore the statement shows all of the changes in equity and the profits or losses which, in accordance with IAS/IFRS principles, must not be recorded directly to the income statement.

OTHER INFORMATION

STOCK OPTIONS PLANS

Accounting standard IFRS 2 “Share-based payments” requires the recording in the income statement of the implicit cost related to the stock option plans for employees. In the case of the stock option plan, the regulation requires that the Company records the service received in the accounts, that is the employment service of the beneficiaries of the stock option, this latter valued at fair value of the shares/options paid. The consequence of this accounting approach is that the stock option plans increase the personnel costs recorded in the consolidated financial statements; for this purpose it was necessary to identify appropriate valuation models in order to determine the fair value of the options and therefore the personnel costs recorded in the accounts. The calculation method and the disclosures required by IFRS 2 are reported in the notes.

The fair value option was calculated using the Black-Scholes-Merton model. This relates to the most utilised valuation model of the options in Europe, based on which the theoretical price (value) of a call option is based on the increased price of the underlying security, of its volatility, of the market interest rate and of the time period, against the exercise price and the expected dividends.

In other words, the value of an option arises from the difference between two elements:

- The current market value of the underlying security discounted to an expected dividend rate;
- The exercise price of the underlying (strike price) value discounted to a rate equal to the private use of risk capital;

Both the criteria were in turn estimated for measuring the probability that the value of the underlying security is maintained higher than the exercise price of the option.

In particular the plans adopted by Fondiaria-SAI are those in application of IFRS 2 - Appendix B paragraph 5 - which permits the utilisation of this valuation method for the options which are not of long maturity or in any case must not be exercised within a short-time period after the maturity date. In addition, the fact that the two stock option plans examined do not provide for the possibility of exercise of the option before the maturity permits, in accordance with IFRS 2, the application of the Black-Scholes model.

The results deriving from the utilisation of the model are verified also through the application of alternative procedures; in particular recourse was made to the binominal and trinomial methods as validation and control instruments. Part H of the notes provides further details on the stock option plans.

SEGMENT INFORMATION

In accordance with IFRS 8, the disclosure relating to the operating sectors provides the information which allows users of the financial statements to evaluate the nature and effects on the accounts of the business activities which the company has undertaken and the economic context in which it operates.
The standard is applied in order to provide information in relation to the profits and the losses in the sector including the revenues and the expenses, the assets and the liabilities of the sector and based on the principles adopted. For these purposes IFRS 8 establishes operating segments as “identifiable units which undertake business activities generating revenues and costs, whose operating results are periodically reviewed at the highest operational decisional level in order to adopt decisions based on the resources to be allocated to the sector and the evaluation of the results”
The operating segments to be illustrated in the present section were identified based on the provisions of ISVAP Regulation No.7 and based on the reporting utilised by the Group to take strategic decisions.

The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.

The Non-Life sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/05.
The Life sector offers insurance cover with payment of capital or an annuity against an event relating to human life, as well as the capital redemption contracts with or without significant insurance risk (article 2, paragraph 1 of Legislative Decree 209/05).
The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties.
The Other Activities Sector, by its nature residual, offers products and services in asset management and the financial and agricultural sectors. The identification of the residual sector is based on a discretional valuation in order to illustrate the primary sources of risks and benefits for the Group.

The reciprocal receivables and payables, as well as the inter-group costs and revenues are directly eliminated within the sectors of the companies if they operate within the same sector. Where the inter-company transaction relates to companies operating in different sectors, the data recorded is shown in the segment “Inter-segment eliminations”.
Otherwise, the treatment is as follows:

- Investments are eliminated within the sector in which the companies hold the assets;
- Dividends are eliminated in the companies that receive the payments;
- The gains and losses to be realised are eliminated by the company that realised the relative results, even though the counterparties operate in different sectors.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting principles necessarily implies significant elements of opinion based on estimates and assumptions which are uncertain at the time of their formation.

For the accounts for the year 2009 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. Information is provided below in accordance with the requirements of paragraph 116 of IAS 1. In the relative paragraphs of the notes, adequate and exhaustive information is provided concerning the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on all the information available.

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

In particular, the use of greater subjective valuations by management was necessary in the following cases:

- in the calculation of the loss of value of goodwill from business combinations, of goodwill in investment holdings and the relative Value of Business Acquired;
- in the determination of the fair value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of equity securities and bonds in the Available-for-Sale category to verify the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised;

The reporting of these cases is made with the objective to permit the reader of the accounts a better understanding of the principal areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

In addition, the valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. The information on financial risks is contained in Part E – Information on risks and uncertainties.

Section 5 - Consolidation scope

At December 31, 2009, the Fondiaria-SAI Group, including the Parent Company, was made up of 123 Companies, of which 19 operated in the insurance sector, 2 in the banking sector, 49 in the real estate and agricultural sector and 20 in the financial services sector; the remaining companies are various service companies. The company has 22 overseas offices.
The total number of subsidiaries fully consolidated is 87 and the number of companies consolidated under the Net Equity method is 21, while the remaining companies are consolidated under the proportional method or maintained at carrying value given their insignificant amount to the Group.
There are 96 subsidiary companies, of which 34 are controlled directly by the Parent Company.

The subsidiaries which due to their size or nature of activities are not significant for the purposes of a true and fair representation of the present accounts are excluded.
These exclusions, relating in total to 9 companies, derive directly from the requirement of relevance of disclosure in the accounts in accordance with the framework contained in IAS 1. These exclusions therefore are not a consequence of significant restrictions in the exercise of control.
During 2009, the consolidation scope of the Fondiaria-SAI Group saw the following changes:

- incorporation of CITTÀ DELLA SALUTE S.c.r.l. and subscription to the shares by companies of the Group;
- purchase of ATAHOTELS S.p.A. (held for 51% by Fondiaria-SAI and 49% by Milano Assicurazioni). At the same time, control of the following subsidiaries/holdings was therefore acquired: ATA BENESSERE S.r.l., ATAHOTELS SUISSE SA, TOUR EXECUTIVE S.p.A., HOTEL TERME DI SAINT VINCENT S.r.l., ITAL RESIDENCE S.r.l. and ITAL H&R S.r.l.;
- acquisition by Milano Assicurazioni S.p.A. of further shares of the company VALORE IMMOBILIARE S.r.l., reaching 50% of the share capital at 31/12/2009;
- deconsolidation of EFFE FINANZIARIA S.p.A., following the completion of the liquidation procedure;
- purchase by Milano Assicurazioni S.p.A. of 43% of the financial company HEDF ISOLA S.c.s.;
- incorporation of the insurance company DDOR RE JOINT STOCK REINSURANCE COMPANY of which the subsidiary The Lawrence RE holds 99.99% of the shares;
- as part of the conferment of property by some Group companies to the RHO Property Fund, the holding of Fondiaria-SAI is 31.18% and of that of Milano Assicurazioni is 10.53%;

In addition the following operations are reported:

- incorporation by merger, in the Group company Fondiaria-SAI Servizi S.c.r.l. of the companies STARVOX S.r.l. and SALEVOX S.r.l.;
- full consolidation of the Athens Re Fund, a speculative closed-end reserved property fund, held by Milano Assicurazioni;
- loss of control of the companies WAVE TECHNOLOGIES S.r.l. and WAVE LOGISTICA S.r.l.
- incorporation of the company IMMOBILIARE FONDIARIA-SAI S.r.l. in which Fondiaria-SAI holds 100% of the share capital and incorporation of the company IMMOBILIARE MILANO ASSICURAZIONI S.r.l. in which Milano Assicurazioni holds 100% of the share capital following the non-proportional spin-off of Immobiliare Lombarda S.p.A.;

- transfer of shares, equal to 100%, of THE LAWRENCE LIFE ASSURANCE COMPANY Ltd from Fondiaria Nederland (now Fondiaria-Sai Nederland) B.V. to Popolare Vita S.p.A which now holds control;
- incorporation of the company DONATELLO DAY SURGERY S.r.l. in which Fondiaria-SAI holds 100% of the share capital following the proportional partial spin-off of FLORENCE CENTRO CHIRURGIA AMBULATORIALE S.r.l.;
- change in the holding in BUTTERFLY AM S.a.r.l. from 19.99% to 28.57%;
- transfer of shares, equal to 2.5%, of CITTÀ DELLA SALUTE S.c.r.l. from Florence Centro Chirurgia Ambulatoriale S.r.l. to Donatello Day Surgery S.r.l.;
- change in the name of the company from Fondiaria Nederland B.V. to FONDIARIA-SAI NEDERLAND B.V.;
- Change in the name and objects of the company Meridiano Terzo S.r.l. to the company ATAVALUE S:r.l.;
- merger by incorporation of the companies MANTEGNA S.r.l., MERIDIANO QUINTO S.r.l., MERIDIANO RISPARMIO S.r.l. and PORTOFINO VETTA S.r.l. into Fondiaria-SAI S.p.A.;
- merger by incorporation of the company MERIDIANO EUR S:r.l into Milano Assicurazioni S.p.A.;

SUBSIDIARY COMPANIES

Companies consolidated line-by-line

	Sector	Percentage of control Direct	Percentage of control Indirect	Group Holding
ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A. Milan Share Capital Euro 17,340,000	Services	51.00	MILANO ASSICURAZIONI S.p.A. 49.00	81.80
ATAVALUE S.r.l. (ex MERIDIANO TERZO S.r.l.) Turin Share Capital Euro 10,000	Services		SAI HOLDING ITALIA S.p.A. 100.00	100.00
ATHENS R.E. FUND – SPECULATIVE FUND	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.85
AUTO PRESTO&BENE S.r.l. Turin Share Capital Euro 51,000	Services	100.00		100.00
BANCA GESFID S.A. Lugano (CH) Share Capital CHF 10,000,000	Banking	100.00		100.00
BANCASAI S.p.A. Turin Share Capital Euro 116,677,161	Banking	100.00		100.00
BIM VITA S.p.A. Turin Share Capital Euro 7,500,000	Life Insurance	50.00		50.00
BIPIEMME VITA S.p.A. Milan Share Capital Euro 103,500,000	Life Insurance		MILANO ASSICURAZIONI S.p.A. 51.00	32.05
BRAMANTE S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN) Share Capital Euro 9,311,200	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.85
CAPITALIA ASSICURAZIONI S.p.A. Milan Share capital Euro 5,200,000	Non-Life Insurance	51.00		51.00
CARPACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00
CASA DI CURA VILLA DONATELLO S.p.A. Florence Share Capital Euro 361,200	Services	100.00		100.00
CASA DI CURA VILLANOVA S.r.l. Florence Share Capital Euro 182,000	Services	100.00		100.00
CASCINE TRENNO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00

	Sector	Percentage of control Direct	 Indirect	Group Holding
CITTÀ DELLA SALUTE S.c.r.l. Florence Share Capital Euro 100,000	Services		CASA DI CURA VILLA DONATELLO S.p.A. 50.00 CASA DI CURA VILLANOVA S.r.l. 45.00 DONATELLO DAY SURGERY S.r.l. 2.50 FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. 2.50	100.00
COLPETRONE S.r.l. Umbertide (PG) Share Capital Euro 10,000	Agriculture		SAIAGRICOLA S.p.A.100.00	97.48
CASTELLO CONSORTIUM Florence Share Capital Euro 51,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.50
CRIVELLI S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00
DDOR NOVI SAD A.D.O. Novi Sad (Serbia) Share Capital. Rsd 2,579,597,280	Mixed Insurance	99.99		99.99
DDOR RE JOINT STOCK REINSURANCE COMPANY Novi Sad (Serbia) Share capital Euro 5,000,000	Insurance		THE LAWRENCE RE 99.998 DDOR NOVI SAD ADO 0.002	100.00
DIALOGO ASSICURAZIONI S.p.A. Milan Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	62.76
DIALOGO VITA S.p.A. Florence Share Capital Euro 6,240,000	Life Insurance	40.00	MILANO ASSICURAZIONI S.p.A. 60.00	77.71
DOMINION INSURANCE HOLDING Ltd London (GB) Share Capital GBP 35,438,267.65	Financial		FINSAI INTERNATIONAL S.A. 100.00	99.99
DONATELLO DAY SURGERY S.r.l. Florence Share Capital Euro 20,000	Services		CASA DI CURA VILLANOVA S.r.l. 100.00	100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share Capital Euro 5,160,000	Non-Life Insurance	100.00		100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share Capital Euro 5,265,600	Financial	100.00		100.00
FINITALIA S.p.A. Milan Share Capital Euro 15,376,285	Financial		BANCASAI S.p.A. 100.00	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share Capital Euro 44,131,900	Financial	19.92	SAINTERNATIONAL S.A.43.92 SAILUX S.A. 36.15	99.99
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. Florence Share Capital Euro 10,400	Services		CASA DI CURA VILLANOVA S.r.l. 100.00	100.00
FONDIARIA-SAI NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070	Financial	100.00		100.00

	Sector	Percentage of control Direct	Indirect	Group Holding
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l. Milan Share capital Euro 5,200,000	Services	64.27	MILANO ASSICURAZIONI S.p.A. 34.19 SYSTEMA VITA S.p.A. 0.02 SYSTEMA COMPAGNIA DI ASS.NI S.p.A. 0.18 DIALOGO ASSICURAZIONI S.p.A. 0.20 EUROPA TUTELAGIUDIZ.S.p.A. 0.02 FINITALIA S.p.A. 0.02 CAPITALIA ASSICURAZIONI S.p.A. 0.02 BANCASAI S.p.A. 0.02 DIALOGO VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.90 SAI ASSET MANAGEMENT SGR S.p.A. 0.02 SAI MERCATI MOBILIARI SIM S.p.A. 0.02 LIGURIA SOC. DI ASSICURAZIONI S.p.A. 0.02 LIGURIA VITA S.p.A. 0.02 PRONTO ASSISTANCE SERVIZZI S.c.a.r.l. 0.02 SISTEMI SANITARI S.c.r.l. 0.02 BIM VITA S.p.A. 0.02	87.11
IMMOBILIARE FONDIARIA-SAI S.r.l. Milan Share Capital Euro 20,000	Real Estate	100.00		100.00
IMMOBILIARE LITORELLA S.r.l. Milan Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00
IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital Euro 47,253,668.01	Real Estate	64.17	MILANO ASSICURAZIONI S.p.A. 35.83	86.69
IMMOBILIARE MILANO ASSICURAZIONI S.r.l. Milan Share Capital Euro 20,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	62.85
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00	100.00
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Rome Share Capital Euro 2,580,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l 100.00	100.00
ITALIBERIA INVERSIONES FINANCIERAS SL Madrid Share Capital Euro 122,193,595	Finance	100.00		100.00
ITALRESIDENCE S.r.l. Pieve Emanuele (MI) Share Capital Euro 100,000	Services		ATAHOTELS S.p.A. 100.00	81.80
LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. Segrate (Mi) Share Capital Euro 36,800,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.97	62.83
LIGURIA VITA S.p.A. Segrate (Mi) Share Capital Euro 6,000,000	Life Insurance		LIGURIA SOC. DI ASSICURAZIONI .S.p.A. 100.00	62.83

	Sector	Percentage of control – Direct	Percentage of control – Indirect		Group Holding
MARINA DI LOANO S.p.A. Milan Share Capital Euro 5,536,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MASACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000	Real Estate	100.00			100.00
MERIDIANO BELLARMINO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO BRUZZANO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO ORIZZONTI S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
MERIDIANO PRIMO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO QUARTO S.r.l. Turin Share Capital Euro 10,000	Real Estate		SAI HOLDING ITALIA S.p.A	100.00	100.00
MERIDIANO SECONDO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MILANO ASSICURAZIONI S.p.A. Milan Share Capital Euro 305,851,341.12	Mixed Insurance	60.58	FONDIARIA-SAI NEDERLAND B.V. POPOLARE VITA S.p.A. PRONTO ASSISTANCE S.p.A. SAI HOLDING ITALIA S.p.A. SAINTERNATIONAL S.A.	1.50 0.02 0.05 0.51 0.20	62.85
MIZAR S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI. S.p.A.	3.12	98.84
PONTORMO S.r.l. in liquidation Milan Share Capital Euro 50,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
POPOLARE VITA S.p.A. Verona Share Capital Euro 179,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A.	25.61	50.00
PROGETTO BICOCCA LA PIAZZA S.r.l. in liquidation Milan Share Capital Euro 3,151,800	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	74.00	74.00
PRONTO ASSISTANCE S.p.A. Turin Share Capital Euro 2,500,000	Non-Life Insurance	100.00			100.00

	Sector	Percentage of control Direct	Indirect		Group Holding
PRONTO ASSISTANCE SERVIZI S.c.a.r.l. Turin Share Capital Euro 516,000	Services	37.40	MILANO ASSICURAZIONI S.p.A. DIALOGO ASSICURAZIONI S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. CAPITALIA ASSICURAZIONI S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. BANCASAI S.p.A. SISTEMI SANITARI S.r.l. PRONTO ASSISTANCE S.p.A.	28.00 24.00 2.20 0.15 0.35 0.10 0.10 7.70	79.76
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 100.00		100.00
SAI ASSET MANAGEMENT SGR S.p.A. Milan Share Capital Euro 5,000,000	Asset Management	100.00			100.00
SAI HOLDING ITALIA S.p.A. Turin Share Capital Euro 50,000,000	Financial	100.00			100.00
SAI INVESTIMENTI S.G.R. S.p.A. Turin Share Capital Euro 3,913,588	Asset Management	51.00	MILANO ASSICURAZIONI S.p.A. 29.00		69.23
SAI MERCATI MOBILIARI SIM S.p.A. Milan Share Capital Euro 20,000,000	Real Estate Brokerage	100.00			100.00
SAIAGRICOLA S.p.A. SOCIETÀ AGRICOLA Turin Share Capital Euro 66,000,000	Agriculture	92.01	MILANO ASSICURAZIONI S.p.A. PRONTO ASSISTANCE S.p.A.	6.80 1.19	97.48
SAIFIN-SAIFINANZIARIA S.p.A. Turin Share Capital Euro 102,258,000	Financial	100.00			100.00
SAILUX S.A. Luxembourg Share Capital Euro 30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. FINSAI INTERNATIONAL S.A.	99.99 0.01	100.00
SAINT GEORGE CAPITAL MANAGEMENT S.A. Lugano (CH) Share Capital CHF 500,000	Financial		BANCA GESFID S.A. 100.00		100.00
SAINTERNATIONAL S.A. Luxembourg Share Capital Euro 154,000,000	Financial	99.99			99.99
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A. 100.00		97.48
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00		88.86
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa Share Capital Euro 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A. 94.69		94.69
SIM ETOILE S.A.S. Paris Share Capital Euro 3,049,011.34	Real Estate	99.99			99.99

	Sector	Percentage of control Direct	Indirect		Group Holding
SINTESI SECONDA S.r.l. Milan Share Capital Euro 10,400	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	100.00	62.85
SISTEMI SANITARI S.c.r.l. Milan Share Capital Euro 1,000,000	Services	78.97	MILANO ASSICURAZIONI S.p.A. BANCASAI S.p.A. BIM VITA S.p.A. DIALOGO ASSICURAZIONI S.p.A. FINITALIA S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. LIGURIA VITA S.p.A. POPOLARE VITA S.p.A. PRONTO ASSISTANCE S.p.A. PRONTO ASSISTANCE SERVIZI S.c.a.r.l. SAI SIM S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. SYSTEMA VITA S.p.A. SAI ASSET MANAGEMENT S.p.A.	19.63 0.04 0.01 0.02 0.02 0.22 0.02 0.51 0.03 0.41 0.01 0.01 0.01 0.01	92.19
SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A. Rome Share capital Euro 3,877,500	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	51.67	51.67
SOGEINT S.r.l. Milan Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
SRP Asset Management S.A. Lugano (CH) Share Capital. CHF. 1,000,000	Services		SAINTERNATIONAL S.A.	100.00	99.99
STIMMA S.r.l. Florence Share Capital Euro 10,000	Real Estate	100.00			100.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A. Milan Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	100.00	62.85
SYSTEMA VITA S.p.A (ex Effe Vita S.p.A.) Florence Share Capital Euro 6,240,000	Life Insurance	100.00			100.00
THE LAWRENCE LIFE ASSURANCE CO. LTD Dublin (IRL) Share Capital Euro 802,886	Life Insurance		POPOLARE VITA S.p.A.	100.00	50.00
THE LAWRENCE RE IRELAND LTD Dublin (IRL) Share Capital Euro 635,000	Mixed Insurance		FONDIARIA-SAI NEDERLAND B.V.	100.00	100.00
TIKAL R.E. FUND	Real Estate	59.65	MILANO ASSICURAZIONI S.p.A.	35.36	81.87
TRENNO OVEST S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78,000	Real Estate	100.00			100.00
Companies valued at carrying value:					
AGRISAI S.r.l. Turin Share Capital Euro 61,000	Services		SAIAGRICOLA S.p.A. SAIFIN-SAIFINANZIARIA S.p.A.	99.00 1.00	97.50

	Sector	Percentage of control Direct	Indirect	Group Holding
ATA BENESSERE S.r.l. in liquidation Milan Share Capital Euro 100,000	Services		ATAHOTELS S.p.A. 100.00	81.80
ATAHOTELS SUISSE S.A. Lugano Share Capital CHF 100,000	Services		ATAHOTELS S.p.A. 98.00	80.16
DDOR AUTO DOO Novi Sad (Serbia) Share Capital Euro 9,260.97	Non-Life Insurance		DDOR NOVI SAID A.D.O. 100.00	99.99
DDOR PENZIJA PLUS AD Novi Sad (Serbia) Share Capital. RSD 102,606,250	Services		DDOR NOVI SAID A.D.O. 100.00	99.99
GLOBAL CARD SERVICE S.r.l. Segrate (Mi) Share Capital Euro 98,800	Services		LIGURIA VITA S.p.A. 51.00 LIGURIA SOC. DI ASSICURAZIONI S.p.A. 44.00	59.69
HOTEL TERME DI SAINT VINCENT S.r.l. Aosta Share Capital Euro 15,300	Services		ATAHOTELS S.p.A. 100.00	81.80
ITAL H & R S.r.l. Pieve Emanuele (MI) Share Capital Euro 50,000	Services		ITALRESIDENCE S.r.l. 100.00	81.80
TOUR EXECUTIVE S.p.A. Milan Share Capital Euro 500,000	Services		ATAHOTELS S.p.A. 100.00	81.80
ASSOCIATED COMPANIES				
Companies valued under the equity method:				
A 7 S.r.l. Milan Share Capital Euro 200,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 20.00	12.57
BORSETTO S.r.l. Turin Share Capital Euro 2,971,782	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 44.93	28.24
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 29,165	Financial		IMMOBILIARE FONDIARIA-SAI S.r.l. 28.57	28.57
CITY LIFE S.r.l. Milan Share Capital Euro 277,305	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 26.66	16.76
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. Turin Share Capital Euro 1,040,000	Services	30.07		30.07
EX VAR S.C.S. Luxembourg Share capital Euro 2,509,521	Financial	18.00	IMMOBILIARE MILANO ASS.NI S.r.l. 10.00	24.29
FIN. PRIV S.r.l. Milan Share Capital Euro 20,000	Financial	28.57		28.57

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
FINADIN S.p.A. Milan Share Capital Euro 100,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 40.00	40.00
FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. Florence Share Capital Euro 120,000	Services	51.00		51.00
FONDO RHO IMMOBILIARE	Real Estate	31.18	MILANO ASSICURAZIONI S.p.A. 10.53	37.80
GARIBALDI S.C.S. Luxembourg Share Capital Euro 604,650	Financial		MILANO ASSICURAZIONI S.p.A. 48.00	30.17
HEDF ISOLA S.C.S. Luxembourg Share capital € 200,000	Financial		MILANO ASSICURAZIONI S.p.A. 43.00	27.03
IGLI S.p.A. Milan Share Capital Euro 24,120,000	Financial		IMMOBILIARE FONDIARIA-SAI S.r.l. 16.667 IMMOBILIARE MILANO ASS.NI S.r.l. 16.667	27.14
METROPOLIS S.p.A. Florence Share Capital Euro 1,120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 29.73	18.69
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 20.00	12.57
PROGETTO ALFIERE S.p.A. Rome Share Capital Euro 120,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l. 19.00	19.00
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (Mi) Share capital Euro 100,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 20.00	12.57
SOCIETÀ FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) Share Capital Euro 9,213,417.5	Other		IMMOBILIARE FONDIARIA-SAI S.r.l. 27.38	27.38
SVILUPPO CENTRO EST S.r.l. Rome Share Capital Euro 10,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l. 40.00	25.14
TRE TORRI CONTRACTOR S.c.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 50.00	43.34
VALORE IMMOBILIARE S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 50.00	31.43

Companies valued at carrying value:

MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY DI N.V. Amsterdam Share Capital Euro 50,000	Other	30.00		30.00

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
QUINTOGEST S.p.A. Milan Share Capital Euro 3,000,000	Financial	49.00		49.00
SOCIETÀ FINANZ. PER LE GEST.ASSICURATIVE S.r.l. in liquididation Rome Share Capital Euro 47,664,600	Financial	14.91	MILANO ASSICURAZIONI S.p.A. 7.50	19.62
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.r.l. in liquidation Milan Share Capital Euro 84,601	Other	21.64		21.64
UFFICIO CENTRALE ITALIANO S.c.a.r.l. Milan Share Capital Euro 510,000	Other	14.14	SIAT SOC. ITALIANA ASS. E RIASS. S.p.A. 0.10 MILANO ASSICURAZIONI S.p.A. 10.98 LIGURIA SOC. DI ASSICURAZIONI S.p.A. 0.31	21.32

PART B – Information on the Consolidation Balance Sheet

The details and further notes to the consolidated financial statement accounts are presented below. Further information is provided pursuant to Regulation No. 7/07 of the Supervision Authority and are attached at the end of the present information.

Balance Sheet - Assets

1. INTANGIBLE ASSETS

The breakdown is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Goodwill	1,593,007	1,640,721	(47,714)
Other intangible assets	303,611	259,277	44,334
TOTAL	**1,896,618**	**1,899,998**	**(3,380)**

1.1 Goodwill

In accordance with IFRS 3.75, the reconciliation of the book value of the goodwill at the beginning of the year and at the end of the year is reported below.

(in Euro thousands)	2009	2008
Value at beginning of year	1,651,702	1,476,325
Permanent losses in value recorded in previous years (-)	(10,981)	(2,067)
Sub-total	**1,640,721**	**1,474,258**
Increases in the year	10,577	175,377
Reductions for cessions or for recording under available-for-sale assets	(20,845)	-
Losses in value recorded in the year	(25,063)	(8,914)
Exchange differences	(12,383)	-
Other changes	-	-
Value at year end	**1,593,007**	**1,640,721**

The account "Reductions for cessions and for registrations of available-for-sale assets" refers to the deconsolidation of Bipiemme Vita to be disposed.

The increases principally relate to the acquisition of the Atahotels Group.

The loss in value refers to the impairment made on Capitalia Assicurazioni for Euro 21,650 thousand, Atahotels for Euro 2,736 thousand and Euro 677 thousand to the goodwill of the Profilo Life portfolio.

The reduction of the consolidation difference recorded in DDOR Novi Sad ADO relates to the appreciation of the Euro against the Serbian Dinar.

The Goodwill is broken down as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Goodwill deriving from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill relating to the subsidiary Milano Assicurazioni	167,379	167,379	-
Other goodwill	1,824	1,884	(60)
Consolidation difference	919,041	966,695	(47,654)
TOTAL	**1,593,007**	**1,640,721**	**(47,714)**

The details of goodwill are shown below:

(in Euro thousands)	2009	2008
Goodwill of the Fondiaria-SAI Group from the aggregation of the Fondiaria Group		
Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 2002	276,592	276,592
Fondiaria-SAI: conferment of the company Fondiaria Assicurazioni in 1990	162,684	162,684
Fondiaria-SAI: incorporation of Fondiaria Assicurazioni in 1995	65,488	65,488
Milano Ass.ni: purchase Card premium portfolio in 1991	33,053	33,053
Milano Ass.ni: incorporation of Lloyd Internazionale in 1991	17,002	17,002
Milano Ass.ni: acquisition business unit Latina Assicurazioni in 1992	34,522	34,522
Milano Ass.ni: conferment of the Life portfolio of La Previdente Assicurazioni in 1992	16,463	16,463
Consolidation differences:		
On consolidation of Milano Assicurazioni	179,201	179,201
On Milano Assicurazioni for former Previdente Vita	3,275	3,275
On Milano Assicurazioni for Dialogo Assicurazioni	49	49
Total	**788,329**	**788,329**
Goodwill of the Milano Group prior to 31/12/2002		
Goodwill derived from the acquisition of the MAA Ass.ni portfolio by Nuova MAA	65,134	65,134
Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995	152	152
Total	**853,615**	**853,615**

(in Euro thousands)

Other goodwill	2009	2008
Goodwill relating to the transfer in 2001 of the portfolio of the subsidiary Profilo Life	677	1,354
Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano	1,052	1,052
Goodwill on Sistemi Sanitari S.c.r.l. for the purchase of Business unit	530	530
Goodwill on Marina di Loano S.p.A. for the acquisition of restaurant company	38	-
Goodwill on Atahotels	579	-
Consolidation differences:		
On Liguria Assicurazioni Group	68,793	68,793
On Capitalia Assicurazioni S.p.A.	21,116	42,766
On SASA Danni S.p.A.	8,424	8,424
On Immobiliare Fondiaria-SAI S.r.l. for Marina di Loano S.p.A.	5,908	5,908
On Milano Assicurazioni for Bipiemme Vita S.p.A.	-	20,845
On Florence Centro di Chirurgia Ambulatoriale S.r.l.	1,279	1,279
On Popolare Vita S.p.A.	461,308	461,308
On DDOR Novi Sad ADO	162,464	174,847
On Atahotels S.p.A.	7,224	-
Total other goodwill	**739,392**	**787,106**
Total Group goodwill	**1,593,007**	**1,640,721**

Introduction

The notes below report the principal assumptions on which the impairment tests were carried out for the year 2009 on the goodwill recorded in the balance sheet.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU's) at least on an annual basis or more frequently when there is an indication of a loss in value.
In fact, in accordance with IAS 36 "Impairment in asset value", IAS 38 "Intangible assets" and IFRS 3 "Business combinations", the goodwill has an indefinite useful life and is no longer systematically amortised, but subject to an impairment test in order to identify the existence of any loss in value.

The goodwill subject to allocation in the first-time adoption at the transition date to IFRS - IAS (January 1, 2004) was equal to the total amount of the goodwill "inherited" at December 31, 2003, as no recalculation of the business combinations were made before that date, as permitted by IFRS 1.

The goodwill, independently of its origin, was allocated to the CGU which is expected to benefit synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

Book value of the CGU's of goodwill existing at 1/1/2004

The goodwill existing at the transition date to the IAS/IFRS almost entirely related to the business combination between the Sai Group and the Fondiaria Group in 2002. The goodwill, pre-existing at the merger, deriving from the acquisition by Nuova Maa (subsequently incorporated into Milano) of the business Maa Assicurazioni is added to this.

In relation to this six Cash Generating Units (CGU's) were identified as significant beneficiaries of the synergies of the combination, represented by the Life and Non-Life Divisions operating with the brands Sai, Fondiaria and Milano Assicurazioni.

This identification is also in line with the Group management reporting system, in which the CGU's represent the minimum level to which the goodwill is monitored for internal management control purposes, in line with the sector definition based on the primary representation required by IFRS 8.

The Group in fact operates with different sales network, each characterised by a distinct brand: the existence therefore of an active market for the products of the brands resulted in the reasonable possibility of separating these CGU's based not only on the classes exercised, but also based on the brands therein.

The determination of the book value of the CGU's is made in line with the determination of the appropriate cash flow streams to identify the recoverable value: therefore if the future cash flow streams of the CGU's comprise the inflows and outflows related to determined assets and liabilities, these are included in the book value.

Therefore, at December 31, 2009, the goodwill allocated to the CGU's continues to be those allocated on the first-time adoption and are composed as follows:

(in Euro thousands)	Fondiaria-SAI				Milan		
CGU	SAI Non-Life	Fondiaria Non-Life	SAI Life	Fondiaria Life	Milan Non-Life	Milan Life	TOTAL
	1	2	3	4	5	6	Σ (1-6)
Goodwill allocated	273,898	138,872	50,971	41,023	296,060	52,791	**853,615**

As the goodwill recorded represents the goodwill purchased by the parent company on the basis of its share held and not the total of the goodwill controlled as resulting from the business combination, in order to verify the reduction in value of a CGU, the accounting value was nominally adjusted before being compared with its recoverable value.

This is accomplished by grossing up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the minority interest. In particular, the calculation considered the fact that the investment of Sai in La Fondiaria at the moment of the merger was 28.96% and that the investment of Fondiaria-SAI in Milano Assicurazioni was 53.74%. This treatment, in accordance with the provisions of paragraph 92 of IAS 36, increases the book value of the CGU.

The results of the grossing up of the goodwill are shown below:

(in Euro thousands)	Fondiaria-SAI				Milan		TOTAL
CGU	SAI Non-Life	Fondiaria Non-Life	SAI Life	Fondiaria Life	Milan Non-Life	Milan Life	
	1	2	3	4	5	6	Σ (1-6)
Goodwill allocated	642,066	325,541	119,484	96,165	423,062	80,047	**1,686,365**

In particular the "grossing up" results from the recording of the minority share of the goodwill arising following the business combination with La Fondiaria in 2002 (71.04%) and consequently with Milano Assicurazioni (46.26%).

Other goodwill arising after 1/1/2004

This concerns the goodwill deriving from the principal business combinations subsequently undertaken to 1/1/2004 and therefore:

(in Euro thousands)

Goodwill allocated	2009	2008
Gruppo Liguria Assicurazioni (100%)	68,793	68,793
Capitalia Assicurazioni S.p.A. (51%)	21,116	42,766
BPM Vita S.p.A. (51%)	-	20,845
Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%)	1,279	1,279
Popolare Vita (50% +1 share)	461,308	461,308
DDOR (99.99%)	162,464	174,847
Atahotels (100%)	7,224	-

The Group considered it appropriate to identify, as CGU's, the companies themselves.

Recoverable value of the CGU's

The recoverable value of the CGU's is the higher between the fair value less costs to sell and its value in use. The fair value of the CGU's represents the amount attainable on its sale between knowledgeable and willing parties at arm's length, less selling costs.
It should consider that, similar to the year 2008, due to the strong decrease in the share price of Fondiaria-SAI and Milano, the test based on the fair value, which reflects the goodwill from the quotation of the entities, does not express the real value of the company. The stock exchange prices, also due to the financial crisis, in fact represents values below the share of net equity. For the determination of the recoverable value and the subsequent comparison with the carrying value of the CGU the value in use was utilised because this permits an opinion on the impairment based on principles of economic rationality. We recall that IAS 36, proposing the methodology stated above in relation to the determination of the recoverable value, does not express any preference between the value in use and the realisable value.

The methodologies utilised for the determination of the value in use are based on the application of financial methods, such as the DCF or the DDM, which take into account the expected cash flows from the industrial plans of the CGU subject to the valuation, also taking into account their terminal value and/or capital excess/deficit compared to the minimum capital requirements.
The approach utilised is the so-called Equity side which provides, as a discount rate, the utilisation of the cost of own capital (Ke).

In previous years, the discount rate utilised was the so-called Wacc, or rather the weighted average cost of capital, which took account of both equity cost and debt cost.
Considering that, for an insurance Group, the financial debt is principally represented by subordinated liabilities, necessary to integrate the constituting elements of the solvency margin, the change from an asset side approach to an equity side would not produce, in the case of Fondiaria SAI Group, substantial effects considered:

- the cost of the subordinated liabilities;
- the similarity between cash flows discounted and rates utilised.

In accordance with best practice the Ke percentage utilised was pre-tax and applied to cash flows represented by net profits or dividends (and thus in line with the rate used).

The main assumptions for carrying out the impairment test are as follows:

CGU	Method	Flows considered	Ke%	Terminal value	Growth factor %
FONDIARIA-SAI	Sum Of the Parts				
Business Danni	DDM	Plan 2010-11	8.76	Yes	2
Business Vita	Appraisal Value	Plan 2010-11	8.76	No	-
Business Immobiliare	PNR	2009 Accounts	-	-	-
MILANO ASS.NI	Sum Of the Parts				
Business Danni	DDM	Plan 2010-11	8.76	Yes	2
Business Vita	Appraisal Value	Plan 2010-11	8.76	No	-
Business Immobiliare	PNR	2009 Accounts	-	-	-
CAPITALIA ASS.NI	DCF	Estimate 2010-14	8.12	Yes	0
GRUPPO LIGURIA ASS.NI	DDM	Plan 2010-12	8.76	Yes	2
DDOR NOVI SAD	DCF	Plan 2010-14	11.75	Yes	0
POPOLARE VITA	DCF	Plan 2010-17	8.12	No	-
FLORENCE	DCF	Plan 2010-12	8.12	Yes	0
ATAHOTELS	DCF	Plan 2010-12	9.40*	Yes	2
MARINA DI LOANO	DCF	Plan 2010-13	8.50*	No	-

** this relates to Wacc*

With reference to the cash flows utilised for the valuations, the table above illustrates how all the CGU's have long-term business plans approved recently or in any case updated to take into account changes in the marketplace due to the current economic-financial crisis. The determination of the terminal value is generally based on the discounting of the perpetual yield, whose growth factors are also reported in the table above.

The recoverable value of the CGU's relating to **Fondiaria-SAI** and **Milano Assicurazioni** were made in accordance with an analytical type approach based on the "Sum of the Parts" method.
According to this approach the recoverable value of a CGU (or an aggregation) is represented by the sum of the economic value attributable to the various business lines.
Therefore a separate valuation was made of the recoverable value of the segments Non-Life, Life and residual (which includes real estate and residual activities).

In particular:

1. The **Non-Life** segment was valued under the DDM method (Dividend Discount Model), which utilised as reference the expected dividend cash flow for the period 2010-2011 that is taken from the industrial plan of the Fondiaria SAI Group for the period 2009-2011. Underlying the valuations made, in addition to the parameters reported in the table, are a sustainable combined ratio objective of 98.5% and a minimum capital solvability coefficient of 175%, this latter ebeing xtremely prudent for the purposes of the valuation approach.
2. The **Life** segment was valued in accordance with the Appraisal Value method, intended as the sum of the adjusted net equity, from the value in force (VIF) and from the Goodwill attributable to new future business.
3. The **Real Estate and Other Activities** segment was valued under the adjusted net equity method, which takes account of the market value of the assets (including real estate) net of the notional fiscal effect.

The above valuation results in the determination of a recoverable value per share which, as above the book value per share, indirectly confirms the value of the goodwill recorded.

The only exception, for the determination of the cash flows to be discounted, is represented by the assumptions underlying the impairment test for the subsidiary **Capitalia Assicurazioni**. The entity, in fact, does not have a long-term business plan approved by the Board of Directors, with the exception of the original plan on acquisition. This latter plan was not considered reliable to identify the financial cash flows produced by the CGU in light of the actual results in the past two years. In fact:

- the partnership agreement that was signed with Capitalia was based on the reaching of determined plan objectives through its distribution network.
  Following the incorporation by Unicredit Group there was a slowdown in the project;
- due to the economic crisis the holding significantly modified the product mix offered.
  In fact, due to the crisis in the real estate sector, there was a strong reduction in the placement of fire policies (related to the purchase of property) in favour of other retail products with lower margins.

Therefore in the absence of an industrial plan of the subsidiary which takes into account changed business scenarios, cash flows taken from the 2009 actual results were utilised, excluding any changes from improvements and/or optimisation of the assets - optimisations which were the basis of the underlying price paid for the acquisition of Capitalia Assicurazioni. The 2009 financial cash flows were projected assuming a growth rate of 3%, in line with the growth rate recorded by the subsidiary in the past year.

In relation to the subsidiary **Liguria Assicurazioni** the financial cash flows were determined from the industrial plan approved by the subsidiary for the period 2010-2012, taking into account a solvency ratio of 150% of the minimum requested, as well as a sustainable combined ratio of 97%.
In relation to the surplus assets, the valuation considered the purchase price revision clauses based on the verification of the technical reserves, relating to the generations prior to the purchase, as well as the deferred tax assets not recorded in the accounts.

For **DDOR Novi Sad** the impairment test was based on the expected results of the 2010-2014 industrial plan approved by the Board of Directors. The current year is the first year in which a test was carried out on the recoverability of the goodwill as DDOR was acquired in 2008: in fact, in the previous year it was considered reasonable to assume the purchase price as the fair value of the entity.
This latter in fact took into account the particularity of the company acquired and the development potential of the Serbian insurance market, therefore incorporating a significant control premium.
According to the test and of the forecasts of the plan no impairment was recorded.
In accordance with paragraph 54 of IAS 36, a Ke in line with the foreign currency, in which the estimated future financial cash flows are recorded, was utilised as discount rate.

For **Popolare Vita** the impairment test was based on the expected cash flows of the industrial plan attached to the purchase agreement. The time period of the plan considered is above five years, in line with the duration of the distribution agreement signed with the banking partner. The exit value was determined based on a simplified method which resulted in the identification of an appraisal value on maturity, in line with the cash flows of the plan and the agreements with the counterparty banks.

The impairment test of the holding in **Atahotels** was based on the DCF Asset Side version, considering the particularities of the hotel business.
The plan utilised relates to the period 2010-2012 and includes some projects related to organisational efficiency, in particular in terms of cost containment and further initiatives relating to the management of the buildings, without however taking into consideration the benefits from the 2015 Expo (the company manages 11 hotels in Milan).

For the project within **Marina di Loano S.p.A**, the construction of the port at Loano, the impairment test was made discounting the revenue steams, assuming the sale of approx. 44% of the berths and the temporary rental of the remainder and rental of the commercial activities from 2011. The discounting rate utilised was 8.5%; from this discounted value, the costs relating to the construction still to be undertaken and the management of the project were subtracted, determining thus the current value of the works realised up to December 31, 2009. The value thus determined was above the book value of the project, justifying in this manner the goodwill recorded.

For **Florence Centro Chirurgia Ambulatoriale S.r.l.** the test was based on the expected cash flows from the Business Plan approved by the subsidiary for the period 2010-2012.

In relation to **Bipiemme Vita** with goodwill no longer allocated and recorded in the previous year, the investment is accounted in accordance with IFRS 5.

Excess of the recoverable value compared to the value of the CGU

The following table shows the comparison between the recoverable value of the principal CGU-s compared to the book value, noting that the values shown refer to the Group share:

(in Euro millions)	Recoverable value	Book value	Excess
Fondiaria-SAI	3,393	2,716	677
Milano Assicurazioni	1,463	1,351	112
Capitalia Assicurazioni	28	28	-
Gruppo Ligura Assicurazioni	152	138	14
DDOR Novi Sad	352	223	129
Popolare Vita	659	624	35
Atahotels	23	23	-

All of the valuations made were subject to sensitivity analysis.

In particular the sensitivity analysis on the value of Fondiaria-SAI and Milano Assicurazioni were made assuming a differential on the sustainable combined ratio of 0.5% and on the solvency requirement of 12.5%. With reference to Milano Assicurazioni it is reported that a joint increase in the combined ratio of 0.5% and a simultaneous increase in the solvency requirement to 187.5% would result in a recoverable value slightly below the book value.

In relation to the other CGU's the sensitivity analysis were generally undertaken assuming a differential on the discount rate and on increases/decreases of the expected budgets for each company. The results of the analysis undertaken report a recoverable value above the book value, with the exception of Popolare Vita whereby a joint increase in the discount rate of 1% and of the average abandonment/redemption of 2% would result in a recoverable value just under its book value.

1.2 Other Intangible Assets

The other intangible assets amount to Euro 303,611 thousand (Euro 259,277 thousand at 31/12/2008) and are composed of:

(in Euro thousands)	Gross carrying value	Amortisation and impairment	Net value 2009	Net value 2008
Studies and research expenses	211,440	(180,101)	31,339	34,167
Utilisation rights	15,479	(9,454)	6,025	3,698
Other intangible assets	407,206	(140,959)	266,247	221,412
TOTAL	**634,125**	**(330,514)**	**303,611**	**259,277**

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their duration. The expenses for research studies relate to the capitalisation in 2009, and in previous years, of the costs incurred for the preparation of IT technology and applications of a long-term nature. They are amortised over a period of three or five years based on the characteristics and useful life of the assets.

These charges are prevalently incurred by the Consortium Fondiaria SAI Servizi Group, which undertakes all the management of resources, assets and services already existing and new acquisitions relating to the functioning of the Group.

The utilisation rights refer prevalently to the acquisition of the use of software licenses by the Group. The amortisation period is three years.

The intangible assets include the values relating to the client portfolios acquired of the following companies:

(in Euro thousands)	2009	2008	Changes
Bipiemme Vita S.p.A.	-	87,837	(87,837)
Liguria Assicurazioni S.p.A.	24,246	31,341	(7,095)
Banca Gesfid S.A.	15,415	17,600	(2,185)
Popolare Vita S.p.A.	16,433	35,767	(19,334)
DDOR Novi Sad ADO	25,490	36,330	(10,840)
TOTAL	**81,584**	**208,875**	**(127,291)**

The change includes over Euro 2 million exchange effects on the VOBA of DDOR Novi Sad.

These amounts relate to the recording of the VOBA (Value On Business Acquired) or, in the case of life companies, of the VIF (Value In Force), on the business combinations.
In particular, for Liguria Assicurazioni and DDOR, the VOBA represents the cash flows which will be generated, within a defined period of time, by the insurance portfolio acquired. For Banca Gesfid, the VOBA is determined through the valuation of customer lists, which take into account the historical brokerage margin value and the estimates made on the value of the assets managed and administered. These amounts were in turn referred to the customer loyalty, determined on the basis of approximate "survival rates". Finally for Popolare Vita the value of the VIF was determined on the basis of actuarial methods applied to the portfolio on acquisition.

With reference to the amount of these assets, they were determined based on the expected time period of the returns: in particular, for DDOR, Liguria and Banca Gesfid the average amount is respectively 5, 7 and 10 years.

For Popolare Vita the amortisation period was prudently reduced to three years considering that the portfolio acquired is in a run-off situation and that the profitability expectations of the company are founded almost exclusively on the volume of new business.
The amounts recorded in the income statement of the above-mentioned assets during 2009 were Euro 36,987 thousand (Euro 69,020 thousand in 2008). The VIF relating to the insurance portfolio of Bipiemme Vita was reclassified under non-current assets or of a discontinued group held for sale following the agreement, signed in December 2009, between Banca Popolare di Milano and Milano Assicurazioni, which provides for the sale to the bank Popolare di Milano of 51% of the share capital of Bipiemme Vita S.p.A. held by Milano Assicurazioni.

The reconciliation of the opening and closing book values of the other intangible assets is shown below:

(in Euro thousands)	Studies and research expenses		Utilisation rights		Other intangible assets		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Value at beginning of year	34,167	34,582	3,698	2,436	221,412	242,978	259,277	279,996
Increases:								
• *purchased and generated internally*	15,365	18,131	5,007	3,050	47,335	13,441	67,707	34,622
• *from business combinations*	-	-	22	1,133	52,198	44,623	52,220	45,756
• *for changes in consolidation method*	-	-	-	-	-	-	-	-
Decreases for sales or reclassifications	-	-	(12)	(643)	(6,384)	(8,427)	(6,396)	(9,070)
Impaiment recorded in the year	-	-	-	-	(13)	-	(13)	-
Restated values recorded in the year	-	-	-	-	-	-	-	-
Amortisation	(18,193)	(18,546)	(2,655)	(2,278)	(45,737)	(73,244)	(66,585)	(94,068)
Exchange differences	-	-	(35)	-	(2,564)	2,041	(2,599)	2,041
Other changes	-	-	-	-	-	-	-	-
Value at end of year	**31,339**	**34,167**	**6,025**	**3,698**	**266,247**	**221,412**	**303,611**	**259,277**

The increases from business combinations includes the contribution from the Atahotels Group, acquired in 2009. These amounts are attributable to the value of the Atahotels brand, valued on the allocation of the price paid for the investment. This value is Euro 11.8 million gross of the fiscal effect.
The residual amount principally refers to leasehold improvements, in particular on buildings where hotel activity is undertaken and are amortised in line with the duration of the relative rental contracts.

The account "Sale or reclassifications" includes Euro -87,974 thousand following the deconsolidation of Bipiemme Vita, as well as Euro 84,369 thousand relating to the reclassification of the costs relating to work for the extension of the tourist port of Loano by the subsidiary Marina di Loano S.p.A. in accordance with the provisions of IFRIC 12: previously these costs were recorded in the account "Other fixed assets".
During the year permanent losses in value were recorded of Euro 13 thousand by the subsidiary DDOR Novi Sad.

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 930,898 thousand (Euro 1,244,217 thousand at December 31, 2008), a decrease of Euro 313,319 thousand.

The breakdown of the investments is as follows:

(in Euro thousands)	Buildings		Land		Other Tangible assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Gross carrying value	842,994	1,064,993	35,397	81,046	212,650	350,834	1,091,041	1,496,873
Depreciation and impairment	(44,723)	(88,170)	-	-	(115,420)	(164,486)	(160,143)	(252,656)
Net value	**798,271**	**976,823**	**35,397**	**81,046**	**97,230**	**186,348**	**930,898**	**1,244,217**

The movements in the year are shown below:

(in Euro thousands)	Buildings		Land		Other Tangible assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Value at beginning of year	976,823	920,891	81,046	79,159	186,348	201,812	1,244,217	1,201,862
Increases	77,690	92,009	-	1,887	24,008	36,454	101,698	130,350
Sales	(98,281)	(3,598)	(46,098)	-	(3,140)	(48,105)	(147,519)	(51,703)
Reclassified or transferred to other categories	(140,137)	(77,526)	(1,792)	-	(124,576)	-	(266,505)	(77,526)
Assets from business combinations	142	50,543	2,241	-	24,830	4,134	27,213	54,677
Impairment recorded in the year	(10,149)	-	-	-	-	-	(10,149)	-
Restated values recorded in the year	-	-	-	-	-	-	-	-
Depreciation	(4,326)	(6,524)	-	-	(10,023)	(7,947)	(14,349)	(14,471)
Exchange differences	(3,491)	1,028	-	-	(217)	-	(3,708)	1,028
Other changes	-	-	-	-	-	-	-	-
Value at end of year	**798,271**	**976,823**	**35,397**	**81,046**	**97,230**	**186,348**	**930,898**	**1,244,217**

The sales largely related to the conferment operation of directly used buildings owned by the Parent Company and Milano Assicurazioni to the Immobiliare Rho Fund.

The losses in value relates to the write-down of buildings by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni, which were considered permanent losses in value.

The account “Reclassifications or transferred from/to other categories” includes:

- In relation to “Buildings”:
  - Euro 84,369 thousand relating to the reclassification under “Other fixed assets” of the costs relating to the expansion of the Loano port incurred by the subsidiary Marina di Loano;
  - Euro 30,383 thousand to the reclassification from the account “Other receivables” of payments on accounts by the subsidiary Immobiliare Milano;
  - Euro 26,482 thousand to the building located in Milano – Via Missaglia 97 transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Tikal Fund and therefore reclassified under “Investment properties” ;
  - Euro 21,215 thousand to the “Grande Albergo Capotaormina” transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Athens Fund and therefore reclassified under “Investment properties”;
  - Euro 35,055 thousand to Hotel Terme di Petriolo transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Athens Fund and therefore reclassified under “Investment Properties”;
  - Euro 3,399 thousand of the building located in Trieste - Riva Tommaso Gulli held by the subsidiary Milano Assicurazioni and reclassified in the account “Discontinued assets”. The account “Land” includes the transfer to “Discontinued assets” of the land relating to the above-mentioned building.
- In relation to “Other intangible assets”:
  - the transfer to the account “Investment property” of the payments on account in 2008 by the subsidiary Milano Assicurazioni in relation to the real estate operation concerning the areas located in Milan, Via Confalonieri - Via de Castillia and Rome, Via Fiorentini.

The account relating to land represents the indefinite useful life component separated from the buildings. The separation of the land is made based on specific independent expert’s valuations at the transition date (January 1, 2004), or, where more recently, at the acquisition date.

The buildings included under property, plant and equipment include all of those for the exercise of the business, recorded at cost and systematically depreciated based on their useful life only for the components subject to a definite useful life. There are no restrictions on the ownership of the buildings of the Group, nor have significant amounts been recorded in the income statement for reductions in value.

The account also include the buildings held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (already benefitting from the spin-off of Immobiliare Lombarda) which were considered inventories and therefore valued in accordance with IAS 2.

The Group annually undertakes independent expert valuations to determine the fair value of its land and buildings. In particular, this process responds, for the insurance companies of the Group, to the provisions of the Supervision Authority and to the requirements of IAS 40.
With reference to the buildings for use by the company, the book value, at the year-end, is Euro 321 million lower than the expert valuations based on market values (Euro 320 million at December 31, 2008).

The residual other tangible fixed assets prevalently relates to assets of the Group for the exercise of its activities, such as furnishings, plant and office equipment, as well as the final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The total amount of the account is Euro 870,300 thousand (Euro 833,548 thousand at 31.12.08), a decrease of Euro 36,752 thousand. The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Non-Life premium reserve – reinsurers	142,751	131,329	11,422
Non-Life claims reserve – reinsurers	547,418	505,326	42,092
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserve – reinsurers	178,430	194,554	(16,124)
Reserve for claims to be paid – reinsurers	1,700	2,338	(6389
Class D reserves attributed to reinsurers	-	-	-
Other reserves – reinsurers	1	1	-
TOTAL	**870,300**	**833,548**	**36,752**

Euro 602.1 million of this amount refers to reinsurance while Euro 268.2 million refers to reserve cessions.

4. INVESTMENTS

The breakdown is as follows:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Investment property	2,580,936	2,459,751	121,185
Investments in subsidiaries, associates and joint ventures	366,688	292,879	73,809
Investments held-to-maturity	808,473	845,789	37,316
Loans and receivables	2,908,010	1,776,024	1,131,986
Financial assets available-for-sale	18,896,658	19,982,715	1,086,057
Financial assets at fair value recorded through the profit & loss account	8,655,108	8,080,675	574,433
TOTAL	**34,215,873**	**33,437,833**	**778,040**

4.1 Investment Property

The account includes all the buildings held by the Group for rental or for capital appreciation.
The investment properties are recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model). Consequently, for accounting purposes the Group has separated the value of the land from the value of the buildings held, considering that this component, having an indefinite useful life, must not be depreciated.
The separation of the land component from the buildings is made based on expert valuations at the date of transition to the international accounting standards and, for the acquisitions subsequent to 01/01/2004, on the basis of expert independent valuations prepared at the moment of purchase.

The part of the property referring to buildings is depreciated systematically with regard to the residual useful life of the components therein. Of the significant components, those relating to the plant of the building are depreciated separately. The depreciation rate utilised for the “building” component was between 0.80% and 3%, while the depreciation rate relating to the “plant” component was between 3.4% and 16.0%.

Annually, the Group determines the fair value of the property investments, determined on the basis of independent expert valuations. These experts offer specialist valuation services. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the buildings, in accordance with the provisions of the Supervision Authority.
Overall, the book value of the property investments at December 31, 2009 was Euro 852 million lower than the independent expert valuations prepared for this purpose (Euro 916 million at December 31, 2008).

The composition of the investment property and the movement in the year is shown below.

(in Euro thousands)	**31/12/2009**	**31/12/2008**
Gross carrying value	**2,891,617**	**2,759,251**
Depreciation and impairment	(310,681)	(299,500)
Net value	**2,580,936**	**2,459,751**

The movements in the investment property in the year is shown below:

(in Euro thousands)	**2009**	**2008**
Value at beginning of year	2,459,751	2,142,923
Increases: for purchases and incremental expenses	180,226	429,308
Buildings from business combinations	-	5,466
Decreases for sales or reclassifications	(203,775)	(134,358)
Depreciation	(59,843)	(50,470)
Impairment/restatement recorded in the year	(2,751)	(16,900)
Exchange differences	-	-
Transfer from/to other categories (IAS 2 or IAS 16)	207,328	83,782
Other changes	-	-
Value at end of year	**2,580,936**	**2,459,751**

The account “Transfers to/from other categories" includes:

- Euro 124,576 thousand relating to the payments on account made in 2008 by the subsidiary Milano Assicurazioni in relation to the real estate operation concerning the areas in Milan, Via Confalonieri - Via de Castillia and Rome, Via Fiorentini reclassified to the account “Other fixed assets”;
- Euro 26,482 thousand to the building located in Milano – Via Missaglia 97 transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Tikal Fund and therefore reclassified under “Other tangible assets” ;
- Euro 21,215 thousand to the “Grande Albergo Capotaormina” transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Athens Fund and therefore reclassified under “Other tangible assets”;
- Euro 35,055 thousand to Hotel Terme di Petriolo transferred by the subsidiary Immobiliare Lombarda to the Immobiliare Athens Fund and therefore reclassified under “Other intangible assets”;

The transfers relating almost exclusively to the conferment operation to the Immobiliare Rho Fund.

The permanent losses in value refer to the buildings held by the Tikal R.E. fund whose carrying value was above the market value.
During the year, the rental income from investment property amounted to over Euro 100 million (Euro 104 million in 2008).

There are no significant limits on the realisation of the investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of 6 buildings of the Tikal Fund which are mortgaged for the loans received on these buildings.

4.2 Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20, the subsidiaries are fully consolidated, including those which undertake dissimilar activities. The account includes the book value of some subsidiary investments which, given the insignificance in relation to the size and nature of the activities undertaken, are not significant in representing a true and fair view of the consolidated financial statements.
Reference should be made to the attachment in relation to the details of the investments in non-consolidated subsidiaries.

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Subsidiary companies	2,570	2,703	(133)
Associated companies	364,118	290,176	73,942
Total	**366,688**	**292,879**	**73,809**

From the current year, the share in the newly incorporated Rho Fund of Euro 53.7 million is included under associated companies. This share, held by the Parent Company and by Milano Assicurazioni, corresponds to approx. 43% of the share capital of the Fund.
It was considered appropriate to include the holding under associated companies in relation to the powers which the shareholders have on some significant matters in the management of the Shareholders’ Meeting of the Fund, in spite of the governance agreements with the Fund which provides for Fimit SGR as the single manager, company in which neither Fondiaria-SAI nor its subsidiaries have any holdings or similar.

The investments in associated companies also includes the book value of IGLI S.p.A. for Euro 56.7 million, held equally by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni.

As already reported in the Directors' Report, the book value of IGLI S.p.A. was written down by approx. Euro 55 million, as a consequence of the Impregilo shares held by IGLI (which represents the only asset of the associated company) having an implicit carrying value significantly higher than the Stock Exchange price.
In order to determine the value in use of the investment, the value of the adjusted net equity was estimated, principally as the sum of the book net equity and of the losses of the investment in Impregilo. This latter was determined on the basis of the DCF method, Asset Side version, which utilised as a reference the operating cash flows of Impregilo, expected for the period 2009-2012 based on the latest estimates provided by analysts.
The resulting value was then increased for identifiable surplus assets, among which those related to the sale of the waste-to-energy plant at Acerra.
The analysis undertaken resulted in the identification of a valuation range per Impregilo share of an average value expected of Euro 3.2. A sensitivity analysis was also undertaken on the value per share of Impregilo, assuming differentials on a discount rate and on the cash flows equal to 0.25%: this analysis reports a value range between Euro 3.0 and Euro 3.5. It should be noted that the method used is in accordance with the principles contained in IAS 36, given that, also in relation to that established with IFRIC Update of January 2010, this standard remains the reference for the determination of the reduction of value of investments in subsidiaries, associated companies and joint ventures.

The account also increased by Euro 58 million due to the reclassification of the carrying value of the investment, of the so-called profit participating bond issued by the associated companies Ex-Var s.c.s. and Garibaldi s.c.s. It was considered appropriate to record these financial instruments, of a hybrid nature, directly in the carrying value of the investment in consideration of the impossibility to qualify this as L&R (in that the cash flows, as anchored to the results of the issuer, do not permit this classification) and to the difficulty to identify a fair value where classified as AFS.

The residual value of the most significant investments are represented by:

- Citylife S.r.l. for Euro 61.3 million;
- Finadin S.p.A. for Euro 43.7 million;
- Fin.Priv. S.r.l. for Euro 33.6 million;
- Valore Immobiliare S.r.l. for Euro 13.1 million;
- Butterfly AM S.a.r.l. for Euro 7.7 million;
- Progetto Alfiere S.p.A. for Euro 6.6 million.

The adjustments recorded in the income statement due to the valuation of the investments in associated companies was a loss of Euro 69 million and includes the previously cited IGLI investment.

4.3 Investments held to maturity

The account amounts to Euro 808,473 thousand (Euro 845,789 thousand at 31/12/2008) and is composed as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Debt securities	808,473	845,789	(37,325)
Total	**808,473**	**845,789**	**(37,325)**

From the previous year, the Group values the segment of the investments held to maturity.
The financial instruments included in this category are in accordance with the requisites of paragraph 9 of IAS 39. Therefore, they relate solely to debt securities with fixed maturities and fixed and determinable payments which the group has the intention and capacity to hold until maturity.
In addition, the category only includes financial instruments from the life sector held exclusively for policies with specific liabilities as defined by the current sector regulations.
This category includes listed securities for Euro 808,421 thousand, whose current value amounts to Euro 887,215 thousand.

4.4 Loans and receivables

The account amounts to Euro 2,908,010 thousand (Euro 1,776,024 at 31.12.08) and is composed as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Bank and interbank receivables	976,933	540,066	436,867
Debt securities	1,020,997	115,432	905,565
Time deposits and repurchases	136,193	297,229	(161,036)
Loans on life policies	61,327	64,280	(2,953)
Deposits held by reinsurers	28,570	31,045	(2,475)
Receivables from sub-agents for indemnities paid to agents terminated	232,305	219,354	12,951
Other loans and receivables	451,685	508,618	(56,933)
Total	**2,908,010**	**1,776,024**	**1,131,986**

The increase on 31/12/2008 is due to the reclassification of debt securities from Assets available-for-sale to loans and receivables. This reclassification, made as of January 1, 2009 and amounting to Euro 808,420 thousand (book value at January 1, 2009), was made in accordance with IAS 39 issued in October 2008 through the approval by EU regulation No.1004/2008.
The value transferred is equal to 2.4% of the total amount of the Investments of the Group at January 1, 2009: therefore this reclassification operation was not considered significant for the purposes of the compilation of the attachment relating to the “Details of the financial assets reclassified and of the effects on the income statement and on the total income”.

Utilising this option it was considered appropriate to reclassify some debt securities, held in the balance sheet at December 31, 2008, principally containing sub-ordination clauses and issued by corporate parties, which were valued at fair value at December 31, 2008 through an appropriate mark to model, in consideration of the illiquidity of the benchmark market and of the unreliability of the relative prices. The nature of the securities and the difficulties to define an objective fair value, in consideration of the current economic-financial crisis, did not permit normal pricing.
In consideration of the nature of the securities and of the intention and of the capacity of the Group to hold these assets for the foreseeable future or until maturity, the allocation of these financial instruments to the category of "loans and receivables" is clearly more appropriate, which through the valuation at amortised cost permits the recording of the income matured on the security in the income statement of the period.
The book value of the securities transferred at 31.12.09 was Euro 807,887 thousand and the fair value, determined on the basis of the above-mentioned mark-to-model method, substantially confirms the carrying value. There was no permanent loss in value on any security and the effect of the amortised cost resulted in the recording of income of Euro 12,628 thousand. The negative AFS reserve recorded on these securities on 01/01/2009 amounts to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39.
It should be noted also that this reclassification has an effect in 2009 in that, as explicitly outlined in IAS 39 103G, it is not possible to retroactively apply this change in 2008. However, the effects would not be significant.

The receivables from banks include the receivables of the subsidiaries BancaSai and Banca Gesfid from other credit institutions for deposits of Euro 470,085 thousand (Euro 84,907 thousand at December 31, 2008), as well as loans to client banks for Euro 506,848 thousand (Euro 455,159 thousand at December 31, 2008).

The debt securities includes, residually, in addition to the reclassifications previously described, the book values of some issues (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets for which it is considered that the relative fair value cannot be calculated in a precise manner.

The receivables from sub-agents for the recovery of indemnities paid to agents are recorded in this account in accordance with the requirements of Isvap Regulation No. 7/07 and in consideration of their interest bearing nature, in favour of the Group.

The other loans and receivables also include receivables of approx. Euro 176.0 million against the forward sale of Intesa SanPaolo shares owned by the Parent Company through the mandatory convertible exclusively in Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable was discounted, considering the time period of the maturity of the underlying forward sale of the mandatory issue.
The positive effect on the income statement for the year was Euro 5.7 million.

The account also includes Euro 209.6 million (Euro 195.3 million at December 31, 2008) relating to customer receivables of the subsidiary Finitalia.
Finally the account other loans and receivables includes Euro 12,384 of loans to the associated company HEDF Isola S.c.s., acquired during the year together with 43% of the share capital of this company which undertakes the development of the real estate project Porta Nuova Isola. The project provides for the building by 2013 of approx. 30,000 sq.m., of which approx. 22,000 sq.m. residential.

4.5 Available-for-sale financial assets

The available-for-sale financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.
The financial assets are divided as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Equity securities	1,695,610	1,541,909	153,701
Fund units	937,833	859,797	78,036
Debt securities	16,261,243	17,578,144	(1,316,901)
Other financial investments	1,972	2,865	(893)
TOTAL	**18,896,658**	**19,982,715**	**(1,086,057)**

The decrease is largely due to the deconsolidation of Bipiemme Vita: at December 31, 2008 the contribution amounted to Euro 1,670 million.

The reduction of the AFS investments, among other matters, relate to the already stated transfer of debt securities to the account "Loans and Receivables", partially offset by the adjustments in the period to fair value.

The equity securities of the AFS segment include listed securities of Euro 1,558.3 million, while the debt securities listed amount to Euro 16,230.9 million.
We report that, prevalently, the debt and equity securities included in this category are valued at fair value; among the equity securities we report the 2% holding of the Group in the Bank of Italy. This investment is measured at cost in the absence of an active market and given the wide variability of the possible estimates in value of this investment.

The listed equity securities included in the "Available-for-sale financial assets" include the following investments:

(in Euro thousands)	% holding (1)	Book value 2009	Book value 2008
Assicurazioni Generali S.p.A.	1.00	292,390	274,867
Unicredito S.p.A.	0.25	98,406	82,202
Gemina S.p.A.	4.18	35,252	23,005
Mediobanca S.p.A.	3.84	274,603	228,425
Monte dei Paschi S.p.A.	0.40	33,294	51,978
RCS S.p.A.	5.46	50,703	39,105
Pirelli & C. S.A. p.a.	4.48	98,792	61,592
Total		**883,080**	**761,174**
Other investments		675,219	641,779
Total		**1,558,299**	**1,402,953**

(1) Percentage calculated on the total voting share capital

The book value is adjusted to the stock exchange price on the last day of the year.

With reference to the composition of the AFS reserve (for the Group share and gross of the fiscal effects, both in relation to that borne by life policyholders under the shadow accounting technique) it is reported that the gross amount, positive for Euro 49 million, includes a positive component of Euro 221 million with reference to debt securities and investment fund units and a negative component of Euro 172 million relating to equity securities, these latter largely already present in the Group equity portfolio at December 31, 2008 and which record a decrease of the fair value in almost all of the cases inferior to 60% of the original carrying value.

With reference to the Group **impairment policy** relating to the AFS financial instruments reference should be made to the accounting principles section.
However it is recalled that following the publication of the "IFRIC Update" in July 2009, it is clear that the two criteria of "significant or prolonged" should be applied separately and not jointly. The requirement of the above stated Joint Document No.4 of March 3 has already been applied by the Group from the 2009 half-year report.

Therefore for the purposes of the recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. reduction of the market value above 80% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original book value, for a period of two years.

For the AFS financial instruments which do not enter within the above-mentioned criteria, in the presence of significant losses on equity securities, further analytical evaluations were made in order to assess indications of impairment.
Where such analysis indicate difficulty in recovery of the carrying value, the entire negative reserve is recorded in the income statement, even in the absence of exceeding the automatic thresholds described above. In relation to this, the Group examined all the positions in portfolio where the losses were above Euro 1 million or where the negative AFS reserve was between 20% and 80% of the original carrying value.
Consequently for the investments which report a significant decrease in fair value (generally between 20% and 80% and therefore not included in the automatic test), the analysis of the existence of an impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.

Therefore:

1. for the so-called significant investments of the Group such as:
   - Assicurazioni Generali;
   - Banca Intermobiliare:
   - Monte dei Paschi di Siena;
   - Unicredito;

   the stock exchange prices at 31/12/2009 report values below the original cost of the investment.

Therefore these investments, although there is no impairment test under the automatic policies as described above, were prudently subject to analytical valuations of a qualitative nature, carried out internally and with the assistance of independent experts. This analysis illustrated a value in use of the investments above the book value, therefore confirming the recording of the difference between the book value and the market value in the negative component of the AFS reserve, not relating therefore to an impairment. This analysis, based on methods commonly utilised by the operators, was based on published information (annual/interim accounts, industrial plans, presentation of data to the financial community etc.) in turn subject to a desk review procedure.

2. For the investments not within point 1) but which are significant amounts both in terms of carrying value and in terms of losses, a verification was made of the existence of one of the qualitative requisites as per paragraph 59 of IAS 39 (and in this case the reduction in value is recognised immediately in the income statement) and, in the absence thereof, analytical valuations.

3. For all the other investments, given their fragmentation and the lower amount of the related losses (as already cited or lower than the threshold of Euro 1 million in absolute terms or as the negative AFS reserve is within 20% of the cost), an impairment test was made only in the presence of one of the qualitative factors as per the above-mentioned paragraph 59.

4. In relation to the debt financial instruments, there is evidence of impairment if only one of the qualitative factors exists listed in the above-mentioned paragraph 59. For the debt securities which report a significant decrease in fair value at the reporting date, any analytical valuations are simplified in that the fundamental criteria principally concerns the probability of issuer default.

5. Finally it is reported that in relation to the investment fund units, the impairment policy takes account of the difficulties in the analytical valuations, in that these must be extended to the entire financial instruments which the units contain.
   For these purposes, the investment units analysed were principally bonds, separately compared to those composed of equity securities.
   For the first the impairment was recognised to the income statement in the case of default of the manager and/or underlying assets, while for the second any negative AFS reserve was recorded in the income statement even in the case where the loss was between 20% and 80% of the carrying value, provided that the income statement impact for all the funds and investment units exceeded the automatic thresholds.

Given the above, the reduction in value for impairment relating to the AFS assets amounted to Euro 157 million (Euro 203.2 million at December 31, 2008) and are summarised, by type, in the following table:

(in Euro millions)	**2009**	**2008**
EQUITIES	109.2	173.2
BONDS	6.2	29.1
FUND UNITS	41.6	0.9
TOTAL	**157.0**	**203.2**

Finally, in relation to the valuation of the investment in Gemina S.P.A., it is reported that in the statutory financial statements of the Parent Company the investment was adjusted to value in use at December 31, 2009, considering this adjustment as a permanent loss in value. This "value in use" is based on an analytical valuation which identified as Euro 1.00 the unitary value of the investment, a value below the book value but above the fair value at December 31, 2009. With the application of the IAS standards, the provisions of paragraph 68 of IAS 39 requires, in the case of reduction in value, the recording of the difference between the acquisition cost and the current fair value in the income statement.
It is therefore necessary to recognise in the income statement the entire amount of the negative AFS reserve relating to Gemina, which resulted in total charges in the income statement of Euro 47 million. In any case the holding would be written down in the presence of a prolonged decrease in fair value. As defined by the impairment policies of the Group.

4.6 Financial Assets at Fair Value recorded through profit or loss

The breakdown is as follows:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Equity securities	97,857	74,888	22,969
Fund units	410,088	954,633	(544,545)
Debt securities	7,470,196	6,600,852	869,344
Other financial investments	676,967	450,302	226,665
TOTAL	**8,655,108**	**8,080,675**	**574,433**

At December 31, 2008, Bipiemme Vita contributed Euro 1,705 million: this decrease is offset by the investments made by the subsidiary Lawrence Life, which amounted to Euro 2,150 million, following strong increase in business.

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 8,463,106 thousand (Euro 7,833,085 thousand at December 31, 2008) and these include the investments where the risk is borne by the policyholders and deriving from the management of pension funds for Euro 8,324 million (Euro 7,647 million at December 31, 2008).

It is recalled that the fair value of financial instruments traded on regulated markets is determined with the reference to the stock exchange prices recorded at the end of the final trading day of the year; it is also recalled that, in the case where the market price is not available, the reference price is the price available from the brokers.

For all the financial instruments for which no active market exists, the fair value is determined through valuation techniques based on:

- Most recent transaction prices between independent parties;
- The current market value of a similar instrument;
- The analysis of the discounted cash flows, in which the estimated future cash flows are based on the best estimates of management and the discount rate utilised is correlated to the market rate utilised for similar instruments;
- Valuation models of the options.

Where the fair value cannot be measured reliably, the financial instruments are measured at cost, considered as the fair value of the amount paid for the purchase of the investment. In this situation, all the transaction costs strictly attributable to the purchase are included in investment costs.

In the determination of the fair value, the Group bases its market valuations directly obtained from independent sources, if available, as this is normally considered the best evidence of fair value. In this case the fair value is the market price of the same financial instrument subject to valuation, taken from quotations on an active market. A market is considered as active when the quotations reflect normal market operations, readily and normally available through the Stock Exchange, listing services and brokers and express the effective and normal prices in the market.

Active markets are normally considered:

- the regulated market of securities and derivatives, with the exception of the Luxembourg financial market;
- the secondary market of the OICR units, expressed by the official NAV (Net Asset Value) based on which the SGR issuer must settle the units. This value may be adjusted to take account of the scarce liquidity of the fund, or of the time interval between the request date of repayment and that of the actual repayments;
- the organised exchange systems;
- some over-the-counter electronic trading circuits (e.g. Bloomberg), in the presence of some qualitative and quantitative parameters (presence of a certain number of contributors, spread between bid and ask prices contained between a determined tolerance threshold).

When a valuation is not applicable through Mark to Market, technical valuations must utilise information available on the market, based on the following valuation approaches:

- Comparable approach: in this case the fair value of the instrument is taken from the prices observed on recent transactions on similar instruments in active markets;
- Model Valuation: in the absence of observable transaction prices, relating to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model based on market data;
    - the debt securities are valued based on the expected cash flow method, adjusted to take account of the issuer risk and of the liquidity risk;
    - the derivative contracts are valued through a multiple of models, based on the input factors (risk rate, volatility, price risk, exchange risk, etc.) which impacts the relative valuation;
    - the non listed equity securities are valued with reference to transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

DERIVATIVE OPERATIONS

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity requires that the utilisation of derivative financial instruments are regulated in accordance with Supervision Authority Provision No. 297/1996.
In particular, the above-mentioned Provision provides that operations in derivative financial instruments with the purpose of managing so-called efficiency are contained at a tolerable level of the available solvency margin. In this context it is reported that the operations of the Group in derivative financial instruments are prevalently based on fair value hedge of some significant investments classified as available-for-sale, and to the containment of the interest rate risk on some liability operations.

Hedging derivatives
Against the first type (fair value hedge of significant investments), the Group prepared the relative hedging reports, which illustrate the high effectiveness of the hedges.

The carrying value at 31/12/2009 of the above-mentioned derivatives and the consequent adjustment to fair value of the Available-For-Sale shares by Company are listed below.

(in Euro thousands)	Assets for hedging contracts	Liabilities for hedging contracts	AFS Shares Hedged
Fondiaria-SAI S.p.A.	5,090	9,243	4,153
Milano Assicurazioni S.p.A.	484	-	(484)
Total	**5,574**	**9,243**	**3,669**

The carrying value of the hedged assets was adjusted to the fair value changes through profit or loss. The gains and losses deriving from fair value measurement of the hedge derivatives are also recognised in the income statement.
For the year 2009, relating to Fondiaria-SAI, against write-downs of Euro 11,298 thousand of the shares hedged, revaluations were made for a similar amount of the hedged derivatives. In addition, following the partial elimination of the hedge during 2009 there was a decrease in the derivative assets of Euro 34,741 thousand against the sale of Pirelli & C. ordinary shares and the realisation of the receivable for Euro 7,604 thousand against the closure of hedging contracts on Monte dei Paschi shares and Euro 15,328 thousand against the closure of hedging contracts on Mediobanca shares.
In relation to Milano Assicurazioni, following the total cancellation of the hedging on the Unicredit ordinary shares, during 2009, the receivable was realised, and thus decreasing the assets for derivative hedges of Euro 21,347 thousand and against new derivative hedges on the shares of Mediobanca, a receivable was recorded of Euro 484 thousand.

The impacts on the consolidated income statement was zero against the appreciation or depreciation of the hedged financial instruments recording respectively a gain or loss of a similar amount for the derivative hedged.

Against the second type of cover the Group signed Interest Rate Swap agreements to manage the risks deriving from changes in interest rates on the debt exposure with banks, converting a part of these loans from variable interest rate to fixed interest rate. These derivative financial instruments are recorded as assets when the fair value is positive, and as liabilities when negative. This fair value is periodically re-measured.

The fair value of the derivative financial instruments represents the present value of the cash flows that the company expects to receive from the contract: these changes in value are recorded against a net equity reserve and released subsequently to the income statement in order to neutralise the effects of the operation.
The part of gains or losses associated to the derivative hedged instrument which equals the absolute value of the fair value changes of the expected cash flows, being considered an effective hedge (range 80%-125%), must be recorded directly in equity; the ineffective portion of the gain or loss on the hedge instrument must be recognised in the income statement if this relates to overhedging. If on the other hand the excess of value is from the instrument hedged (underhedging), the entire fair value change recorded for the derivative must be recorded in net equity.

Where it is considered that the future transaction will not take place, all the components of gains and losses allocated to net equity must be immediately recognised in the income statement.
At the present moment there are contracts for a notional value of approx. Euro 902 million (Euro 760 million at 31/12/2008).
At the reporting date, the fair value of the IRS was estimated at around Euro -11.5 million. These derivative instruments are designated as future cash flow hedge instruments.

In detail, the IRS operations at 31/12/2009 are as follows:

(in Euro thousands)

Company	**Notional**	**Expiry**	**Fixed rate %**	**Variable rate**	**Fair value at 31/12/2009**
Fondiaria-SAI	200,000	23/07/13	3.970	Euribor 6 m Act/360	(7,929)
Fondiaria-SAI	100,000	23/07/13	3.930	Euribor 6 m Act/360	(3,832)
Fondiaria-SAI	100,000	23/07/13	3.990	Euribor 6 m Act/360	(4,031)
Fondiaria-SAI	150,000	14/07/16	3.180	Euribor 6 m Act/360	1,691
Fondiaria-SAI	100,000	30/12/15	3.080	Euribor 6 m Act/360	2,291
Fondiaria-SAI	100,000	14/07/18	3.309	Euribor 6 m Act/360	2,260
Milano Assicurazioni	50,000	14/07/16	3.180	Euribor 6 m Act/360	(620)
Tikal	25,000	30/12/09	3.185	Euribor 6 m Act/360	(452)
Marina di Loano	20,000	31/12/14	2.550	Euribor 3 months 30/360	(107)
BancaSai	10,000	02/02/14	3.050	Euribor 6 m Act/360	(274)
BancaSai	15,000	02/02/14	3.050	Euribor 6 m Act/360	(411)
BancaSai	2,200	01/02/14	3.725	Euribor 6 m Act/360	(59)
Total	**902,200**				**(11,474)**

Non-hedging derivatives

The Group does not undertake derivative contracts on currencies to hedge transactions and future cash flows, in that the currency risk exposure overall is immaterial and is covered through the mechanism of natural hedges between assets and liabilities in foreign currencies.

In relation to the non hedging derivative contracts, during the year two Forward Variance Swap contracts expired or were closed with a positive impact on the Income Statement of Euro 1,399 thousand and a negative impact of Euro 787 thousand. For Milano Assicurazioni the impact on the Income Statement was positive for Euro 700 thousand and negative for Euro 393 thousand

During the year the Group agreed Credit Default Swap contracts to protect the risks of insolvency of counterparty issuers of financial instruments acquired by the Group.
The cost of these hedges, relating to the current year, amounted to Euro 1,109 thousand for Fondiaria-SAI and Euro 272 thousand for Milano Assicurazioni which were recorded in the Income Statement of the year under asset and financial charges. Following the advanced closure of some Credit Default Swaps Fondiaria-SAI recorded income to be realised of Euro 511 thousand and losses to be realised of Euro 144 thousand and, in relation to Milano Assicurazioni, Euro 492 thousand was recorded for income to be realised and Euro 288 thousand recorded for losses to be realised. In any case it is reported, also considering the limited cost of the hedging, that the issuers of the financial instruments subscribed by the Group are primary financial operators of international standing.

At the year-end, the following Credit Default Swaps remain open:

(in Euro thousands)

Company	Notional	Expiry	Counterparty	Issuer hedged	Cost
Fondiaria-SAI S.p.A.	15,000	20/01/11	BNP Paribas	Banco Popolare sub.	100 bps per year
Fondiaria-SAI S.p.A.	4,400	20/03/14	BNP Paribas	Merrill Lynch	123 bps per year
Fondiaria-SAI S.p.A.	25,000	20/02/13	Morgan Stanley	Republic of Serbia	295.2 bps per year
Milano Assicurazioni S.p.A	4,411	20/03/14	BNP Paribas	Merrill Lynch	123 bps per year
Milano Assicurazioni S.p.A.	9,350	20/03/13	BNP Paribas	Morgan Stanley	100 bps per year

At the year-end, among the operations not-hedged the following Interest Rate Swaps remain open:

(in Euro thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value at 31/12/2009
Immobiliare Milano	21,428	31/12/12	3.770	Euribor 6 m 30/360	(721)
Immobiliare Milano	21,428	31/12/12	3.695	Euribor 6 m 30/360	(693)

In addition at 31/12/2009, the Parent Company has the following contracts:

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 834 contracts from BNP Paribas strike 30 maturity June 18, 2010 and sale Goldman Sachs strike 31.40. The purchase of Forward Variance Swap contracts permits the assumption of upward positions on the underlying volatility. The position presents a valuation gain at December 31, 2009 of Euro 110 thousand on the position sold and a valuation loss of Euro 39 thousand on the position purchased.
Milano Assicurazioni at 31/12/2009 also has the following contracts:

Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 416 contracts from BNP Paribas strike 30 maturity June 18, 2010 and sale Goldman Sachs strike 31.40. The position presents a valuation gain at December 31, 2009 of Euro 55 thousand on the position sold and a valuation loss of Euro 19 thousand on the position purchased.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Receivables from direct insurance operations	1,817,234	1,861,642	(44,408)
Receivables from reinsurance operations	133,333	138,325	(4,992)
Other receivables	472,318	520,039	(47,721)
TOTAL	**2,422,885**	**2,520,006**	**(97,121)**

The Group considers that the carrying value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.
The net balance of the taxes on sales is generally non-interest bearing and regulated with the relevant Tax Authorities on a monthly basis.

The composition of the receivables deriving from direct insurance operations is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Receivables from policyholders for premiums in year	831,950	876,356	(44,406)
Receivables from policyholders for premiums in previous years	23,517	25,428	(1,911)
Receivables from insurance brokers	733,741	696,895	36,846
Receivables from insurance companies	134,497	184,404	(49,907)
Amounts to be recovered from policyholders & third parties	93,529	78,559	14,970
TOTAL	**1,817,234**	**1,861,642**	**(44,408)**

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

The receivables from reinsurance operations include Euro 119,687 thousand (Euro 127,242 thousand in 2008) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 13,646 thousand (Euro 11,083 thousand in 2008) from reinsurance brokers. During the year no significant write downs were made on reinsurance assets.

The other receivables include trade receivables of Euro 66,628 thousand, principally comprising receivables from clients, as well as receivables from Tax Authorities for Euro 184,448 thousand and amounts requested for repayment, VAT receivables and payments on account for tax insurances (Legislative Decree 282/04).

6. OTHER ASSETS

The total amount of the account is Euro 4,920,061 thousand (Euro 939,393 thousand in 2008) and the account increased by Euro 3,980,668 thousand compared to the previous year.

The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Non-current assets or of a discontinued group held for sale	4,102,633	7,622	4,095,011
Deferred acquisition costs	142,111	226,969	(84,858)
Current tax assets	304,633	351,399	(46,766)
Deferred tax assets	174,230	117,314	56,916
Other assets	196,454	236,089	(39,635)
TOTAL	**4,920,061**	**939,393**	**3,980,668**

6.1 Non-current assets or of a discontinued group held for sale

At December 31, 2009, the discontinued assets amounted to Euro 4,102,633 thousand (Euro 7,622 thousand at December 31, 2008).

This refers principally to Bipiemme Vita S.p.A. (Euro 4,096,840 thousand)

As already reported in the directors´ report, in December 2009 Banca Popolare di Milano S.c.ar.l. and Milano Assicurazioni S.p.A. signed an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005.
The agreement provides for the repurchase by Banca Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a payment of approx. Euro 122 million. The transfer of the investment will take place, subject to obtaining the necessary authorisations, in the first half year of 2010.

Therefore, in accordance with IFRS 5, the 2009 data of Bipiemme Vita is not fully consolidated but reclassified in specific accounts in the financial statements (Non-current Assets and Liabilities or discontinued group held for sale and Profit/loss from discontinued operations).

Reference should be made to Part F of the present notes for greater information on the composition of these assets.

The account also includes Euro 5,191 thousand relating to the building located in Trieste, Riva Tommaso Gulli, in the course of conferment to the Immobiliare Rho Fund at December 31, 2009. Ownership was transferred on March 23, 2010.

6.2 Deferred acquisition costs

The deferred acquisition costs, amounting to Euro 142,111 thousand (Euro 226,969 thousand at December 31, 2008), principally refer to the acquisition commissions to be amortised on the long-term contracts in the Life and Non-Life sectors of the traditional companies. These amounts are deferred and amortised over seven years for the Non-Life classes and six years for the Life classes in accordance with analysis on the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

The net decrease amounts to Euro 84,858 thousand. It is recalled that the Parent Company and Milano Assicurazioni no longer record in the Non-Life Division the long-term commissions in that, following the abolition of the long-term contracts in accordance with the Bersani decrees, the remuneration policy of the agency networks has changed substantially. The increase in the year refers exclusively to the contribution of DDOR. The increase in the Life Division relates almost exclusively to the contribution of the subsidiary Popolare Vita and relates to the upfront commissions paid to the sales network on unit linked contracts, with significant insurance risks.

The amortisation period in this case was estimated as three years. In fact, in this time period the charge would be recovered both through the correlated management commissions and through any surrender penalty charges. **The movements during the year were as follows:**

	31/12/2009			
(in Euro thousands)	**Non-Life Division**	**Life Division**	**Total**	**31/12/2008**
Balance at beginning of year	187,327	39,642	226,969	290,517
Increases in the year	6,981	8,107	15,088	40,375
Amortisation in year (-)	(78,942)	(17,074)	(96,016)	(96,586)
Impairment in value recorded in year (-)	(3,424)	-	(3,424)	(7,337)
Other changes	(506)	-	(506)	-
Balance at end of year	**111,436**	**30,675**	**142,111**	**226,969**

The loss in value recorded during the year refers to the lower future utilisation of the amounts capitalised against the insurance contracts reversed and/or reformed. There are no deferred acquisition costs recorded against reinsurance contracts.

6.3 Deferred tax assets

The account amounts to Euro 174,230 thousand (Euro 117,314 thousand in 2008) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the “balance sheet liability method” as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.

The amount at the end of the year takes into account the compensation made, by each of the Group companies, with the corresponding deferred tax liabilities, in accordance with IAS 12.

6.4 Current tax assets

The current tax assets, amounting to Euro 304,633 thousand (Euro 351,399 thousand at December 31, 2008), refer to the financial receivables for payments on account, withholding taxes and income tax credits.
The account also includes the amounts paid on account pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented. This is in accordance with Isvap Regulation No. 7/2007, as not relating to activity applicable under IAS 12.

The balance at the end of the year takes into account the compensations made with the current fiscal liabilities due to a direct legal right to set these amounts off by the individual companies of the Group and by the Parent Company on behalf of the companies which participate in a fiscal consolidation, paying and settling the IRES income taxes jointly.
The account does not include the amount reclassified to the account "Other receivables" for the tax credits of various natures requested as a tax reimbursement.

6.5 Other assets

The other assets amount to Euro 196,454 thousand (Euro 236,089 thousand at December 31, 2008) and comprise:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Transitory reinsurance accounts	2,451	1,499	952
Deferred commission expenses for life investment management services	20,482	48,511	(28,029)
Downpayment on the actuarial reserve tax as per Leg. Decree No. 209/03	57,614	59,855	(2,241)
Indemnities paid not applied	20,297	9,330	10,967
Other assets	95,610	116,894	(21,284)
TOTAL	**196,454**	**236,089**	**(39,635)**

7. CASH AND CASH EQUIVALENTS

The account amounts to Euro 576,033 thousand (Euro 760,072 thousand at 31/12/2008).

The account includes the liquidity held by the Group and deposits and bank current account with maturity less than 15 days. They include highly liquid assets (cash and deposits on demand) and cash equivalents or rather short term financial investments, readily convertible into known cash amounts and which are not subject to variations in value.
The book value of these assets closely approximates their fair value. The deposits and bank current accounts are remunerated at fixed or variable interest rates which mature and/or are credited on a quarterly basis or in relation to the lower duration of the restrictions on the deposits.

Balance Sheet – Shareholders’ Equity & Liabilities

1. SHAREHOLDERS’ EQUITY

The consolidated net equity, amounting to Euro 3,710,651 thousand, includes the result for the year and the minority share and decreased by Euro -184,157 thousand compared to 2008.

The movements in the year are shown below:

(in Euro thousands)	**2009**	**2008**	**Changes**
Group Shareholders' Equity	**2,716,187**	**2,934,779**	**(218,592)**
Share Capital	167,044	167,044	-
Other equity instruments	-	-	-
Capital reserves	209,947	209,947	-
Retained earnings and other reserves	3,010,474	3,069,434	(58,960)
Treasury shares	(321,933)	(302,573)	(19,360)
Translation reserve	(3,857)	4,043	(7,900)
Profit or loss on available-for-sale financial assets	(53,957)	(350,020)	296,063
Other gains and losses recorded directly in equity	51,062	49,495	1,567
Group profit/(loss)	(342,593)	87,409	(430,002)
Minority Interest share of Net Equity	**994,464**	**960,029**	**34,435**
Minority capital and reserves	1,071,435	1,054,232	17,203
Gains and losses recorded directly in equity	(28,051)	(97,558)	69,507
Minority interest profit/(loss)	(48,920)	3,355	(52,275)
TOTAL	**3,710,651**	**3,894,808**	**(184,157)**

The disclosures required by IAS 1.76a are provided below:

	Ordinary 31/12/2009	**Savings 31/12/2009**	**Ordinary 31/12/2008**	**Savings 31/12/2008**
Number of shares issued	124,482,490	42,561,222	124,482,490	42,561,222

Changes in shares outstanding	**Ordinary**	**Savings**	**Total**
Shares existing at 01/01/2009	124,482,490	42,561,222	167,043,712
Treasury shares (-)	12,782,557		12,782,557
Shares outstanding: balance at 01/01/2009	111,699,933	42,561,222	154,261,155
<u>Increases:</u>			
Sale of treasury shares	-	-	-
Exercise of warrants	-	-	-
<u>Decreases:</u>			
Acquisition of treasury shares	1,600,000	-	1,600,000
Shares outstanding: balance at 31/12/2009	110,099,933	42,561,222	152,661,155

Nature and purpose of the other reserves

The retained earnings and the other capital reserves include the other net equity reserves in the financial statements of the Parent Company, increased by the allocation of the results for 2009 (reference should be made to the notes to the financial statements of the Parent Company relating to the changes therein) in addition to the consolidation reserves.

1.1.5 Treasury shares

The account amounts to Euro 322 million (Euro 302.6 million at 31/12/2008). This account includes the book value of the instruments representative of the capital of the Parent Company Fondiaria-SAI for Euro 64.4 million while the residual amount refers to the positions held by the subsidiaries Milano Assicurazioni S.p.A. (Euro 229.3 million) and Sai Holding S.p.A. (Euro 28.3 million).

The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases operations undertaken during the year, no profits or losses were recorded in the income statement.

1.6 Reserve for net exchange differences

The balance is a negative amount of Euro 3,857 thousand (positive for Euro 4,043 thousand at 31.12.08) and includes the translation differences deriving from the conversion of the foreign subsidiaries financial statements into Euro.

1.17 Profit or loss on available-for-sale financial assets

The account, negative for Euro 53,957 thousand, includes the gains and losses deriving from the valuation of the available-for-sale financial assets. This is shown net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities. In particular the account includes a positive amount of Euro 49 million relating to the AFS financial instruments in portfolio and a negative amount of Euro 86 million relating to the application of the shadow accounting technique. To this is added Euro 17 million (negative) relating to the fiscal effects of the two matters outlined above.

1.1.18 Other gains and losses in the year recorded directly in equity

The account, amounting to Euro 51.1 million, includes Euro 7.4 million relating to profits or losses on cash flow hedging instruments, in addition to Euro 53.6 million of reserves which includes the reversal of gains realised on subsidiary holdings.

In fact, as illustrated in the accounting principles, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the earnings of the consolidated financial statements as they are considered as mere modifications in the ownership structure of the Group. An exception are the results in the separated management of the Life Division.

The residual amount refers principally to losses of an actuarial nature consequent of the application of IAS 19.

1.2 Minority interest shareholders' equity

The minority interest net equity, including the result for the year, increased by Euro 34.4 million, attributable to the minority interest share of the Milano Group, as well as the subsidiary Popolare Vita S.p.A.

The change in the consolidated net equity is shown in the specific table.

Statement of reconciliation between the financial statements of the Parent Company and the Consolidated Financial Statements

The reconciliation is shown below of the shareholders' equity and net profit of the Parent Company and of the Group as per Consob Communication No. 6064293 of July 28, 2006.

(in Euro thousands)	Profit/(loss) for the year	
	31/12/09	**31/12/08**
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**40,216**	**69,591**
IAS 38 "Intangible assets"		
Goodwill	47,962	47,962
Other intangible assets	5,149	8,645
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(37,223)	(15,497)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	1,403	(8,919)
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	(2,255)	(2,024)
IAS 39 "Financial Instruments"		
Financing assets	(214,951)	257,689
Financial liabilities	3,997	2,014
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium reserve	6,551	5,157
Actuarial reserves	(15,143)	27,978
Service component linked policies (IAS 18)	-	-
IFRS 2 "Share-based payment"		
Stock options	(1,734)	(5,315)
Tax effect on the reconciliation accounts	70,114	(100,552)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**(95,914)**	**286,729**
Consolidation adjustments:		
Results of consolidated companies:		
Line-by-line	14,300	107,606
Under the equity method	(1,526)	1,274
Application of group accounting principles, translation adjustment and other	(49,257)	(90,855)
Amortisation VOBA/Goodwill impairment	(54,085)	(45,022)
Elimination effects of inter-group operations:		
Inter-group dividends	(142,586)	(216,735)
Other intra-group operations	(99,008)	24,625
Tax effects of the consolidation adjustments	36,563	23,142
Consolidated Result as per IAS/IFRS	**(391,513)**	**90,764**
MINORITY SHARE	**48,920**	**(3,355)**
Group Result as per IAS/IFRS	**(342,593)**	**87,409**

(in Euro thousands)	Net Equity incl. result	
	31/12/09	**31/12/08**
Financial Statements of Fondiaria-SAI S.p.A. as per Italian GAAP	**2,486,065**	**2,530,953**
IAS 38 "Intangible assets"		
Goodwill	239,811	191,849
Other intangible assets	22,733	14,089
IAS 16-40 "Buildings and investment propoerty"		
Buildings	(113,733)	(96,306)
IAS 19 "Employee Benefits"		
Leaving indemnity and other employment benefit	(17,945)	(11,876)
IAS 37 "Provisions, contingent liabilities and assets"		
Risk provisions	12,522	14,546
IAS 39 "Financial Instruments"		
Financing assets		
Available-for-sale	24,906	(473,577)
Fair value through income statement and other financial assets	297,443	42,120
Financial liabilities	(7,541)	(9,555)
IFRS 4 "Insurance contracts"		
Equalisation and unearned premium reserve	66,022	60,865
Actuarial reserves	27,040	284,335
Service component linked policies (IAS 18)	(206)	(206)
IFRS 2 "Share-based payment"		
Stock options	1,734	5,315
Tax effect on IAS/IFRS adjustments	(183,816)	(48,841)
Financial Statements of Fondiaria-SAI S.p.A. as per IAS/IFRS	**2,855,035**	**2,503,711**
Consolidation adjustments:		
Difference between carrying value and share of equity of the companies consolidated:		
Line-by-line	1,503,443	1,416,728
Under the equity method	5,791	565
Elimination effects of inter-group operations:		
Inter-group dividends	54,765	116,121
Other intra-group operations	(98,885)	(123,511)
Application of group accounting principles	(141,549)	233,906
Effect currency translation of financial statements	(7,900)	2,420
Tax effects of the consolidation adjustments	(29,701)	(43,323)
Elimination of treasury shares	(321,933)	(302,573)
Consolidated Shareholders' Equity as per IAS/IFRS accounting standards	**4,102,164**	**3,804,044**
MINORITY SHARE	**(1,043,384)**	**(956,674)**
Group Shareholders' Equity as per IAS/IFRS accounting standards	**3,058,780**	**2,847,370**

2. PROVISIONS

The account amounts to Euro 298,631 thousand (Euro 463,037 thousand at 31/12/2008) and comprises:

(in Euro thousands)	2009	2008	Changes
Provisions of a fiscal nature	54	54	-
Other provisions	298,577	462,983	(164,406)
TOTAL	**298,631**	**463,037**	**(164,406)**

The other provisions include amounts for which uncertainty exists as to the payment date or the amount of future expenses required to comply with the obligation. The movements in the year are shown below:

(in Euro thousands)	Urbanisation charges	Non-fiscal disputes	Personnel charges	Non-recoverable amounts from brokers	Other charges	Total
Value at beginning of year	**4,334**	**148,204**	**29,624**	**25,136**	**255,685**	**462,983**
Increases in the year		7,141	6,136	3,338	10,635	27,250
Utilisation in year for charges incurred		(27,416)	(5,507)	(1,352)	(153,254)	(187,529)
Utilisation reversed through income statement		(1,974)			(2,627)	(4,601)
Changes for financial charges matured or for changes in rates		474				474
Value at end of year	**4,334**	**126,429**	**30,253**	**27,122**	**110,439**	**298,577**

With reference to the other provisions, further information is provided below.

Non-fiscal disputes

The provision includes the best possible estimates made by the Group to meet disputes with brokers, policyholders, personnel and third parties.
The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Group is party. The estimate of the provisions was made with reference to past internal experience and technical evaluations made by the legal advisors of the Group.
With reference to the disputes in course it is considered that the time period for the payments are not such as to discount the amounts. The net effect in the income statement of the period of the discounting made was a negative amount of Euro 0.5 million and consequent of the recalculation of the estimated timing for any payments.

The provision also includes the amounts made against the so-called “Opa Offer” litigation which was described in the Directors’ Report in the litigation section. Considering the importance of the litigation, although this case currently appears favourable to the Group in light of the sentence of the Milan Appeals Court, it is considered appropriate, pursuant to IAS 37.92, not to provide details on the amount accrued.

Personnel charges

The provision also includes probable liabilities which will arise from past employment services. In particular, the provision includes charges for vacation days not taken and leaving incentive charges already formally underwritten by the employee and by management.
In this case, considering the limited time period for the financial payments it was not considered necessary to apply any discounting. The decrease in the year is due to the costs sustained and provisions made in the previous years against the renewal of the collective labour contract in the insurance sector.

Non-recoverable amounts from brokers

The provision includes the best estimate made for valuing the current charge deriving from possible liabilities consequent of the recharge, as per the agents' national contract, to the new brokers in the agency mandates which have expired.
The estimate of the charge was made following the discounting process of the indemnities matured by the agents of the Group at the reporting date. On this amount, the historical experience of the Group determined the possible loss which was in turn discounted utilising, as financial assumptions, a risk free interest rate curve.

Urbanisation charges

This account represents a certain but estimated liability for the urbanisation work to be completed, as well as the charges to be paid. The account refers to the subsidiary Immobiliare Lombarda S.p.A., operating in the real estate sector. There were no changes in the period.

Other charges

The account refers to provisions relating to various insignificant unitary amounts including the maintenance provisions provided contractually by the companies operating in the real estate sector or those already programmed by the companies of the Group owner of buildings against the estimated cost for restoration and modifications to be made to the properties.
Also included are the leaving indemnities to be paid to different categories of employees.
The significant decrease compared to the previous year is due for Euro 150 million to the utilisation of the charge recorded by the subsidiary Popolare Vita to protect policyholders subscribing to Index policies with underlying Lehman Brothers securities.

With reference to the provisions of IAS 37, it is reported that the Group is not aware of any potential assets or liabilities of a significant size for which it is necessary to provide specific information.

3. TECHNICAL RESERVES

The account amounts to Euro 31,718,050 thousand and increased by Euro 2,396,514 thousand on 2008.

The breakdown of the technical reserves is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
NON-LIFE SECTOR			
Unearned premium reserve	2,730,646	2,696,189	34,457
Claims reserve	8,924,047	8,570,978	353,069
Others	13,542	14,444	(902)
Total Non-Life Division	**11,668,235**	**11,281,611**	**386,624**
LIFE SECTOR			
Actuarial reserves	13,518,260	13,866,415	(348,155)
Reserve for claims to be paid	155,054	234,445	(79,391)
Technical reserves where investment risk borne by policyholders and from pension fund management	6,265,181	4,245,012	2,020,169
Others	111,320	(305,947)	417,267
Total Life Division	**20,049,815**	**18,039,925**	**2,009,890**
TOTAL TECHNICAL RESERVES	**31,718,050**	**29,321,536**	**2,396,514**

At December 31, 2008, Bipiemme Vita contributed Euro 2,006 million: this reduction is offset by the increase in business from the subsidiary Lawrence Life which recorded an increase in the reserves of Euro 2,001 million.

With reference to the Non-Life sector, the premium reserve includes the reserve for the fraction of premium of Euro 2,719,027 thousand and the reserve for risks in course of Euro 11,619 thousand.
The other technical reserves of the Non-Life division refer entirely to the ageing reserve pursuant to article 37 of Legislative Decree 209/05.
The claims reserve includes the reserve on the IBNR claims incurred but not yet reported (IFRS 4 IG22C) equal to Euro 910,462 thousand.

With reference to the Life sector, the actuarial reserve includes the additional reserve on the financial risk equal to Euro 48,078 thousand (Euro 82,368 thousand at December 31, 2008), as indicated in ISVAP Regulation No. 21 of March 28, 2008, and already implemented by article 25, paragraph 12 of Legislative Decree 174/95.
The “other technical reserves” in the Life Division include the deferred liabilities to policyholders against the contracts with a discretional participation of the profits (IFRS 4.1G22f) for Euro 7,739 thousand (Euro -437,127 thousand at 31/12/2008). The residual amount principally relates to reserves for future expenses.
In particular, the Group considered the re-valuable contracts in the Life sector as contracts containing a discretional participation element and related to the return of the separated management. In this case, the policyholder can in fact discretionally intervene and determine the rate of payment and the return. The shadow accounting treatment was applied to these contracts.

With reference to the financial liabilities relating to contracts with discretional participation components, as defined by IFRS 4.2b), these liabilities are classified within the technical reserves and their carrying value amounted to Euro 6,360,701 thousand (Euro 7,938,105 thousand at December 31, 2008).
Relating to these types of contracts, in the absence of new regulations and best practice on the valuation methodology of the fair value of the insurance reserves, it is obviously difficult to provide precise quantifications as there is a need for specific decisions on this matter at a regulatory level.

The movements in the reserves in the year are shown below:

(in Euro thousands)		31/12/2009	
	Non-Life Division	**Life Division**	**Total**
Balance at beginning of year	11,281,611	18,039,925	29,321,536
Increases in the year	3,157,592	6,601,671	9,759,263
Payments (-)	(3,048,406)	(2,712,878)	(5,761,284)
(Gains) or losses recorded through profit or loss	289,910	129,961	419,871
Reserves acquired or transferred to other insurers	(458)	(5,219)	(5,677)
Exchange differences/Other changes	(12,014)	(2,003,645)	(2,015,659)
Reserve at end of year	**11,668,235**	**20,049,815**	**31,718,050**

The "Other changes" include Euro 3 million relating to the Non-Life Classes and Euro 2,003 million to the Life Classes relating to the technical reserves held at December 31, 2008 of the company Bipiemme Vita.

4. FINANCIAL LIABILITIES

(in Euro thousands)	**2009**	**2008**	**Changes**
Financial liabilities at fair value through profit or loss account	2,085,415	3,454,262	(1,368,847)
Other financial liabilities	2,665,045	2,808,946	(143,901)
Total	**4,750,460**	**6,263,208**	**(1,512,748)**

Financial liabilities at fair value recorded through Profit or loss

The Financial liabilities at fair value recorded through the profit or loss are:

Financial liabilities held for trading

The account amounts to Euro 15,779 thousand (Euro 52,344 thousand at 31/12/2008).

Financial liabilities designated at Fair Value recorded through profit or loss

The account amounts to Euro 2,069,636 thousand (Euro 3,401,919 thousand at 31/12/2008).
In accordance with IAS 39, the account includes the investment contracts not in application of IFRS 4 as they do not have a significant insurance risk and, therefore, accounted in accordance with the Deposit Accounting method.
The account amounts to Euro 2,058,035 thousand (Euro 3,400,975 thousand at 31/12/2008).
There are no financial liabilities in the "Fair value through profit or loss" for which the component of fair value change is not to be attributed significantly to changes in the market prices.

4.2 Other financial liabilities

The account amounts to Euro 2,665,045 thousand (Euro 2,808,946 thousand at 31/12/2008).
The account includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss".
They include deposits as guarantee in relation to risks ceded in reinsurance of Euro 266,089 thousand (Euro 292,767 thousand at 31/12/2008) and sub-ordinate payables of Euro 1,040,425 thousand (Euro 1,050,497 thousand at 31/12/2008). This latter refers, for Euro 151,776 thousand, to the Milano Assicurazioni Group.

With reference to the other bank payables and other lenders, amounting to Euro 1,358,531 thousand (Euro 1,465,682 thousand in 2008), we report the most significant amounts:

- Euro 139.4 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 increase profitability. 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 interest derivative instruments, of which only two still in place at year-end, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 82.4 million refers entirely to the debt of the subsidiary Immobiliare Milano. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is 31/12/2012;
- Euro 76.3 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan signed by Marina di Loano with Intesa SanPaolo with maturity on 17/03/2014 and an interest rate of Euribor at 3 months increased by 300 basis points. The company utilised a derivative instrument, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted. There are also two mortgages in place. The first in relation to the subsidiary Crivelli with maturity on 27/06/2017 at an interest rate of Euribor at 6 months increased by 90 basis points; the second for the subsidiary Meridiano Secondo with maturity on 25/09/2012 at an interest rate of Euribor at 3 months increased by 90 basis points;
- Euro 182.4 million mandatory agreed by the subsidiary Sainternational S.A., with maturity in 2010.

The account also includes customer deposits of the subsidiaries BancaSai and Banca Gesfid of Euro 579,289 thousand.

5. PAYABLES

The account amounts to Euro 850,121 thousand and is comprised of:

(in Euro thousands)	2009	2008	Changes
Payables from direct insurance operations	135,466	120,625	14,841
Payables from reinsurance operations	99,010	89,170	9,840
Other payables	615,645	748,406	(132,761)
Total	**850,121**	**958,201**	**(108,080)**

With reference to the payables deriving from the direct insurance operations, they consist of:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Payables to insurance brokers	95,243	99,384	(4,141)
Payables to insurance companies	37,929	17,824	20,105
Payables for policyholder deposits	798	848	(50)
Payables for guarantee provisions for policyholders	1,496	2,569	(1,073)
Total	**135,466**	**120,625**	**14,841**

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 79,673 thousand (Euro 63,518 thousand in 2008) and Euro 19,337 thousand to reinsurance brokers (Euro 25,652 thousand in 2008).

The breakdown of the other payables is shown below:

(in Euro thousands)	2009	2008	Changes
Trade payables	311,593	228,794	82,799
Employee leaving indemnity	87,884	83,299	4,585
Policyholders' tax due	94,202	106,369	(12,167)
Other taxes due	58,948	83,120	(24,172)
Due to social security and welfare institutions	23,636	21,987	1,649
Other payables	39,382	224,837	(185,455)
Total	**615,645**	**748,406**	**(132,761)**

The other tax payables include Euro 57,614 thousand relating to the payment on account of the life actuarial reserve pursuant to article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (converted by Law 262/2002).

Employee leaving indemnity

It is recalled that due to the 2007 Finance Act (Law No. 296/2006) that the Complementary Pension Reform was brought forward to January 1, 2007.

Based on this reform, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity matured from January 1, 2007 to complementary pension funds or maintain the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the leaving indemnity matured remained in the company.

For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company; the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes; the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, not within the application of IAS 19.

The movements in the year are shown below:

(in Euro thousands)	**31/12/2009**	**31/12/2008**	**Changes**
Balance at beginning of year	**83,299**	**85,316**	**(2,017)**
Provisions to income statement for Interest Cost	2,396	3,755	(1,359)
Provisions to income statement for Service Cost	211	251	(40)
Actuarial Gains/Losses	2,491	4,588	(2,097)
Utilisations	(9,925)	(12,257)	2,332
Changes in the consolidation scope	9,412	1,646	7,767
Balance at end of year	**87,884**	**83,299**	**4,586**

The decrease in the market rates observed in 2009 produced a reduction in the effect of discounting the future cash flows and consequently a reduction in the Actuarial Gains/Losses components and therefore of the IAS liability. In fact, it is recalled that the actuarial gains and losses derive from changes in the assumptions including financial assumptions in the previous calculation model compared to those which occurred during the valuation period.

The principal statistical-actuarial and financial assumptions utilised for the determination of the Employee Leaving Indemnity in accordance with IAS 19 are shown below.

(values in %)	Employee leaving indemnity provision			
	1	2	3	4
ATAHOTELS	4.58	3.86	1.50	5.63
BANCASAI	4.80	3.86	1.50	5.63
CASA DI CURA VILLA DONATELLO	4.66	3.86	1.50	5.63
CASA DI CURA VILLANOVA	4.47	3.86	1.50	5.63
DIALOGO	4.80	3.13	1.50	3.01
EUROPA	4.35	3.13	1.50	3.01
FINITALIA	4.74	3.13	1.50	3.01
FONDIARIA-SAI	4.19	3.86	1.50	5.63
GRUPPO FS SERVIZI	4.74	3.86	1.50	5.63
IMMOBILIARE LOMBARDA	4.66	3.86	1.50	5.63
ITALRESIDENCE	4.74	3.86	1.50	5.63
LIGURIA DANNI	4.19	3.86	1.50	5.63
LIGURIA VITA	3.55	3.86	1.50	5.63
MARINA DI LOANO	4.47	3.86	1.50	5.63
MILANO ASSICURAZIONI (*)	4.35	3.13	1.50	3.01
PRONTO ASSISTANCE	4.80	3.86	1.50	5.63
SAI A.M. SGR	4.74	3.13	1.50	3.01
SAI MERCATI MOBILIARI	4.66	3.86	1.50	5.63
SIAT	4.19	3.86	1.50	5.63
SISTEMI SANITARI	4.58	3.86	1.50	5.63
SYSTEMA	4.80	3.13	1.50	3.01

(*) includes SASA Assicurazioni

1 = Discount rate
2 = Expected rate of salary increments
3 = Expected inflation rate
4 = Turn Over

It is reported that the average data in the year represents indicative parameters, because they are calculated with levels of reasonable aggregation and approximation. For this reason, the methodological choices made for the analytical definition of the principal actuarial assumptions are shown below:

- Discount rate: utilisation of an interest rate curve at the valuation date, instead of a constant curve, representative of the issue of primary corporate bonds (Bloomberg).
- Expected rate of salary increments: update of the historical series for the last two years (period 2008-2009) of the corporate remuneration and their calibration on the basis of the Collective Contract category and the expected inflation. The salary increase assumptions were differentiated by contract and employee service period.

- Turn Over: update of the historical series with the last two years (period 2008-2009) relating to the personnel leaving and their normalisation on the basis of "extraordinary" factors verified in the period. The turnover assumptions were differentiated for contract, age and gender.
- Inflation rate: the inflation scenario was utilised as reported in the current Economic and Financial Programme Document at the valuation date.

Health assistance post service

The Group implemented some health assistant programmes for some directors in pension and their families. This benefit is payable to surviving spouses and supporting children. The accounting method and the actuarial assumptions are similar to those utilised for a defined pension plan.
The tables below show the analytical information relating to the movements of the liabilities related to the Executive Pension Health Coverage, as well as the principal demographic and financial assumptions adopted for the calculation of the Fund in accordance with the "Projected Unit Credit Method".

Company (in Euro thousands)	**Provision at 31/12/2009**	**Service Cost 2009**	**Provision at 31/12/2008**	**Service Cost 2008**
FONDIARIA-SAI	15,543	140	20,885	169
MILANO ASSICURAZIONI(*)	7,868	72	10,625	92
SIAT	256	9	313	10
SAI A.M. Sgr	264	2	43	6
Total Group	**23,931**	**223**	**31,866**	**277**

(*) includes SASA Assicurazioni

(values in %)	**Executive Assistance**			
	1	**2**	**3**	**4**
FONDIARIA-SAI	3.77	n/a	1.50	6.97
MILANO ASSICURAZIONI	3.77	n/a	1.50	5.02
SIAT	3.77	n/a	1.50	6.97
SAI A.M. Sgr	3.77	n/a	1.50	5.02

1 = Discount rate
2 = Expected rate of salary increments
3 = Expected inflation rate
4 = Turn Over

In relation to the assumptions of increases in health costs, an analysis was made of the historical repayment data (period 2001-2009). The decrease of the reimbursements may be due to two factors, the adjustment for inflation and the "natural" increase due to ageing.

6. OTHER LIABILITIES

The breakdown is as follows:

(in Euro thousands)	2009	2008	Changes
Liabilities in a discontinued group held for sale	3,873,998	-	3,873,998
Deferred tax liabilities	137,761	249,586	(111,825)
Current tax liabilities	16,977	8,056	8,921
Other liabilities	476,019	476,635	(616)
TOTAL	**4,504,755**	**734,277**	**3,770,478**

6.1 Liabilities of a discontinued group held for sale

The liabilities of a discontinued group held for sale relate to the book value of the liabilities of the subsidiary Bipiemme Vita.
Reference should be made to the related account under assets.

6.2 Deferred tax liabilities

The deferred tax liabilities, amounting to Euro 137,761 thousand (Euro 249,586 thousand at December 31, 2008), include all the temporary tax differences, relating to balance sheet and income statement accounts, which will reverse in future years.
The balance takes into account the compensation, where permitted, with the corresponding deferred tax asset in accordance with IAS 12.
The net negative impact of the deferred tax liabilities recorded in the income statement in the year was Euro 60,373 thousand (Euro 143.361 in 2008).

6.3 Current tax liabilities

The account amounts to Euro 16,977 thousand (Euro 8,056 thousand at December 31, 2008) and refer to the total income tax accrued by the Group at the year-end and calculated applying the respective assessable income tax basis - this latter determined through prudent estimates of the nominal tax rates in force at the year-end.
In relation to that already reported on current and deferred income taxes, the amount recorded at the end of the year takes into account the compensations made with the corresponding current tax assets, by the individual companies and within the Group which participates in the taxation consolidation of the Parent Company.

6.4 Other liabilities

The Other liabilities amount to Euro 476,019 thousand (Euro 476,635 thousand at December 31, 2008) and are comprised of:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Commissions on premium collection	126,061	133,648	(7,587)
Deferred commission expenses for life investment management services	25,873	69,173	(43,300)
Cheques issued against claims and life sums collected by the beneficiaries after year end	32,033	35,733	(3,700)
Transitory reinsurance accounts	2,058	950	1,108
Other liabilities	289,994	237,131	52,863
TOTAL	**476,019**	**476,635**	**(616)**

Risks and commitments not recorded in the Balance Sheet

In accordance with the international accounting standards IAS/IFRS the Financial Statements must not solely contain accounting data, but also information on risks and uncertainties of the company, in addition to resources and obligations not present in the Balance Sheet.

The classification proposed by these accounting standards requires that the memorandum accounts are shown "under the line" of the Balance Sheet relating to risks and commitments assumed by the company and assets of third parties held.

Secured guarantees by the Group in favour of third parties

These amount to Euro 308,699 thousand compared to Euro 686,905 thousand in the previous year and include: Euro 205,200 thousand of mortgages recorded on property owned in favour of banks; Euro 49,658 thousand for secured guarantees relating to bank deposits on which there is a pledge, in relation to disputes on claims; Euro 4,813 thousand refers to the assets to guarantee reinsurance operations.

Other guarantees by the Group in favour of third parties

The other guarantees amount to Euro 52,901 thousand compared to Euro 26,595 thousand in the previous year and principally represent the sureties given on behalf of other companies.

Guarantees provided by third parties on behalf of the Group

At the year-end they amount to Euro 128,652 thousand (Euro 168,930 thousand in 2008) and prevalently include the guarantees given in favour of the Direct Indemnity Consortium and in favour of CONSAP to guarantee the commitments deriving from the CARD convention.

Guarantees received

These amount at year-end to Euro 209,393 thousand (in 2008 Euro 261,168 thousand) and principally comprise of bank guarantees provided on behalf of third parties to guarantee policies issued in the Bonds Class for Euro 100,000 thousand.

In addition, there's one capital redemption policy provided as pledge amounting to Euro 50 million covering any damage relating to previous management, which Fondiaria-SAI may sustain due to the effect of the purchase of Liguria Assicurazioni. This pledge works also as guarantee of the price revision process for the Company acquired.

Commitments

The account amounts to Euro 815,506 thousand and includes various commitments from securities to real estate.
Among the commitments relating to real estate operations are Euro 58,076 thousand still to be paid for the completion of the real estate operations at Milan, Isola and Rome, Via Fiorentini. These operations, undertaken in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned land and the purchase of the buildings. A further Euro 71,490 thousand refers to the commitments undertaken by companies of the Group for the realisation of construction, modernisation and restructuring works.

The securities to be delivered amount to Euro 35,682 thousand, those to be received amount to Euro 35,023 thousand: they are recorded against purchase and sales operations made in 2009, but settled at the beginning of 2010. There are also commitments for Euro 134,206 thousand relating to forward operations.

Finally there are commitments for guarantees in favour of third parties of Euro 148,432 thousand issued against a portfolio in foreign currency guaranteed by its clients.
With reference to the convertible bond loan (Mandatory), there are commitments totalling Euro 180,400 thousand for the delivery, at the maturity of the loan, of the Intesa SanPaolo shares, subject to conversion to noteholders.

PART C – Information on the Consolidated Income Statement

1.1NET PREMIUMS

The net premiums consolidated amount to Euro 11,888,742 thousand (Euro 11,153,553 thousand in 2008).
Total Group gross premiums written amounted to Euro 12,306,627 thousand (up 6.74% on the previous year), as follows:

(in Euro thousands)	2009	2008	Changes
Gross Life premiums written	5,137,011	4,208,340	928,671
Gross Non-Life premiums written	7,169,616	7,298,083	(128,467)
Change gross premium reserve	38,584	13,337	25,247
Total Non-Life Division	**3,131,032**	**7,284,746**	**(153,714)**
Gross premiums written	**12,268,043**	**11,493,086**	**774,957**

The account "gross premiums written" does not include the cancellation of securities issued in previous years, which were recorded in the account "Other costs". The above amounts are net of inter-group reinsurance. In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business, reference should be made to the tables in the Directors' Report.

The premiums ceded, amounting to Euro 395,848 thousand, accounted for 3.2% of the total premiums written (3.0% in 2008).

(in Euro thousands)	2009	2008	Changes
Life Division	28,207	22,777	5,430
Non-Life Division	367,641	323,974	43,667
Change in reinsurers reserves	(16,547)	(7,218)	(9,329)
Total Non-Life Division	**351,094**	**316,756**	**34,338**
Premiums ceded to re-insurers	**379,301**	**339,533**	**39,768**

The Group reinsurance policy positively impacted on the consolidated accounts for Euro 1,015 thousand (Euro 520 thousand in the Non-Life Division).
In accordance with IFRS 4.37, it is communicated that the Group does not defer and amortise the gains and losses deriving from reinsurance.

In relation to further illustration on the Non-Life and Life Divisions of the account 1.1 of the Income Statement, reference should be made to the Attachment at the end of the accounts.

1.2 COMMISSION INCOME

The commission income in 2009 amounted to Euro 70,686 thousand, a change compared to the previous year of Euro -18,633 thousand.

(in Euro thousands)	2009	2008	Changes
Commission income	70,686	89,319	(18,633)

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group insurance companies and, as such, are not recorded in accordance with IFRS 4, as well as the commissions for the management of internal funds. About this, approx. Euro 22 million refers to the subsidiary Popolare Vita. They also include approx. Euro 48 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

1.3 NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

The account amounts to Euro 906,125 thousand, an increase compared to Euro 1,247,673 thousand in 2008.

(in Euro thousands)	Interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 2009	Total 2008	Changes
Result of investments from:									
Financial assets held for trading	1,880	35,493	41,715	(34,309)	11,541	(12,288)	44,032	(103,428)	147,460
Financial assets designated at fair value through profit or loss	302,450	(5,726)	136,781	(70,483)	660,790	(169,818)	853,994	(227,265)	1,081,259
Financial liabilities held for trading	-	-	-	-	10,050	(1,951)	8,099	(10,855)	18,954
Total	**304,330**	**29,767**	**178,496**	**(104,792)**	**682,381**	**(184,057)**	**906,125**	**(341,548)**	**1,247,673**

The reasons for the significant increase are firstly attributable to the positive changes in fair value where the investment risk is borne by the policyholders.
As noted these positive variations are reflected in similar obligations of the Group towards its policyholders.

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro 856,701 thousand relating to Class D investments, offset by similar negative changes in the commitments to policyholders.

The valuation losses also include Euro 57 million relating to the write-down made by the subsidiary Popolare Vita on securities with underlying Lehman to take into account of a recovery rate of 20: this charge is fully offset by the utilisation of the provision booked by Popolare Vita in the previous year.

1.4-1.5-2.3-2.4 FINANCIAL INCOME AND CHARGES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Valuation gains and recovery in values**	**Valuation losses and adjust. in values**	**Total 2009**	**Total 2008**	**Changes**
Result from:									
Investment property	-	39,894	66,034	(6,769)	-	(62,566)	36,566	57,503	(20,937)
Investments in subsidiaries, associates and joint ventures	-	(67,226)	-	(90)	-	(2,012)	(69,328)	30,826	(100,154)
Investments held to maturity	48,019	79	-	-	-	-	48,098	5,722	42,376
Loans and receivables	104,789	420	180	(7,092)	1,308	(3)	99,602	64,241	35,361
Available-for-sale financial assets	558,655	54,981	135,154	(96,567)	3,283	(157,010)	498,496	700,243	(201,747)
Other receivables	38,624	(387)	-	-	-	-	38,237	14,055	24,182
Cash and cash equivalents	15,707	(517)	-	-	-	-	15,190	36,915	(21,725)
Other financial liabilities	(102,652)	(988)	23	-	-	-	(103,617)	(144,869)	41,252
Total	**663,142**	**26,256**	**201,391**	**(110,518)**	**4,591**	**(221,618)**	**563,244**	**764,636**	**(201,392)**

In relation to the investments in subsidiaries, associates and joint ventures, the account “Other net income” includes the impairment of the associated company IGLI for Euro 55 million, following the redetermination of the implicit book value of Impregilo.

The columns gains and losses realised show the economic effects deriving from the sale of the various financial instruments.
The valuation losses on the investment property include the depreciation recorded in the year, as well as permanent losses in value of Euro 12.9 million.
The valuation loss on AFS financial instruments, amounting to Euro 157 million, includes the impairments made in accordance with the valuation policy already illustrated relating to the asset accounts.
The interest expense on the other financial liabilities includes the Group debt charges.
During the year interest income did not mature on financial assets written down for impairment in previous years (IAS 32.94h).
In relation to attachment 11, reference should be made to the end of the notes.

1.6 OTHER REVENUES

The other revenues amount to Euro 682,277 thousand (Euro 460,392 thousand in 2008) and are summarised in the table below:

(in Euro thousands)	2009	2008	Changes
Gains related to non-current assets	20	18	2
Other technical income	71,478	90,872	(19,394)
Utilisation of provisions	206,025	23,148	182,877
Exchange differences	3,385	735	2,650
Prior year income	20,879	30,223	(9,344)
Gains realised on fixed assets	28,961	105	28,856
Other revenues	351,529	315,291	36,238
Total	**682,277**	**460,392**	**221,885**

The account “Utilisation of provisions” includes Euro 150 million relating to the provision made in the previous year by the subsidiary Popolare Vita against restructuring charges of the index linked policies with underlying Lehman Brothers securities, charges whose amount became certain only in the first part of the present year.

The account “Gains realised on fixed assets” principally relates to the realisation of the gain deriving from the conferment to the Immobiliare Rho Fund of premises utilised by the business.

The account “Other Revenues” includes the following amounts:

- Euro 154 million revenues from subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano, whose buildings, as treated as inventories, are reclassified under tangible fixed assets; the relative changes in inventory amounts to Euro 17 million;
- Euro 74 million relating to operating revenues of the subsidiary Atahotels;
- Euro 41 million revenues from the Retirement Home subsidiaries of the Group;
- Euro 10 million revenues in the agricultural sector;
- Euro 8 million relating to the activities concerning the health services of the subsidiary Sistemi Sanitari S.c.r.l.

2.1 NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the Life Classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 8,317,932 thousand, a decrease of 15.9% on the previous year.

2.1.2 Claims costs, amounts paid and changes in technical reserves

(in Euro thousands)	2009	2008	Changes
Non-Life Division			
Amount paid	5,697,312	5,851,572	(154,260)
Change in recoveries	(127,487)	(71,518)	(55,969)
Change in other technical reserves	799	74	725
Change in claims reserve	359,162	(455,994)	815,156
Total Non-Life	**5,929,786**	**5,324,134**	**605,652**
Life Division			
Amount paid	2,620,620	4,042,926	(1,422,306)
Change in actuarial reserve and other technical reserves	1,319,332	(309,811)	1,629,143
Change in technical reserves where investment risk borne by policyholders and from pension fund management	2,330,677	111,449	2,219,228
Change reserve for sums to be paid	(44,670)	(42,094)	(2,576)
Total Life	**6,225,959**	**3,802,470**	**2,423,489**
Total Non-Life + Life	**12,155,745**	**9,126,604**	**3,029,141**
Amount paid	**8,190,445**	**9,822,980**	**(1,632,535)**
Change reserve	**3,965,300**	**(696,376)**	**4,661,676**

2.1.3 Claims costs, reinsurers portion

(in Euro thousands)	2009	2008	Changes
Non-Life Division			
Amount paid	213,004	200,648	12,356
Change in recoveries	18,803	(18,085)	36,888
Change in other technical reserves	-	-	-
Change in claims reserve	27,092	(42,749)	69,841
Total Non-Life	**258,899**	**139,814**	**119,085**
Life Division			
Amount paid	36,244	34,530	1,714
Change in actuarial reserve and other technical reserves	(10,866)	(11,541)	675
Change reserve for sums to be paid	(557)	(1,246)	689
Total Life	**24,821**	**21,743**	**3,078**
Total Non-Life + Life	**283,720**	**161,557**	**122,163**
Amount paid	**268,051**	**217,093**	**50,958**
Change reserve	**15,669**	**(55,536)**	**71,205**

The change in the net technical reserves of the Non-Life Classes amount to Euro 332,869 thousand, an increase of Euro 746,040 thousand compared to 2008.

The change in the claims reserve of the Non-Life Division is also due to the decision to utilise particularly prudent reserve criteria in the Motor TPL Division, taking account of the greater number of physical damage claims and the increase in the average cost of such claims due to the new claims indemnity tables adopted by the Milan Court, which the other Italian courts are now applying.

The decrease of the sums paid of the Life Division is due to the lower request of advance surrender of the large capital redemption products of "institutional clients" in the Parent Company and the subsidiary Milano Assicurazioni. The increase in the change of the Class D Reserves is due to the increases already described in the premiums written by the subsidiary Lawrence Life.

The net technical reserves of the Life Division, including the reserves for amounts to be paid, changed by Euro 3,616,762 thousand (Euro -227,669 thousand in 2008).

In relation to further details on the Non-Life and Life sectors of the account 2.1 of the Income Statement, reference should be made to Attachment 10 at the end of the notes.

2.2 COMMISSION EXPENSES

Commission expenses in 2009 amounted to Euro 38,261 thousand, an increase compared to 2008 of Euro 5,650 thousand.

(in Euro thousands)	**2009**	**2008**	**Changes**
Commission expenses	38,261	32,611	5,650

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4.

2.5 MANAGEMENT EXPENSES

(in Euro thousands)	2009	2008	Changes
Non-Life Division			
Acquisition commissions and changes in deferred acquisition costs	1,111,175	1,147,767	(36,592)
Other acquisition expenses	207,359	200,891	6,468
Collection commissions	39,179	35,702	3,477
Reinsurers commissions and profit participation	(92,715)	(73,344)	(19,371)
Total Non-Life	**1,264,998**	**1,311,016**	**(46,018)**
Life Division			
Acquisition commissions and changes in deferred acquisition costs	140,852	133,397	7,455
Other acquisition expenses	46,026	24,076	21,950
Collection commissions	10,132	11,419	(1,287)
Reinsurers commissions and profit participation	(3,881)	(1,082)	(2,799)
Total Life	**193,129**	**167,810**	**25,319**
Investment management charges	12,458	17,932	(5,474)
Other administration expenses	440,046	451,670	(11,624)
Total	**1,910,631**	**1,948,428**	**(37,797)**

The acquisition costs matured in the year amounted to Euro 1,505,412 thousand as reported in the table below:

(in Euro thousands)	2009	2008
Part sustained and expensed in year	1,429,171	1,425,535
Part from amortisation of capitalised costs in previous years	76,241	80,596
Total acquisition costs	**1,505,412**	**1,506,131**

In relation to attachment 12, reference should be made to the end of the notes.

2.6 OTHER COSTS

The other costs amount to Euro 815,292 thousand (Euro 1,005,774 thousand in 2008) and are summarised in the table below:

(in Euro thousands)	2009	2008	Changes
Other technical charges	268,085	296,854	(28,769)
Provisions	65,619	271,574	(205,955)
Losses on receivables	11,848	16,379	(4,531)
Prior year charges	29,521	30,214	(693)
Depreciation of property, plant & equipment	14,349	14,471	(122)
Amortisation of intangible assets	66,585	94,068	(27,483)
Exchange differences	596	8,847	(8,251)
Other costs	358,689	273,367	85,322
Total	**815,292**	**1,005,774**	**(190,482)**

The "Provisions" in the previous year include Euro 150 million accrued by the subsidiary Popolare Vita against the restructuring operation of the index-linked policies with underlying Lehman securities.

In particular, the sub-account "other costs" relates to the following charges:

- Euro 151 million relating to operating costs of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano;
- Euro 75 million relating to operating costs of the newly acquired Atahotels;
- Euro 40 million relating to labour costs and vehicle spare parts of the subsidiary Auto Presto & Bene;
- Euro 31 million relating to the costs incurred by the retirement home subsidiaries of the Group for operating and personnel costs;
- Euro 10 million relates to write-down of property recorded as inventory;
- Euro 6 million relating to management costs of the subsidiary Saiagricola.

3. INCOME TAXES

(in Euro thousands)	**2009**	**2008**	**Changes**
Costs (revenues) for current taxes	87,483	66,701	20,782
Adjustments recorded in the year for current taxes of prior periods	17,544	547	16,997
Deferred tax liabilities arising in the year	21,035	222,279	(201,244)
Deferred tax liabilities utilised in the year	(215,268)	(78,918)	(136,350)
Deferred tax assets arising in the year	(107,613)	(186,342)	78,729
Deferred tax assets utilised in the year	76,554	63,474	13,080
Deferred tax costs/(revenues) from changes in tax rates or the imposition of new taxes	-	-	-
Income for deferred tax assets arising in previous years and not previously recorded to reduce current taxes	-	-	-
Income for deferred tax assets arising in previous years and not previously recorded to reduce deferred taxes	(14,675)	(4,005)	(10,670)
Cost (revenues) relating to write-downs (recovery in values) of deferred tax assets recorded in previous years	2,000	(7)	2,007
Changes folloiwng errors or change in estimates or accounting principles recorded in accordance with IAS 8	-	-	-
Total	**(132,940)**	**83,729**	**(216,669)**

Income taxes for the year amounted to net income of Euro 132,940 thousand (charge of Euro 83,729 thousand in 2008) of which current income taxes of Euro 105,027 thousand and deferred tax income of Euro 237,967 thousand.

Current income taxes includes adjustments to taxes relating to previous years totalling Euro 17,544 thousand.

This amount results from higher taxes, for Euro 18,476 thousand, relating to the Parent Company Fondiaria-SAI due to the settlement made concerning the notice received on taxes relating to the years from 2004 to 2006, net of the provisions made in previous years. On the other hand, the lower current taxes following the reimbursement of income taxes and adjustments to previous provisions amounted to Euro 932 thousand of which Euro 822 thousand relate to Fondiaria Nederland and the residual to the subsidiary Finitalia.

Current income taxes are determined based on the nominal rates in force at the reporting date in the individual countries. Italian income taxes (Ires income tax and Irap regional tax) are determined applying the respective rates in force of 27.5% for IRES and 3.9% for IRAP. In the calculation of the IRAP regional tax for the year, account was also taken, through prudent valuations, of any increases or reductions in rates made by some regions with reference to particular categories.

Current income taxes also include substitute taxes paid following the option, exercised or to be exercised, for the separate taxation, determined based on the rates contained in specific legislation.

In relation to the deferred taxes, this resulted in a reduction in the fiscal charge of Euro 237,967 thousand.
About this, Euro 2,000 thousand refers to the reversal of deferred tax assets of the subsidiary Italiberia S.A. following adjustments made in the year.
On the other hand, the deferred tax assets recorded in the year related to previous years amount to Euro 14,675 thousand, fully linked to the saving related to the fiscal losses of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano following the favourable opinion given by the Finance Administration in relation to the possibility to recover this amount through future income.

The reconciliation between the fiscal charge recorded in the financial statements and the IRES income tax rate for the years 2008 – 2009 of 27.5% is as follows:

(in Euro thousands)	**2009**	**2008**	**Changes**
Profit (loss) before taxes	(524,452)	174,493	(698,945)
Taxes on theoretical income (excluding regional tax)	(144,224)	47,986	(192,210)
Tax effect from changes in permanent differences	13,355	(10,207)	23,562
Tax effect from utilisation of previous years tax losses	(1,944)	(4,014)	2,070
Tax effect from share of results of associated companies	420	576	(156)
Tax effect from foreign tax rates	(7,968)	(3,476)	(4,492)
Tax effect from changes in the nominal rate	-	-	-
Other differences	21,664	11,869	9,795
Taxes on income (excluding regional tax)	**(118,697)**	**42,734**	**(161,431)**
IRAP	(14,243)	40,995	(55,238)
Total income taxes for the year	**(132,940)**	**83,729**	**(216,669)**

For a better understanding of the reconciliation between the effective charge in the accounts and the theoretical fiscal charge account was not taken of the IRAP regional tax effect as the assessable basis for these taxes are not uniform, and therefore not comparable with the pre-tax effect.

The correlated tax effect of the permanent fiscal changes results in an increase in the tax charge of Euro 13,355 thousand.
The change from the previous year is principally related to the lower impact of the positive income components which, net of the consolidation adjustments, are exempt from tax. Among these we report the lower amount of dividends in the year in addition to a significant decrease in gains realised, by the Parent Company and by the subsidiary Milano Assicurazioni, on equity holdings held pursuant to article 86 of Presidential Decree 917/1986 and on hedges of the same securities.
The increases include, for Euro 5,313 thousand, the effect, in terms of higher taxes, related to the non deductibility of the loss contributed by the subsidiary TIKAL RE Fund.

The theoretical fiscal charge is reduced by Euro 1,944 thousand following the utilisation of the losses carried forward, in particular, by the foreign subsidiaries Lawrence Life for Euro 1,007 thousand, Finsai International for Euro 720 thousand and Sailux for Euro 207 thousand.

Also with reference to the foreign subsidiaries, the neutralisation of the impact on the theoretical fiscal charge of the results reported compared to the charge in accordance with the tax rates in force in the respective countries results in a total tax saving of Euro 7,968 thousand.
This change is principally due to the lower corporate income tax of the Irish company Lawrence Re for Euro 3,865 thousand and Lawrence Life for Euro 2,480 thousand, also increasing the effect of the differential between the national income tax rate and the foreign income tax rate compared to the previous year.

The other differences, which result in hgher charges of Euro 21,664 thousand, originate from the combined effect, among others:

- of higher taxes of Euro 27,027 thousand, relating to the recording of substitute taxes on income relating to the separate taxation of the gains on buildings conferred to the Rho Fund, net of the percentage adjusted on consolidation, in addition to the substitute taxes recorded, by the Parent Company, following the realignment of the higher depreciation for fiscal purposes in accordance with article 1, paragraph 48, of Law 244/2007 (2008 Finance Act);
- of the higher charge following adjustments to current income taxes of Euro 18,476 thousand;
- of higher income tax, of Euro 5,460 thousand, relating to the fiscal losses estimated by some subsidiaries against which it was not considered appropriate, also on a prudent basis, to record the deferred tax;
- of the lower taxes due to the provision for deferred tax assets, net of reversals, relating to previous years of Euro 12,675 thousand and related in particular to the fiscal losses in previous years;
- of the reversal of deferred tax liabilities accrued in previous years against the already mentioned realignment operation undertaken by the Parent Company for Euro 12,907 thousand.

In relation to the change in deferred tax liabilities the provision is principally related to the adjustments to the value of the goodwill and of the other intangible assets, made in accordance with IAS 38. The strong decrease compared to the year 2008 is due to the fact that the year 2008 was impacted by adjustments made, in accordance with IAS 39, on net income from investments in securities following the financial crisis which severely hit the financial markets in the final part of the year.

The recovery in values during 2009 on the same securities, adjusted in accordance with the above-mentioned IAS 39 with related recording under net equity, resulted in the reversal of the income taxes previously accrued of Euro 129,566 thousand. The residual reversals are due, among others, for Euro 19,988 thousand to income taxes accrued on depreciation/amortisation solely for fiscal purposes, following the exercise of the above-mentioned realignment option, for Euro 16,160 thousand against the recording on consolidation of the amortisation on the long-term commissions and for Euro 15,745 thousand of the amortisation on the Value in Force of Popolare Vita, for Euro 6,264 thousand and on the Value of Business Acquired of BPM Vita for Euro 7,144 thousand and Liguria of Euro 2,337 thousand.
The utilisation of deferred tax liabilities also include Euro 9,329 thousand relating to the reversal of gains taxed, on buildings and securities, relating to previous years.

The deferred tax assets arising in the year, net of those reversed, contributing to a reduction in the tax charge of Euro 43,734 thousand.
Among the income taxes arising are Euro 35,984 thousand relating to the deduction of part of the change in the claims reserves of the Non-Life Division and Euro 17,867 thousand of the doubtful debt provision on receivables from policyholders. Added to these amounts are the taxes accrued, for Euro 22,150 thousand on the fiscal losses realised in previous years and the current year and the income taxes arising on lower depreciation made on buildings for IAS purposes of Euro 13,428 thousand.

On the other hand, among the reversals of deferred tax assets, are Euro 13,635 thousand related to the reversal of deductions on long-term commissions of the Non-Life Division and Euro 8,388 thousand relating to the write-downs made on receivables from policyholders in previous years.

At the reporting date, the aggregate amount of the temporary differences amounting to non-distributable profits of the subsidiaries did not give rise to the recording of deferred tax liabilities. This is due to the fact that the Group is capable of controlling the cancellation of these temporary differences. The temporary differences deriving from associated companies are negligible.

As additional information to that required by IAS 12 - Income taxes, it is also reported that the deferred tax assets and liabilities at the end of the year amount, respectively to Euro 174,230 thousand and Euro 137,761 thousand.

4. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

The amount of Euro 682 thousand refers for Euro 485 thousand to income and charges in 2009 of Bipiemme Vita S.p.A. recorded in this account in accordance with IFRS 5, following the previously mentioned agreement between Banca Popolare di Milano S.c.a.r.l. and Milano Assicurazioni S.p.A. for the mutual resolution of the partnership in the bancassurance sector.

In particular, the amount of Euro 485 thousand derives from the 2009 profit of Bipiemme Vita determined under IAS/IFRS principles (Euro 16,751 thousand) and negative consolidation adjustments (Euro 16,266 thousand). In accordance with paragraph 15 of IFRS 5, the above-mentioned adjustments includes a charge of Euro 3,637 thousand deriving from the valuation of the company at the lower between book value and fair value, equal to the price agreed for the sale.

FURTHER INFORMATION

With reference to the nature of the costs for the year (IAS 1.93), in addition to that already listed in the accounts under "Other costs", it is reported that the total Group personnel costs amounts to Euro 430 million (Euro 408 million in 2008).

Earnings per share

The earnings/(loss) per share are calculated by dividing the Group net result attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year. It is reported that the weighted average shares outstanding is reduced by the weighted average treasury shares held by the Fondiaria-SAI Group.

The diluted earnings (loss) per share is the same as the basic earnings per share as account was not taken of the potential savings shares for the stock option plans in the absence of any diluting effects.

In accordance with IAS 33, information is shown below for the calculation of the basic and diluted earnings (loss) per share:

	2009	2008
Net profit/(loss) attributed to the ordinary shareholders of the parent company (Euro thousand)	(361,831)	63,064
Weighted average number of ordinary shares to calculate the basic earnings per share	110,288,695	114,455,126
Basic earnings per share	(3,28)	0,55
Effect of the dilution:		
Weighted average number of ordinary shares to calculate the diluted earnings per share	110,288,695	114,455,126
Diluted earnings per share	(3.28)	0.55

It should also be noted that the net profit/(loss) attributable to the ordinary shares of the Parent Company was adjusted deducting the theoretical result of the saving shareholders from the Group consolidated result.

Dividends paid and proposed

Information is provided below in accordance with IAS 1.125a and 1.125b:

(in Euro thousands)	2009	2008
Declared and paid in the year		
Dividends on ordinary shares	84,898	135,907
Dividends on savings shares	32,006	49,031
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	48,513	84,898
Dividends on savings shares	19,238	32,006

It is reported that the dividends amounting to Euro 0.4 per ordinary share and Euro 0.452 per savings shares proposed for approval to the Shareholders' Meeting were not recorded as liabilities at 31/12/2009 and includes a part of reserves as described in the proposal to allocate the net profit.

Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the extraordinary shareholders' meeting's resolution of Fondiaria-SAI of April 28, 2006. The Board of Directors meeting of June 20, 2007 brought forward the vesting period established in the stock option plan regulations.

Accounting principle IFRS 2 "Share-based payments" requires the recording in the income statement of the implicit cost related to the stock option plans for employees. In the case of the stock options, regulations require that they are recorded in the financial statements for the service received as remuneration of services to the beneficiaries of the stock options - this latter valued at fair value of the options paid.
Consequently, the stock option plans increase personnel costs recorded in the consolidated financial statements; therefore, it was necessary to identify appropriate valuation models to determine the fair value of the options and therefore of the personnel costs in the accounts.

The fair value of the options were calculated with reference to the Black-Scholes model, which in addition to considering information such as exercise price and duration of the option, considers the current price of the shares and the expected volatility, the expected dividends and the risk free interest rate and the specific features of the plan.

The historical volatility of the share price in the most recent period is normally measured at the expected end of the option. As there are three vesting periods, there were three historically different volatilities, commencing from the closing price of the saving shares of Fondiaria-SAI:

	2 years	3 years	4 years
Estimated volatility %	21.913	21.571	22.201

The dividend yield was equal to the ratio between the value of the dividends and the share price at the launch date. IFRS 2 (Appendix B, paragraph 35) underlines that in this case the historical trend of dividend increases should be considered. As the stock option plan depended on the achievement of some objectives of the 2006/2008 Industrial Plan and among these an expected increase in dividends, this was increased by 25%, in accordance with the increase in the pay-out of the Plan. Therefore the dividend yield was equal to:

	2 years	3 years	4 years
Dividend Yield %	5.678	5.678	5.678

The risk free interest rate corresponds to the implicit return currently available on government bonds without coupon (zero-coupon) of countries in which the exercise price is expressed in their currency, with a residual terminal value equal to the expected terminal value of the option (IFRS 2 - Appendix B, paragraph 37). Consequently, three different Annual Euro Swaps were considered depending on the vesting period:

	2 years	3 years	4 years
Risk free rate %	3.735	3.829	3.901

With reference to the effects on the share-based payment operations on the income statement and balance sheet of the Group, the table below shows the total costs of the Group:

	No. options granted	Residual life	Option value	Total cost	2009 Cost
Tranche A	5,173,360	0	2.792	14,345,862	-
Tranche B	3,880,020	0	2.708	10,433,219	-
Tranche C	3,880,020	0	2.809	10,822,218	2,334,796
Total	**12,933,400**			**35,601,298**	**2,334,796**
Options granted to the holding company	2,066,600				
TOTAL	**15,000,000**				

The cost relating to 2009, amounting to Euro 2.3 million, recorded a decrease compared to Euro 7.2 million in 2008. This decrease is solely due to the fact that all of the options are exercisable. The cost relating to the options granted to the Directors and to the Management of the Parent Company were recorded in this company.

From an equity viewpoint, as the plan is not a cash-settled plan, the cost recorded in the accounts increases the net equity reserve. The following table shows the option plan at December 31, 2009:

outstanding at the beginning of year	granted in the year	cancelled in the year	exercised in the year	expired in the year	outstanding at the end of the year	exercisable at year end
12,895,800	0	0	0	0	12,895,800	0

Pursuant to article 78 of CONSOB regulation No. 11971 of May 14, 1999 as supplemented, the information required on stock option plans is provided:

Stock options granted to the members of the Board Of Directors, General Managers and Key executives:

		OPTIONS HELD AT BEGINNING OF 2009			OPTIONS ASSIGNED DURING 2009			OPTIONS EXERCISED DURING 2009			OPTIONS EXPIRED DURING 2009	OPTIONS HELD AT THE END OF 2009		
Name	Office held	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average market price in year	Number of options	Number of options	Average exercise price	Average expiry
Jonella **Ligresti**	Chairman – Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Giulia Maria Ligresti	Vice Chairman – Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Antonio Talarico	Vice Chairman – Director – EC	1,100,000	21.546	2011	-	-	-	-	-	-	-	1.100.000	21.546	2011
Fausto Marchionni	CEO – Director – CE – General Manager	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Gioacchino Paolo Ligresti	Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Key executives (a)		4.618.000	21.546	2011	-	-	-	-	-	-	-	4,618,000	21.546	2011

(a) the data of "key executives" is at an aggregate level.

PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the accounts with an additional tool for a better understanding of the financial results of the Group.
The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.
In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure. The Non-Life sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/2005. The Life sector offers insurance cover with payment of capital or an annuity against an event relating to human life.

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties.
The Other Activities Sector, by its nature residual, offers products and services in asset management and the agricultural sector. The identification of the residual sector is based on a discretional valuation in order to illustrate the primary sources of risks and benefits for the Group.
The inter-sector operations are generally concluded on the same conditions with third parties.
ISVAP Regulation No. 7/07, considered it appropriate to highlight the Non-Life and Life sectors as a minimum disclosure required for segment reporting.

In addition it is reported that the activities of the Group during 2009 were prevalently in the European Union.

The following pages report the balance sheet and income statement by segment:

Segment Balance Sheet

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
1	**INTANGIBLE ASSETS**	**941,199**	**994,377**	**705,587**	**835,139**	**123,909**	**7,636**	**125,923**	**62,846**			**1,896,618**	**1,899,998**
2	**PROPERTY, PLANT & EQUIPMENT**	**116,464**	**369,136**	**7,800**	**13,700**	**677,136**	**762,241**	**129,524**	**99,166**	**-26**	**-26**	**930,898**	**1,244,217**
3	**TECHNICAL RESERVES - REINSURANCE AMOUNT**	**690,169**	**636,655**	**180,131**	**196,893**							**870,300**	**833,548**
4	**INVESTMENTS**	**8,610,618**	**8,386,033**	**22,897,870**	**22,220,926**	**1,189,273**	**1,571,265**	**2,051,226**	**1,799,870**	**-533,114**	**-540,261**	**34,215,873**	**33,437,833**
4.1	Investment property	1,602,876	1,122,332	27,085	35,591	920,009	1,271,595	30,966	30,233	0		2,580,936	2,459,751
4.2	Investments in subsidiaries, associates and joint ventures	157,296	67,219	23,554	0	140,216	184,694	45,622	40,966	0		366,688	292,879
4.3	Investments held to maturity	0	0	810,323	845,789	0	0	0	0	-1,850		808,473	845,789
4.4	Loans and receivables	557,512	640,701	1,190,212	380,873	54,341	38,155	1,621,129	1,251,936	-515,184	-535,641	2,908,010	1,776,024
4.5	Available-for-sale financial assets	6,212,036	6,419,867	12,328,590	13,172,563	71,662	73,969	300,450	320,936	-16,080	-4,620	18,896,658	19,982,715
4.6	Financial assets at fair value through profit or loss	80,898	135,914	8,518,106	7,786,110	3,045	2,852	53,059	155,799	0		8,655,108	8,080,675
5	**OTHER RECEIVABLES**	**2,290,857**	**2,280,163**	**318,909**	**238,978**	**90,211**	**123,631**	**318,616**	**79,384**	**-595,708**	**-202,150**	**2,422,885**	**2,520,006**
6	**OTHER ASSETS**	**734,272**	**706,527**	**4,476,593**	**475,806**	**36,980**	**29,402**	**50,019**	**52,332**	**-377,803**	**-324,674**	**4,920,061**	**939,393**
6.1	Deferred acquisition costs	111,436	187,328	30,675	39,641							142,111	226,969
6.2	Other assets	622,836	519,199	4,445,918	436,165	36,980	29,402	50,019	52,332	-377,803	-324,674	4,777,950	712,424
7	**CASH AND CASH EQUIVALENTS**	**596,641**	**449,888**	**132,603**	**295,145**	**64,119**	**89,109**	**155,801**	**153,740**	**-373,131**	**-227,810**	**576,033**	**760,072**
	TOTAL ASSETS	**13,980,220**	**13,822,779**	**28,719,493**	**24,276,587**	**2,181,628**	**2,583,284**	**2,831,109**	**2,247,338**	**-1,879,782**	**-1,294,921**	**45,832,668**	**41,635,067**
1	**SHAREHOLDERS' EQUITY**											**3,710,651**	**3,894,808**
2	**PROVISIONS**	**240,256**	**271,432**	**24,675**	**165,693**	**23,979**	**17,903**	**9,721**	**8,009**			**298,631**	**463,037**
3	**TECHNICAL RESERVES**	**11,668,235**	**11,281,611**	**20,049,815**	**18,039,925**							**31,718,050**	**29,321,536**
4	**FINANCIAL LIABILITIES**	**1,191,284**	**1,289,413**	**2,706,691**	**4,110,268**	**304,825**	**451,068**	**1,447,961**	**1,169,992**	**-900,301**	**-757,533**	**4,750,460**	**6,263,208**
4.1	Financial liabilities at fair value through profit or loss	7,520	0	2,071,703	3,401,918	2,037	1,120	4,155	51,224	0	0	2,085,415	3,454,262
4.2	Other financial liabilities	1,183,764	1,289,413	634,988	708,350	302,788	449,948	1,443,806	1,118,768	-900,301	-757,533	2,665,045	2,808,946
5	**PAYABLES**	**785,868**	**722,794**	**158,715**	**169,695**	**86,383**	**162,965**	**416,815**	**104,942**	**-597,660**	**-202,195**	**850,121**	**958,201**
6	**OTHER LIABILITIES**	**537,511**	**510,124**	**4,241,938**	**488,784**	**30,734**	**31,929**	**76,366**	**38,606**	**-381,794**	**-335,166**	**4,504,755**	**734,277**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES											**45,832,668**	**41,635,067**

Segment Income Statement

(Euro thousand)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-segment Eliminations		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
1.1	Net premiums	6,779,939	6,967,990	5,108,803	4,185,563	0	0	0	0	0	0	11,888,742	11,153,553
1.1.1	*Gross premiums*	*7,131,032*	*7,284,746*	*5,137,011*	*4,208,340*							12,268,043	11,493,086
1.1.2	*Premiums ceded to re-insurers*	*-351,093*	*-316,756*	*-28,208*	*-22,777*							-379,301	-339,533
1.2	Commission income			23,258	43,163			52,155	48,501	-4,727	-2,345	70,686	89,319
1.3	Income and charges from financial instruments at fair value through profit or loss statement	*81,249*	209,615	818,083	-551,147	-2,421	-1	9,214	-15	0	0	906,125	-341,548
1.4	Income from investments in subsidiaries, assoc. & joint ventures	*9,326*	2,431	309	29,802	3,616	5,694	2,439	135	-1,478	0	14,212	38,062
1.5	Income from other financial instruments and property investments	360,678	598,869	663,927	709,672	53,953	45,966	82,047	124,429	-29,649	-65,164	1,130,956	1,413,772
1.6	Other revenues	366,438	177,556	202,186	64,515	154,841	133,099	617,346	300,423	-658,534	-215,201	682,277	460,392
1	**TOTAL REVENUES AND INCOME**	**7,597,630**	**7,956,461**	**6,816,566**	**4,481,568**	**209,989**	**184,758**	**763,201**	**473,473**	**-694,388**	**-282,710**	**14,692,998**	**12,813,550**
2.1	Net charges relating to claims	-5,670,887	-5,184,320	-6,201,138	-3,780,727	0	0	0	0	0	0	-11,872,025	-8,965,047
2.1.2	*Amounts paid and changes in technical reserves*	*-5,929,786*	*-5,324,134*	*-6,225,959*	*-3,802,470*							-12,155,745	-9,126,604
2.1.3	*Reinsurers' share*	*258,899*	*139,814*	*24,821*	*21,743*							283,720	161,557
2.2	Commission expenses			-20,676	-14,693			-17,585	-17,918			-38,261	-32,611
2.3	Charges from investments in subsidiaries, assoc. & joint ventures	-14,881	-1,177	-308		-66,236	-5,617	-2,115	-442			-83,540	-7,236
2.4	Charges from other financial instruments and property investments	-277,099	-353,274	-141,468	-198,124	-60,172	-98,710	-41,187	-89,856	21,542	60,002	-498,384	-679,962
2.5	Management expenses	-1,560,074	-1,613,783	-257,984	-255,279	-1,189	-468	-299,352	-78,898	207,968		-1,910,631	-1,948,428
2.6	Other costs	-573,102	-489,056	-110,113	-291,894	-177,725	-150,047	-417,753	-297,485	463,401	222,708	-815,292	-1,005,774
2	**TOTAL COSTS AND CHARGES**	**-8,096,043**	**-7,641,610**	**-6,731,687**	**-4,540,717**	**-305,322**	**-254,842**	**-777,992**	**-484,599**	**692,911**	**282,710**	**-15,218,133**	**-12,639,058**
	PROFIT/(LOSS) BEFORE TAXES	**-498,413**	**314,851**	**84,879**	**-59,149**	**-95,333**	**-70,084**	**-14,791**	**-11,126**	**-1,477**	**0**	**-525,135**	**174,492**

Part E - Information on risks and on uncertainties

The Solvency II convergence project

In relation to the preparation for the entry into force of the Solvency II Directive, the Fondiaria SAI Group followed closely the work undertaken by CEIOPS concerning the second implementation level measures of the Directive. The Group participated in all of the Quantitative Impact Studies, preparatory for the calibration of the new capital requirements, progressively extending the number of companies of the Group participating. In 2006, Fondiaria-SAI and Milano Assicurazioni participated at QIS2 with a small number of Italian companies. In 2007, eleven companies of the Group adhered to QIS3 (with a coverage level of 94% of the reserves), while the following year saw the participation of all the consolidated insurance companies at QIS4.
Through the Quantitative Impact Studies, the capital requirements were calculated both for the standard model and for the internal model. The adjustment of the insurance companies towards the Solvency II regulations were seen as a strategic opportunity to optimise the management of the business.
This adjustment took place through an initial analysis of the regulatory gaps – subsequently updated in view of the progressive consolidation of the regulatory framework – on the basis of which a strategic intervention plan was drawn up through transversal projects within the various areas of the business. The plan was approved by the Board of Directors with emphasis on the utilisation of the internal model, not only as an instrument for the calculation of the capital requirements, but especially as a system for a more efficient management of the business, through greater knowledge in the assumption of the risks and in the allocation of capital.

The risk management model, duties and responsibilities

The Enterprise Risk Management model and the estimate of the Economic Capital

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

- aimed at generating a culture of risk management within the Group based on the different hierarchy levels involved;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and evaluating the impact that these risks can have on solvency and the reaching of objectives.

Within the ERM system, the internal model provides numerous quantitative instruments. Some of these aim to obtain information on the size of operational risks:

- the **economic capital;**
- measure **Risk Adjusted** profit;
- Fixed operating limits also using **Value at Risk**.

The model adopted for the valuation of the risk is based on the estimate of the **economic capital** (EC), or rather a **Risk Capital** model to estimate the capital necessary to evaluate the solvency of the Group, in line with the **risk appetite** objective. Based on the Guidelines of the Board of Directors' resolution of May 10, 2007, the risk tolerance threshold was fixed at 99.5%, compatible with the objective "A" rating on the basis of Standard & Poor's capital model. This threshold is applied, both in the calculation of the Economic capital within the internal model and in the stochastic measure within the structure of the operating limits and in particular within the management guidelines of the securities portfolio. The model is in continual evolution and is regularly updated with the objective to always render it adequate to the risks assumed, to the changes in the regulations and to the technical and methodological innovations.

The Governance Risk

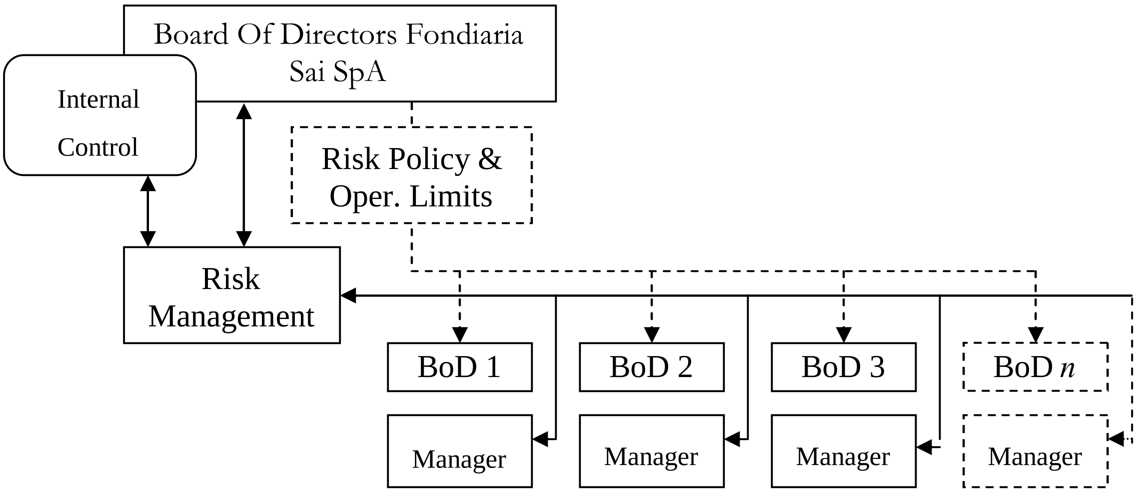
In February 2009, within the implementation plan of the risk management system, the Group level Risk Policy was approved by the Board of Directors of the parent company Fondiaria-SAI, which established the following principal objectives:

- outline common ERM principles and logic for all of the Group;
- set out the guidelines and structure of the operating limits of the Group in line with the risk appetite and capital allocation strategies;
- formalise procedures aimed at undertaking strategic decisions based on the risk management system as per article 44 of the Directive.

The base organisational model within the risk management system involves the following functions which outline the principal duties and responsibilities:

Board of Directors of the Parent Company Fondiaria-SAI	***- definition of the guidelines of the internal control system and risk management system; - definition of the risk strategy and of the risk tolerance level; - definition of the operational limits; - verifies the efficiency and effectiveness of the internal control system and risk management system.***
Internal Control Committee	***- consultations and proposals to the BoD relating to the monitoring of the adequacy and the effective functioning of the internal control system and of the monitoring and management of the risks.***
Capital Management Committee	***- supports the Chief Executive Officer and the Board of Directors in the definition of the capital allocation strategies at Group level and in the definition of investment limits; - monitoring of the Solvency I excess capital, internal model, S&P model and standard Solvency II mode.***
Senior Management	***- responsibility of the Risks in their particular area and execution of mitigating action.***
The Risk Management Department	***- specialised support; - develop and completion of the Economic Capital model; - stress testing; - reporting to the Board of Directors and risk owners.***

The Risk Management Department, in coordination with the Audit department and the Compliance Department, operates at Group level through appointed parties within the individual companies, with the objective to guarantee a uniform approach to the management of the Risk in line with the guidelines established by the BoD of the Parent Company Fondiaria-Sai. For the details of the functions assigned to the other bodies involved in the risk management system, reference should be made to other sections of these accounts.



The Risk Map

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

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

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

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

Map of Risks

	Non-Life Division	Life Division	Real Estate	Other
Financial Risks				
Market Risks	✓	✓	✓	✓
Credit Risk	✓	✓	✓	✓
Liquidity Risk	✓	✓	✓	✓
Life Technical Risks				
Longevity		✓		
Mortality		✓		
Disability		✓		
Expenses		✓		
Redemption		✓		
Catastrophe		✓		
Non-Life Technical Risks				
Reserves	✓			
Premium	✓			
Catastrophe	✓			
Operational and Other Risks				
Operating Risks	✓	✓	✓	✓
Risk of non compliance with regulations	✓	✓	✓	✓
Reputational Risk	✓	✓	✓	✓
Risk related to belonging to the Group or “infection” risk	✓	✓	✓	✓
Strategic Risk	✓	✓	✓	✓

Financial risk management

Objectives and criteria of the financial risk management

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors of the parent company Fondiaria-SAI issued guidelines for the allocation of the financial instruments portfolio, including derivatives.

The policy adopted has the objective to guarantee:

- adequate diversification, avoiding excessive concentration;

- a readily liquid portion of investments;
- structuring of the assets with liabilities through the utilisation of ALM policies;
- a prudent management, limiting the exposure in financial instrument securities with low credit rating;
- use of derivative instruments principally for hedging purposes, limiting the exposure to those of efficient management in accordance with the provisions of ISVAP Instruction No. 297.

In accordance with these objectives, within the Group Risk Policy approved by the Board of Directors of the insurance company in February 2009, the operating limits were defined with reference to all the financial risk types, considering also any exposures to risk concentration.
The structure of the limits included all of the principal types of asset classes which make up the investments. In particular the limits were defined in terms of:

- maximum percentage per asset class on total investments;
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap (broken down between Non-Life and Life);
- limits in terms of minimum hedging on the strategic investments;
- limits in terms of liquidity, intended as maximum percentage of “illiquid” instruments.

The structure of the assets in the Life Division is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Division, the assets are principally selected in consideration of the foreseeable evolution of the settlement of claims.

Market risk
Market risk is unexpected losses from changes in interest rates, share prices, exchange rates and property prices which could have a negative effect on the balance sheet and financial position of the Group..

The Group monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:

- The obtaining of uniform measures of risks which permit the comparison of different instruments;
- Determine position limits;
- Construction of “risk-adjusted” measures.

In particular, the measures adopted are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at December 31, 2009 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

Table 1 - Analysis of the values and Risk Capital 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Price Rate %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	8.20	45.11	1.42	46.53
Total Derivatives	-0.02	2114.09	0.00	2114.09
Net equity exposure	8.18	40.60	1.43	42.03
Total Bonds, Funds & Deposits	83.23	4.07	0.08	4.15
Total non-listed shares	3.46	31.07	0.08	31.15
Total	94.88	8.20	0.20	8.40
Other assets	5.12	8.51	0.04	8.55
Total	100.00	8.22	0.19	8.41

Table 2 - Analysis of the values and Risk Capital 31/12/2008

Type	Composition % (Exact holding)	Risk Capital Rate Price Rate %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	8.05	49.42	1.19	50.61
Total Derivatives	0.41	-122.19	0.00	-122.19
Net equity exposure	8.46	47.02	1.14	48.16
Total Bonds, Funds & Deposits	83.77	5.41	0.12	5.53
Total non-listed shares	3.17	58.75	0.08	58.83
Total	95.40	10.35	0.21	10.56
Other assets	4.60	10.73	0.05	10.78
Total	100.00	10.36	0.20	10.57

The percentage weight is calculated taking as reference the listed value.
The column "Price/Risk Capital Rate" and "Risk Capital Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, BancaSai, Banca Gesfid and Italiberia.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Table 3 - Analysis of the values and of the Value at Risk 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	8.20	12.84	0.31	13.15
Total Derivatives	-0.02	604.30	0.00	604.30
Net equity exposure	8.18	11.55	0.31	11.86
Total Bonds, Funds & Deposits	83.23	1.16	0.02	1.18
Total non-listed shares	3.46	7.96	0.02	7.98
Total	94.88	2.31	0.04	2.35
Other assets	5.12	2.28	0.01	2.29
Total	100.00	2.31	0.04	2.35

Table 4 - Analysis of the values and of the Value at Risk 31/12/2008

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	8.05	14.38	0.26	14.64
Total Derivatives	0.41	-39.01	0.00	-39.01
Net equity exposure	8.46	12.98	0.25	13.22
Total Bonds, Funds & Deposits	83.77	1.06	0.03	1.09
Total non-listed shares	3.17	17.25	0.02	17.27
Total	95.40	2.55	0.05	2.60
Other assets	4.60	2.62	0.01	2.63
Total	100.00	2.55	0.04	2.60

The percentage weight is calculated taking as reference the listed value.
The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, BancaSai, Banca Gesfid and Italiberia.
The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

The reduction of the risk of the portfolio compared to December 31, 2008 is due both to the decrease in the equity component (in line with the contraction of the historical volatility during 2009) and the decrease in risk of the bond component (principally due to the reduction in the duration of the portfolio).

Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Group principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mix between fixed income securities and variable rates. The ALM management has the aim to maintain an equilibrium in duration between assets and liabilities.

Through the utilisation of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme situations. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp. This sensitivity is not calculated within an ALM scenario, but only relates to financial assets, therefore not including the correlated effect in the insurance and financial liabilities of the Life Sector.

Table 5 - Analysis of the sensitivity in value of the bond component

(in Euro millions)	**+ 50 bp**		**- 50 bp**	
	31/12/2009	**31/12/2008**	**31/12/2009**	**31/12/2008**
Total	**(368)**	**(470)**	**391**	**507**
of which Non-Life	(50)	(58)	52	60
of which Life	(318)	(412)	339	447

The Held To Maturity and Loans and Receivable categories are not included.

The table below shows the analysis of the duration, of the VaR and of the Risk Capital of the bond portfolio at December 31, 2009 divided by type of issuer and maturity.

Table 6 - Analysis of the bond component by VaR and Risk Capital maturity

Type	Composition % (Quotato Tel Quel)	Macaulay Duration	VaR Rate %	Risk Capital Rate %
Government Euro	**74.09**	**4.86**	**1.08**	**3.77**
Variable rate	***17.46***	***0.82***	***0.33***	***1.32***
Fixed rate	***56.63***	***6.07***	***1.31***	***4.52***
0,0< <=1,5	13.53	0.68	0.35	0.31
1,5< <=3,0	6.60	1.99	0.97	2.36
3,0< <=5,5	8.71	3.97	1.46	5.08
5,5< <=7	6.25	5.31	1.62	6.02
>7	21.54	11.39	1.86	7.17
Corporate Euro	**24.61**	**4.03**	**1.45**	**5.09**
Variable rate	***2.27***	***0.16***	***0.05***	***1.05***
Fixed rate	***22.34***	***4.39***	***1.60***	***5.50***
0,0< <=1,5	1.75	1.04	0.57	0.49
1,5< <=3,0	1.91	2.28	1.11	3.02
3,0< <=5,5	11.73	3.78	1.63	5.59
5,5< <=7	2.03	5.41	1.90	7.04
>7	4.92	7.17	1.95	7.38
Bond Funds Euro	**0.94**	**2.35**	**0.95**	**2.36**
Fixed rate	***0.94***	***2.35***	***0.95***	***2.36***
0,0< <=1,5	0.53	0.89	0.50	0.01
3,0< <=5,5	0.41	4.23	1.52	5.39
Government Non Euro	**0.22**	**3.28**	**0.46**	**0.91**
Variable rate	***-***	***0.17***	***0.05***	***0.82***
Fixed rate	***0.22***	***3.33***	***0.47***	***0.91***
0,0< <=1,5	0.10	0.92	0.20	0.14
1,5< <=3,0	0.04	1.70	0.69	1.10
3,0< <=5,5	0.03	4.30	0.54	1.18
5,5< <=7	0.02	5.55	0.69	1.78
>7	0.03	10.70	0.80	2.17
Corporate Non Euro	**0.14**	**1.83**	**0.41**	**0.83**
Variable rate	***0.02***	***0.07***	***-***	***0.36***
Fixed rate	***0.12***	***2.07***	***0.46***	***0.89***
0,0< <=1,5	0.04	0.66	0.19	0.14
1,5< <=3,0	0.05	1.91	0.38	0.62
3,0< <=5,5	0.03	3.25	0.87	2.10
5,5< <=7	-	6.17	0.29	0.47
Total bonds	**99.06**	**4.63**	**1.17**	**4.09**
Total	**100.00**	**4.61**	**1.17**	**4.07**

The percentage weight is calculated taking as reference the values utilised in the analysis.
The analysis does not include structured securities.
The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, BancaSai, Banca Gesfid and Italiberia.

Equity risk, exchange risk and real estate risk

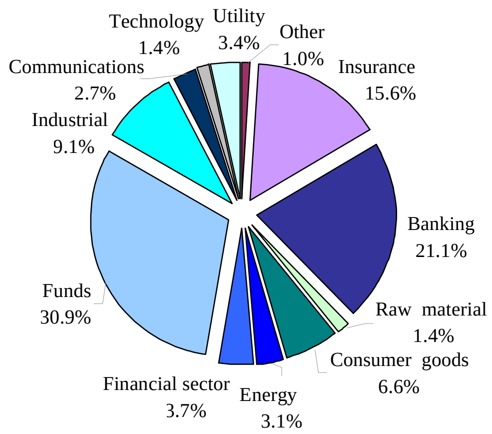
The equity risk "risk of unexpected losses deriving from adverse changes in equity prices" and the foreign exchange risk "risk of unexpected losses deriving from adverse changes in exchange rates" are valued as stochastic models calibrated on the market. With particular regard to this, the Group does not have significant exposure to exchange risk. In fact, the major part of the investments in financial instruments is denominated and/or repaid in Euro, which is both the functional currency and the presentation currency. Relating to the financial instruments denominated in currencies other than the Euro, the Group invests prevalently in US Dollars, Swiss Francs and UK Sterling. In relation to this, there is a substantial equilibrium between assets denominated in foreign currencies and related liabilities, in turn denominated in the same currency, in that a large part of these investments are covered by commitments to life policyholders (in particular related to separated management in foreign currencies).

At least monthly, the exposure of the currency is monitored in order to record in a timely manner the presence of critical areas and situations which would require corrective intervention - among which the agreement of hedging contracts.

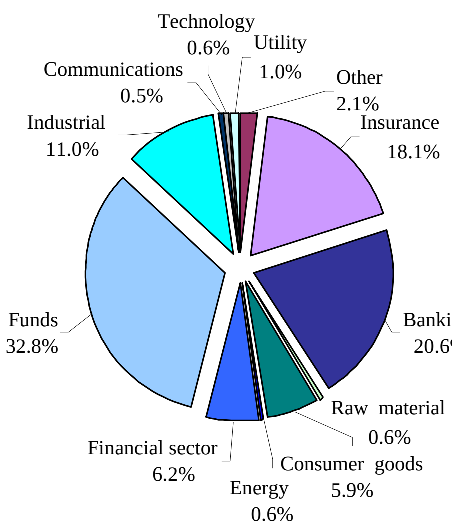
The valuation of the assets utilises the volatility of the underlying and associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria are utilised as input for the calculation of the VaR and Risk Capital.

The graphs below show the composition of the portfolio of the equity sector.

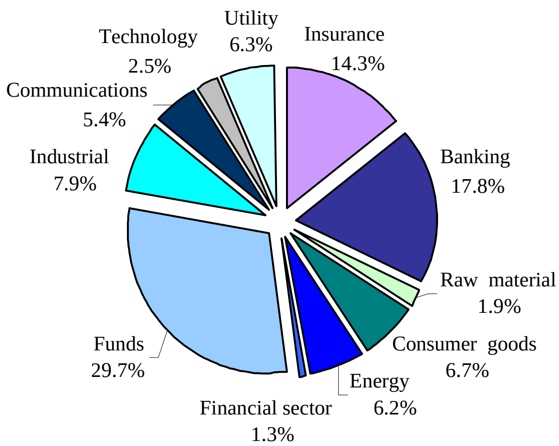
Graph. 6 - Composition of the equity portfolio of the Fondiaria SAI Group



Graph 7 - Fondiaria SAI Group Non-Life Division



Graph 8 - Fondiaria SAI Group Life Division



The impact in the income statement is shown below of a reduction in listed equity prices of 10%. The analysis is undertaken gross of the fiscal effect and is not calculated within an ALM scenario but only relating to financial assets.

Table 7 - Analysis of the sensitivity of the listed equity portfolio

(in Euro millions)	**31/12/2009**	**31/12/2008**
Total	**(159)**	**(145)**
of which Non-Life	(76)	(72)
of which Life	(83)	(73)

Tab. 8 – VaR analysis relating to the equity portfolio and foreign exchange

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Equities	Danish Crown	0.01	24.00	0.10	24.10
	Norwegian Crown	0.00	31.60	5.59	37.19
	Swedish Crown	0.01	17.34	6.22	23.56
	US Dollar	0.05	17.03	6.38	23.42
	Euro	7.69	12.89	0.00	12.89
	Swiss Franc	0.18	11.63	2.95	14.57
	UK Sterling	0.26	10.70	6.15	16.85
	Japanese Yen	0.00	18.29	7.99	26.27
	Total listed shares	**8.20**	**12.84**	**0.31**	**13.15**
Derivatives on shares	Euro	-0.02	604.30	0.00	604.30
	Total Derivatives	**-0.02**	**604.30**	**0.00**	**604.30**
	Net equity exposure	**8.18**	**11.55**	**0.31**	**11.86**
Bond funds	Euro	1.50	0.60	0.00	0.60
Bonds	US Dollar	0.16	0.66	6.44	7.10
	Euro	80.79	1.19	0.00	1.19
	Swiss Franc	0.13	0.16	2.98	3.15
	UK Sterling	0.01	0.96	6.17	7.13
	Japanese Yen	0.00	0.40	8.01	8.40
Time deposits	Euro	0.65	0.00	0.00	0.00
	Total Bonds, Funds & Deposits	**83.23**	**1.16**	**0.02**	**1.18**
Equities	US Dollar	0.01	11.13	6.38	17.51

Euro	3.45	7.95	0.00	7.95
Total non-listed shares	**3.46**	**7.96**	**0.02**	**7.98**
Total	**94.88**	**2.31**	**0.04**	**2.35**
Other assets	**5.12**	**2.28**	**0.01**	**2.29**
US Dollar	0.01	2.28	6.38	8.67
Euro	5.12	2.28	0.00	2.28
Total	**100.00**	**2.31**	**0.04**	**2.35**

The percentage weight is calculated taking as reference the listed value.
The column "VaR Pric %e" and "VaR Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, BancaSai, Banca Gesfid and Italiberia.
The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Table 9 – Risk Capital analysis relating to the equity and exchange portfolio

Type	Currency	Composition % (Exact holding)	Risk Capital Price Rate %	Risk Capital Change %	Risk Capital Total %
Equities	Danish Crown	0.01	77.99	0.52	78.51
	Norwegian Crown	0.00	88.59	25.61	114.20
	Swedish Crown	0.01	63.18	28.26	91.43
	US Dollar	0.05	54.58	28.92	83.49
	Euro	7.69	45.30	0.00	45.30
	Swiss Franc	0.18	41.65	14.05	55.71
	UK Sterling	0.26	37.13	27.97	65.10
	Japanese Yen	0.00	66.26	35.36	101.62
	Total listed shares	**8.20**	**45.11**	**1.42**	**46.53**
Derivatives on shares	Euro	-0.02	2114.09	0.00	2114.09
	Total Derivatives	**-0.02**	**2114.09**	**0.00**	**2114.09**
	Net equity exposure	**8.18**	**40.60**	**1.43**	**42.03**
Bond funds	Euro	1.50	1.77	0.00	1.77
Bonds	US Dollar	0.16	1.43	29.17	30.60
	Euro	80.79	4.15	0.00	4.15
	Swiss Franc	0.13	0.20	14.24	14.44
	UK Sterling	0.01	1.85	28.05	29.90
	Japanese Yen	0.00	1.60	35.44	37.04
Time deposits	Euro	0.65	0.00	0.00	0.00
	Total Bonds, Funds & Deposits	**83.23**	**4.07**	**0.08**	**4.15**
Equities	US Dollar	0.01	46.00	28.92	74.92
	Euro	3.45	31.03	0.00	31.03
	Total non-listed shares	**3.46**	**31.07**	**0.08**	**31.15**
	Total	**94.88**	**8.20**	**0.20**	**8.40**
	Other assets	**5.12**	**8.51**	**0.04**	**8.55**
	US Dollar	0.01	8.50	28.92	37.42
	Euro	5.12	8.51	0.00	8.51
	Total	**100.00**	**8.22**	**0.19**	**8.41**

The percentage weight is calculated taking as reference the listed value.
The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR, Lawrence Life, the Tikal Fund, BancaSai, Banca Gesfid and Italiberia.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Real Estate risk

In relation to the real estate risk, or rather the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment. The analysis model for the residential and commercial buildings is calibrated on a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

With reference to the above method described, the risk capital at December 31, 2009 was 6.4% of the current value of the buildings in the accounts (Euro 4,587 million approx.).

Credit risk

The analysis of the credit risk is broken down as follows:

- **Counterparty Default Risk**, the risk of possible losses due to unexpected non compliance of the counterparties and of the debtors, excluding issuers of bond securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- **Spread Risk**, the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

The internal model utilises two models to determine the spread risk.

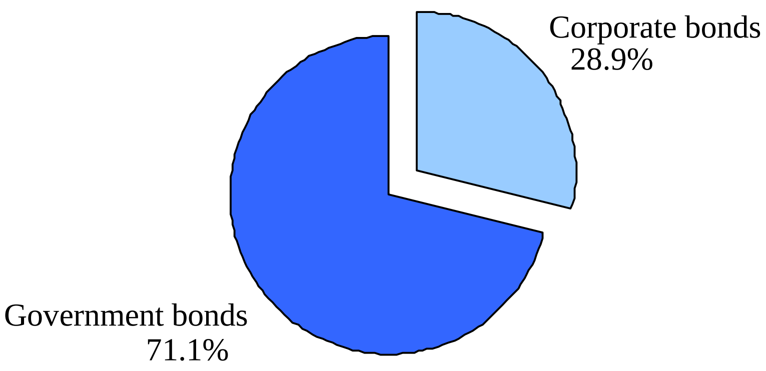
The first model evaluates only the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a consequence of "migration" of the issuers from one class to another rating. This latter is considered more adequate for the total determination of the Economic Capital. On the basis of these models, the exposure of the Group to the credit risk is periodically monitored.

In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

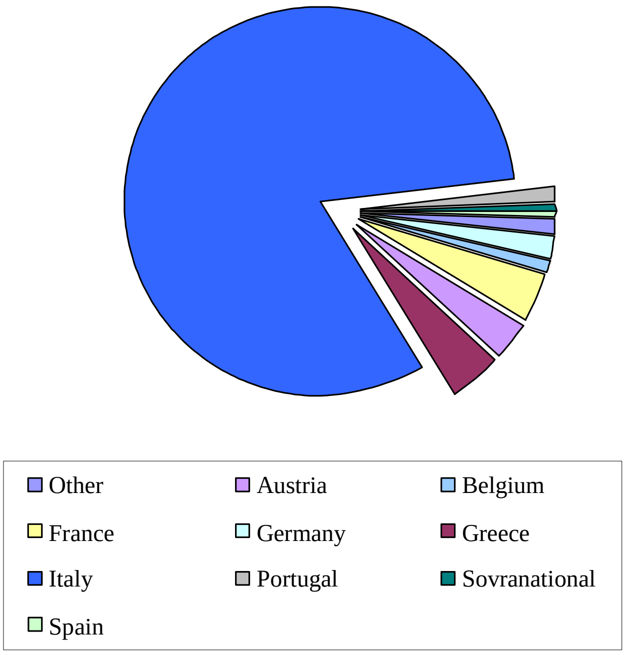
In the Group companies operating in the banking sector, the credit risk is analysed through constant monitoring of the quality of the loans. Relating to the receivables from other banks constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. The receivables from customers principally involve secured guarantees and the allocation of capital is calculated using the regulatory coefficients. The internal control system reports the distribution and the migration between the various classes illustrating the anomalies.

The graph shows the bond portfolio by issuer, rating and segment.

Graph 9 – Breakdown of the bond portfolio of the Fondiaria SAI Group



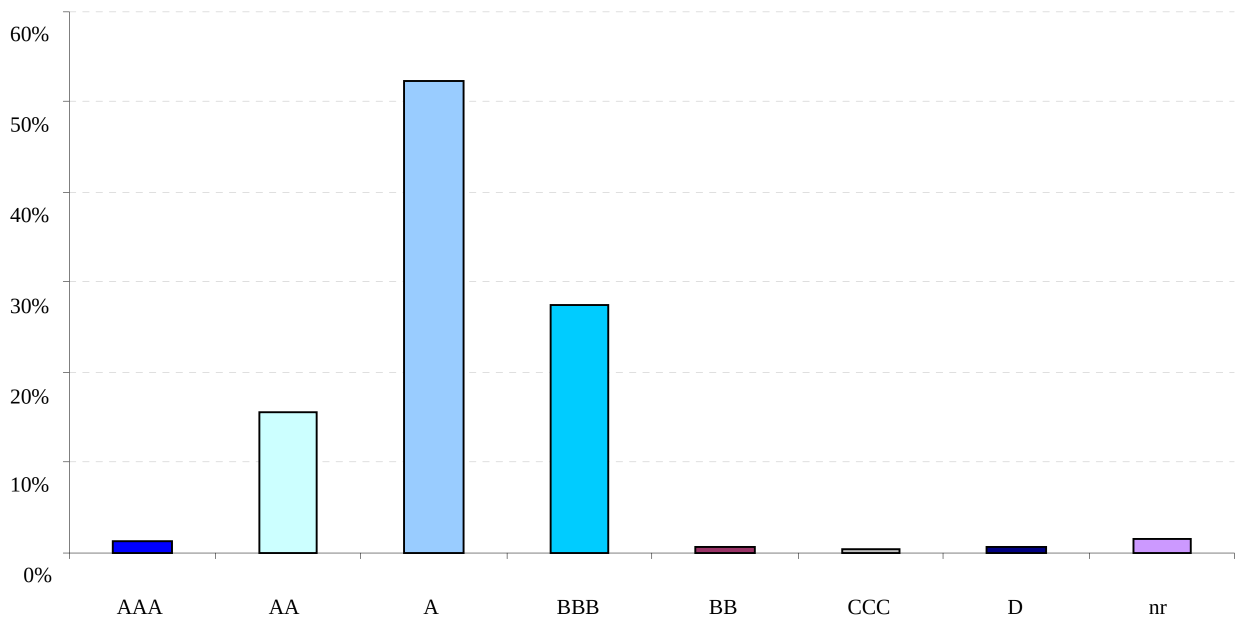
Graph 10 – Government bond portfolio by country of the Fondiaria SAI Group



Issuer	Share (%)
Austria	2.04%
Belgium	1.16%
Canada	0.05%
Cyprus	0.03%
Denmark	0.01%
France	3.89%
Germany	3.30%
Japan	0.01%
Greece	4.41%
Ireland	0.37%
Italy	82.02%
Mexico	0.02%
Netherlands	0.43%
Portugal	0.95%
United Kingdom	0.01%
Sovranational	0.63%
Spain	0.58%
USA	0.06%
Switzerland	0.04%
Hungary	0.01%

During 2009, the exposure at a consolidated level of securities of the Greek state decreased by approximately 2 percentage points, at around 4.4% from approx. 6.7%.
The choice of this country, strategic from the viewpoint of risk/return within the Euro Area, permitted a good pickup of the yield compared to the relative competitors in the "core" countries (such as Germany and France).
The Greek securities, along with the Italian securities, for a large part of 2009 represented the best performers in terms of "total return", especially from March, when the first signs of stabilisation in the global economy were seen. During the second part of 2009, when the first risks emerged relating to the quality of the Greek public debt, it was considered appropriate to partially reduce the exposure and at the same time increase exposure to German government securities, which increased during the year from less than 1% to over 3%.
A position was in any case held on the Greek securities, in that, although in the knowledge of the problems present in the country, we are convinced that the country, thanks to support from the European Union, will be saved from any eventual defaults.

Graph 11 – Corporate bond portfolio of the Fondiaria SAI Group by Standard & Poor's rating



Graph 12 – Corporate bond portfolio by segment of the Fondiaria SAI Group

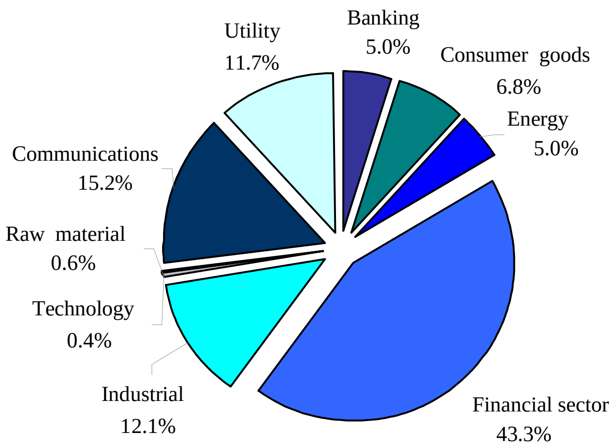
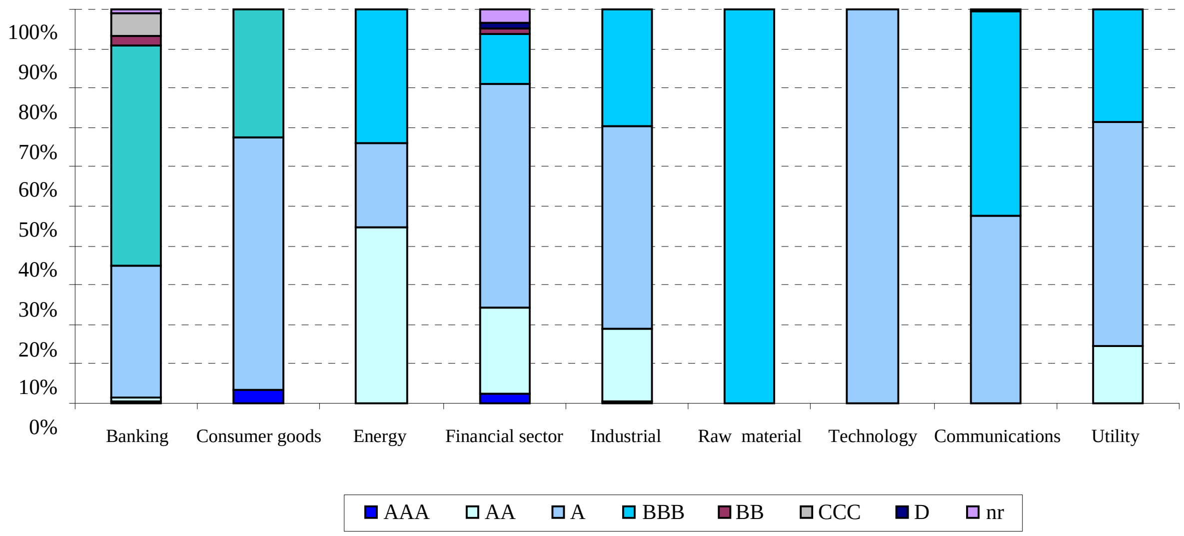


Fig. 13 - Corporate bond portfolio by sector and rating of the Fondiaria SAI Group



Liquidity risk

The liquidity risk involves the risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses.

The Group adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily **cash pooling**), also the optimisation of the returns on the liquidity realised through the centralised management of the excess liquidity compared to the programmed commitments. In this sense, the activities undertaken by the Group Treasury has the objective to maintain strong financial positions both in the short-term and long-term period, while at the same time maintaining a balance between credit lines capable of covering in a timely manner any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

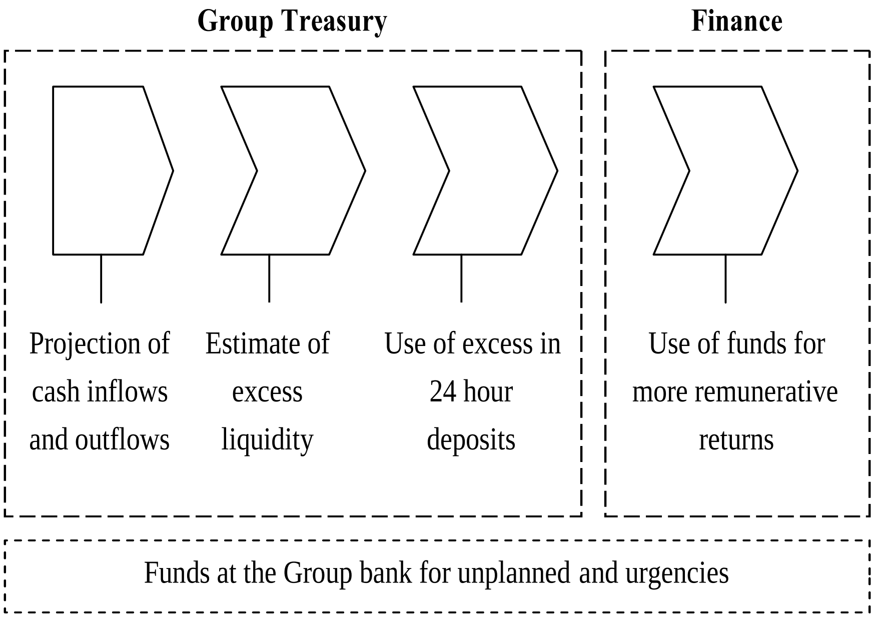
To achieve this objective, the liquidity risk is monitored on a monthly basis through a liquidity budget, as well as further controls through the programmed management of the cash flows on a daily basis, co-ordinating the most significant cash outgoings with the returns from agencies and making available daily the excess funds compared to the treasury needs for investment. In addition, the budget plan forecasts the following principal cash flows: salaries, income taxes, commitments, etc.

The excess liquidity compared to the investment commitments are used by the Treasury in restricted 24 hour deposit accounts (so-called **time deposits**) and managed by counterparty banks according to the following criteria:

- maximisation of returns;
- reliability of the counterparty;
- Diversification among several counterparties.

As a further safeguard, in the case of particular emergencies for funds and urgent necessity, the Treasury holds at the Group Bank funds available to meet these operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



In relation to the **assets**, on the basis of the Group Risk Policy, limits were fixed relating to the so-called illiquid assets compared to the total investment assets managed with illiquid assets referring to the buildings, the hedge funds, private equity, equity holdings in non consolidated companies and non listed financial instruments.

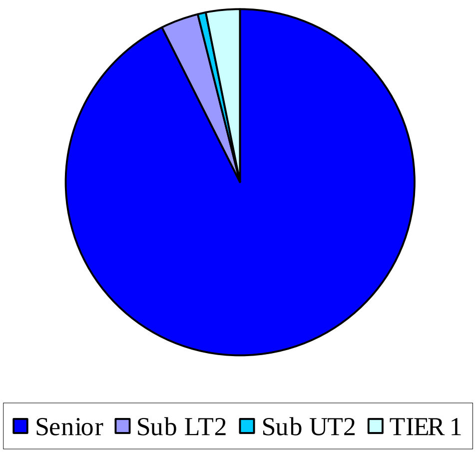
Debt classes

Increasingly within the portfolio of insurance companies are so-called "hybrid" debt instruments, which present characteristics of both bonds and equities and which attribute to the holders a greater return compared to the normal bond assets against, however, a greater risk in the case of default of the issuer whom, for example, has lower priority in repayment compared to other credit lines held (**seniority of the debt**).

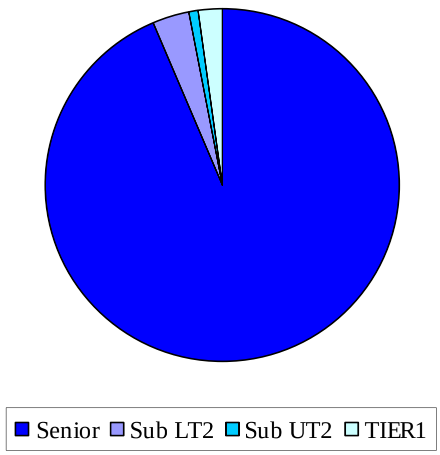
There follows an increasing order of "risks" and of "subordination", the so-called **Senior** debt is the simplest technical form and least risky: these securities have a defined maturity, do not have options for advanced reimbursement and the payment of the coupon cannot be changed without incurring a default event. More risky are the subordinated capital denominated **Tier 2** and **Tier 1**, further broken down into **Lower Tier 2 (Sub LT 2,** less risky) and **Upper Tier 2** (**Sub UT 2**, more risky). Tier 1 reaches the maximum level of subordination of a debt instrument, which assumes characteristics similar to those of a privileged shareholder.

The composition of the categories of debt in the portfolios of the two listed companies of the Group are shown below.

Graph. 14: Fondiaria-SAI



Graph. 15: Milano Assicurazioni



Seniority	Composition %
Senior	92.6
Sub LT2	3.4
Sub UT2	0.9
TIER 1	3.1

Seniority	Composition %
Senior	93.6
Sub LT2	3.3
Sub UT2	0.9
TIER1	2.2

The breakdown by maturity of the financial liabilities with exclusion of those in which the investment risk is borne by the Life policyholders (shown elsewhere) is shown below:

Financial liabilities

(in Euro millions)	31/12/2009	31/12/2008
up to 1 year	1,298	978
from 1 to 5 years	214	769
from 6 to 10 years	485	38
over 10 years	695	1,062
Total	**2,692**	**2,847**

The principal financial liabilities are comprised of subordinated liabilities, which account for approx. 40% of the total financial liabilities of the Group and all have maturity above 10 years.
Vice versa the position due within one year principally comprised deposits held by BancaSai and Banca Gesfid relating to customers for Euro 579 million, from reinsurers for Euro 266 million and from banks for Euro 212 million.

In particular, in relation to the subordinated debts, in the following table there's a breakdown of this kind of liabilities based on maturity date, contractual non discounted cash flows and book value.

Subordinated liabilities

(in Euro millions)	31/12/2009		31/12/2008	
	Cash flow non discounted contracts	Book value	Cash flow non discounted contracts	Book value
up to 1 year	-	-	-	-
from 1 to 5 years	-	-	9	8
from 6 to 10 year	523	345	630	346
over 10 years	1,186	695	1,541	696
Total	**1,709**	**1,040**	**2,181**	**1,050**

Information on insurance risks

Insurance liabilities of the Life sector and deposit accounting

In relation to the insurance liabilities of the life sector, the Group considers the impact on the expected profitability of all the incoming and outgoing funds and in a particular manner those relating to redemptions. In fact, the assumptions utilised for the construction of the product tariffs and for the valuation of amounts and risks, are periodically updated with the effective observations on the expected outgoings.

The table below shows the amounts of the reserves of the direct business of the life segment divided by contractual maturities. For the contracts without maturity (annuities and full life contracts), an expected date was considered for the outgoing in line with the assumptions utilised for the valuation of the embedded value.

(in Euro millions)	**31/12/2009**	**31/12/2008**
up to 1 year	1,483	2,007
from 1 to 5 years	12,667	9,878
from 6 to 10 years	4,401	5,585
over 10 years	3,272	4,271
Total	**21,822**	**21,742**

The total, which refers to the direct premiums written, includes actuarial reserves for Euro 13,499 million (Euro 13,846 million at December 31, 2008), where the investment risk is borne by the policyholders and from the management of pension funds for Euro 6,245 million (Euro 4,245 million at December 31, 2008), liabilities from financial contracts issued by insurance companies for which the investment risk is borne by the policyholders for Euro 1,831 million (Euro 3,227 million at December 31, 2008), and from the management of pension funds for Euro 227 million (Euro 174 million at December 31, 2008) and zero for deposit accounting at amortised costs (Euro 16 million at December 31, 2008).
Also included is the reserve for sums to pay equal to Euro 155 million at December 31, 2009 (Euro 233 million at December 31, 2008), which by its nature has a residual maturity substantially at one year.

Insurance liabilities of the Non-Life sector

In relation to the non-life sector, the table below shows the amounts of the claims reserves and the gross direct premium reserve by maturity. The total reserves are shown by duration in proportion to the expected cash flows for each interval shown.

(in Euro millions)	**31/12/2009**	**31/12/2008**
up to 1 year	5,920	6,031
from 1 to 5 years	4,170	3,717
from 6 to 10 years	955	848
over 10 years	420	461
Total	**11,465**	**11,058**

The total includes the premium reserve for Euro 2,687 million (Euro 2,636 million at December 31, 2008), the claims reserves for Euro 8,767 million (Euro 8,408 million at December 31, 2008) and the other technical reserves represented by the ageing reserve of the Health Class for Euro 12 million (Euro 14 million at December 31, 2008).

Amounts, timing and level of uncertainty in the cash flows relating to insuranc e contracts

This section reports, in accordance with paragraphs 38 and 39 of IFRS 4, separately for the Non-Life and Life sectors, information regarding the objectives in the management of the risks related to the insurance contracts and the policies adopted to contain them, the contractual clauses and the general conditions therein which have a significant effect on the amount, on the timing, as well as on the level of uncertainty of future cash flows therein.

NON-LIFE DIVISION

The objective of the Group, in line with the strategic plan, is the development of the portfolio in all the Non-Life Classes in a balanced and technically profitable manner.
In particular, the risk elements in the management of the non-life sector relates to the subscription risk (insufficient premiums to cover claims and expenses) and the reserve risk (insufficient reserves to meet commitments assumed with policyholders).

The underwriting risk is divided into mass risks, corporate risks and special risks. The mass risks, such as for example those relating to Motor TPL, Land Vehicles, as well as those relating to individual personal risks (Accident and Health), households (Residential and Civil Responsibility) and small enterprises (trades and commerce) are covered with predefined standard conditions which are determined by the central technical offices on the basis of existing regulations, by insurance market experience and by the specific experience of the Group.

In general, for the mass risks and in any case all the risks where regulatory and standard tariff conditions exist, the underwriting is made with the various agency networks utilising adequate IT procedures. Within standard parameters, the commercial networks must utilise a flexible tariff system monitored centrally. In the case where the needs of a specific Customer requires a change in the standard conditions, the concession of the exception is valued and authorised by the Technical Structure of the Company.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

Underwriting Risk

Mass risks
In the Motor TPL class, in which the Group is leader, and which represents the largest part of the portfolio, the important mass of statistical data held permits a sophisticated “personalised” tariff elaboration which takes into account a large number of risk factors both subjective and objective. The base data available is in fact statistically significant and allows the utilisation of multilevel analysis which, through “General Linear Models” permits the evaluation of the relationship between risk factors, highlighting all those features not directly identifiable with analysis only by single factor.
The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit corrective interventions in a timely manner against any modifications of the technical trends and which could result from the introduction of the direct compensation system.

Similar attention is given for the most loyal Customers through incentive initiatives not only at existing contract levels, but also, with initiatives focussed on the acquisition of new niche markets.

In the Land Vehicle sector, which is traditionally a very important business area, the tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of vehicle insured, in addition to the guarantees provided. The TPL guarantee is on the other hand a tariff based on the Bonus Malus class with the age of the owner and the age of the vehicle insured. The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Also for the Non-Motor Classes, in mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience of the portfolio of the Group which is sufficiently large and stable to permit the fixing of guarantees and prices suitable to the various risk types. In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of a medical history questionnaire which permits tariffs based on the conditions of the policyholder.

In general, for the mass risks and in any case all the risks where regulatory conditions and standard tariffs exist, the underwriting is made with adequate agency networks IT procedures and equipment.

Within the standard parameters, the commercial networks may avail of a tariff flexibility which is monitored centrally. In the case in which the needs of a specific Customer require a change in the standard conditions, any concession of an exception is valued and authorised by the Technical Structure of the Group.

Corporate Risks and Special Risks

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

The agency networks have an independent underwriting limit by value and type of risk; above these values and types, the underwriting of risks are assisted by a Technical network adequately trained case-by-case in valuing the risks and fixing the conditions.

Bonds

With particular reference to the Bond Class, the analysis of the risks is made in advance and careful selection undertaken with a double examination:

- under the objective profile, the examination of the nature and the specific characteristics of the original report, which determine the request for the bond, has the purpose in the first place of ascribing the operations under examination to categories of risks within the class on the basis of the regulations and provisions; in the second place, particular attention is given to the verification of the features of the bond contract which must always respect the principle of access with regard to the principle obligation;

- under the subjective profile, the examination relates to the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterparty.

Both the aspects, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through specialised companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.
The above activity has the purpose of quantifying a total “underwriting limit” with the party, within precise and contained limits to the individual Technical areas; above these limits, the cases are presented to the internal boards of the classes, represented by the “”Credit Committee”.
The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to reaching the limits of the underwriting agreed.
All the bond policies issued by the Class are adequately protected with placement through a proportional reinsurance agreement up to 50%, with capacity up to Euro 70 million, to be utilised indifferently by the single Insurance company (Fondiaria-SAI or Milano) or at Group level (in this case for Liguria Assicurazioni there is a sublimit of Euro 10 million). In addition, a further coverage exists through an “excess claims” agreement to protect the net retained amount, on the individual risk or event, with retention equal to Euro 2.5 million up to Euro 25 million.

Otherwise, in order to guarantee an adequate fractioning of the risk, containing the exposure points, the Group utilises the Coinsurance instrument, on a reciprocal regime with the insurance Companies that adopt similar underwriting policies based on the principles of caution and careful risk selection.

Catastrophic hedging

The processes adopted by the Group to optimise the control of the exposures to catastrophic risks is reported below.
Particular attention is given to the risk concentrations on some classes, utilising, in accordance with the specific characteristics, appropriate calculation methods.
The Fire Class is that which, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this purpose concentration valuations are made on a geographic, seismic and also a hydrogeological basis.

The exposure concentrations by seismic area are updated during the year and subsequently modelled once a year utilising principally the two universal products adopted by the international markets (RMS RiskLink DLM and EQECAT WorldCAT), but also utilising a third tool (AIR II)..

The relative results are subsequently analysed with the assistance of international operators, in order to achieve adequate reinsurance protection based on the two models utilised.
Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

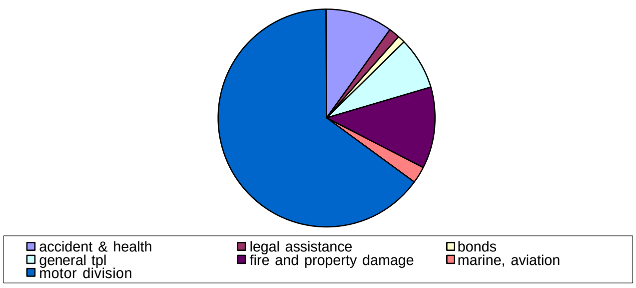
The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance cover per event.

The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.
The potential risk concentration following the bankruptcy of a single policyholder in the Bonds Class is protected thanks to a claims excess programme, which guarantees all the acceptances made during the past years of subscription.
Finally, it is reported that the underwriting in the Injury class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life segment.

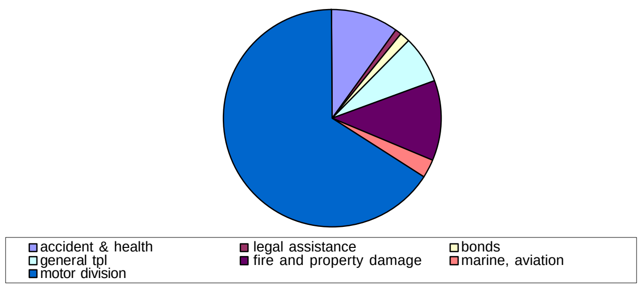
The percentage composition of the Non-Life in the Group for the last two years:

Graph 16 – Composition of the Group Non-Life Classes

2009



2008



Class	Compos. in %
accident & health	9.9
legal assistance	1.6
bonds	1.2
general tpl	7.8
fire and property damage	11.9
marine, aviation	2.6
motor division	64.9

Class	Compos. in %
accident & health	9.9
legal assistance	1.3
bonds	1.2
general tpl	7.1
fire and property damage	11.8
marine, aviation	2.8
motor division	9.9

It is evident that the Motor Classes in the Group do not provide future financial cash flows. This relates to a stable portfolio not subject to significant fluctuations such as to impact on future projections.

The motor products were recently redefined in order to improve the quality of service offered to the client and represent more closely the market offer.
The Motor TPL sector, due its inherent characteristics, does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, also geographically distributed in a uniform measure throughout the country, are such to be able to absorb such events without significant repercussions on the results.
In any event, for the events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed especially in the case of atmospheric events of extreme intensity or natural catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the Fire Class.

In the Non-Motor Non-Life Sector, the Group operates in all sectors with the sole exception of the credit class which is underwritten on an irregular basis.
For some classes such as Legal Assistance and Protection, the underwriting at Group level is centred in specialised single class insurance Companies such as Pronto Assistance and Europa Tutela giudiziaria; for the other classes such as Transport and Merchandise, SIAT, equipped with specific and recognised expertise, undertakes a central role for the Group.

The risks of the other non-auto Non-Life Classes are underwritten by all the insurance Companies of the Group principally through exclusive agency networks, but also through brokers and in some cases through multi mandate agency networks and bancassurance agreements.

Concentration risk and use of co insurers

The Group utilises co-insurance - that is the division of the risks based on quotas with other insurance Companies, both for commercial reasons at local level and to limit insurance exposure in the case of large risks.

Also during 2009, the maintenance of the Group policies, already realised in the previous years, confirmed the maintenance of the separation of the portfolio, with a prevalence of risks assumed in Exclusive Delegation. In fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.
With reference to the Bond Class, in 2009 the policy relating to the underwriting of risks Other delegations is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

In relation to Other delegations, in 2009 the weight of these premiums was 9.2%, an increase on 2008 (8.9%). The weight of the total cost of the claims was 9.4%, an increase on the previous year.

Reserve risk

With reference to the second component of the insured risk of the Non-Life Sector, or rather the reserve risk, this relates to the uncertainty relating to the utilisation of the claims reserve. This refers to the risk that the claims reserves may not be sufficient to meet the commitments with policyholders or damages.
The reserve risk, as related to the estimate of the reserves, can be monitored from the basic information traceable from the triangular of the claims.
In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to claims of the Civil Responsibility classes.
The tables below are compiled from official data from forms provided to the Supervision Authority by the Fondiaria-SAI Group (ref. form 29 and attachment 1/29, form 29A).

Each data present on the “triangle” represents the photocopy of the cost of generation at December 31 of the year of occurrence, represented by the sum of the following components:

- Cumulative payment in the year of occurrence at 31/12 of the year of observation
- Reserve on open claims, referred to December 31 of the year of observation
- Estimate of the late claims of the year of occurrence at 31/12 of the year of observation

The “Estimated final cost”, the “Payments made” and the “Reserve amount” refer to the most recent year of observation - that is the largest diagonal of the triangle.
It is considered appropriate to represent the evolution of the claims for only the civil responsibility classes (motor and general civil responsibility) in that they are the most representative classes of the Group: over 75% of the claims paid belonged to these two classes.
The General TPL Class in particular is characterised by a slow reversal and a high number of late claims, in particular due to the objective difficulty in the determination of the generation cost, especially in the first years of observation. This situation, common to all classes, is particularly marked for the General TPL Class.

CLASSES 10 + 12 (Motor TPL)

(in Euro millions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Estimated costs										
At the end of the year	2,739.5	2,959.9	3,214.3	3,246.0	3,346.0	3,300.0	3,138.2	3,008.9	3,229.5	
After one year	2,752.4	2,911.1	3,081.4	3,167.2	3,177.0	3,299.7	3,011.2	3,026.4		
After two years	2,801.3	2,976.0	3,106.4	3,118.5	3,164.5	3,358.4	3,111.7			
After three years	2,812.9	2,997.9	3,141.2	3,051.8	3,238.2	3,336.4				
After four years	2,834.2	3,055.3	3,182.5	3,096.7	3,256.9					
After five years	2,875.3	3,056.0	3,210.7	3,119.0						
After six years	2,909.3	3,103.5	3,271.2							
After seven years	2,925.1	3,147.2								
After eight years	2,959.3									
Est. final costs	2,959.3	3,147.2	3,271.2	3,119.0	3,256.9	3,336.4	3,111.7	3,026.4	3,229.5	28,458
Payments	2,822.9	2,960.4	3,034.6	2,873.8	2,923.5	2,887.0	2,608.6	2,216.7	1,257.7	23,585
Amount to reserve	136.4	186.8	236.6	245.2	335.5	449.4	503.1	809.7	1,971.8	4,873

CLASS 13 (General TPL)

(in Euro millions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Estimated costs										
At the end of the year	267.2	300.0	312.3	324.6	343.5	382.0	373.0	372.5	466.0	
After one year	276.1	280.6	340.3	324.7	350.6	337.9	354.8	374.2		
After two years	280.2	286.0	311.8	338.1	352.1	379.2	362.1			
After three years	283.4	292.7	321.1	345.5	355.9	372.4				
After four years	294.6	299.3	326.0	352.8	349.5					
After five years	298.9	303.4	333.0	348.2						
After six years	300.3	306.9	327.8							
After seven years	302.5	304.0								
After eight years	307.1									
Est. final costs	307.1	304.0	327.8	348.2	349.5	372.4	362.1	374.2	466.0	3,211
Payments	226.5	218.2	223.6	222.2	208.8	210.4	177.9	138.7	63.7	1,690
Amount to reserve	80.6	85.8	104.2	126.0	140.7	162.0	184.2	235.5	402.3	1,522

NOTE: Differing from previous years, the triangle includes Liguria since 2001.

- **each amount of the triangle is comprised of:**
  cumulative payment in the year of occurrence (from the year of commencement to the year of observation)
  + reserved relating to the year of occurance on claims reported (in the year of observation)
  + reserved relating to the year of occurance on late claims (in the year of observation)
- **the "estimated final cost" is the cost of the last year of observation**
- **“payments” is the cumulative payments in the year of occurrence in the last year of observation**
- **“amount to reserve” is the reserve relating to the year of occurrence in the last year of observation**

The table below shows the situation of the claims for the companies of the Fondiaria-SAI Group and Milano Assicurazioni still open at the end of 2009, compared with the number of claims reported in the various years.

Generation	Number of reported claims	Number of claims open	% on reported claims
1999	981,312	730	0.07
2000	1,017,239	1,136	0.11
2001	996,787	1,863	0.19
2002	987,098	2,947	0.30
2003	959,946	4,247	0.44
2004	929,973	5,112	0.55
2005	929,388	7,546	0.81
2006	912,798	13,262	1.45
2007	882,694	18,247	2.07
2008	828,451	45,534	5.50
2009	865,000	220,193	24.44

Excluding the CID Mandate claims reported since February 1, 2007 with the introduction of the direct compensation which are considered the claims caused (NO CARD + CARD DEBTOR).

Card management from 1/2/2007

Generation	Claims reported	Number of claims open	% on reported claims
2007	428,094	4,640	1.08
2008	537,499	18,013	3.35
2009	665,673	138,067	20.74

Verification of the liabilities

The premium reserve for risks in course is created, in accordance with article 16 of ISVAP Regulation No. 16/08, to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.

The calculation method adopted for this reserve utilises the empirical method suggested by the above-mentioned Regulation. This latter reserve is in line with the adjustment test of the technical reserves of the Non-Life Classes required by IFRS 4 (so-called LAT).

It is also considered that the current method in the determination of the claims reserves in accordance with the last cost criteria are methodologically appropriate to represent the future cash flows in the contract portfolio in force.

LIFE DIVISION

The objective of the Group, in line with the strategic plan, is the development of the portfolio in all the Non-Life Classes in a balanced and technically profitable manner through a competitive product range and strengthening of the bancassurance channel in order to create value.
In particular, the principal elements of risk subject to the management of the life sector relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality, disability, expenses, surrender, catastrophic risks) for which reference should be made to the respective sections in the chapter "Information on risks and uncertainties".

With reference to the traditional products, there are two segments which manage different types of insurance coverage:

- The individual policies prevalently operating are those relating to the temporary coverage for death stipulated in the "stand alone" form, through annual premium and single premium products with constant capital or decreasing, and in accessory form to other types of policies;
- The Corporate Policies which manages the typical risks relating to the coverage conventionally called "assistance" and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In addition to the traditional type contracts which include savings and pension financial products (annuity and deferred capital), there are also unit and index linked pure investment contracts related to internal funds and baskets of equity or stock exchange indices.

Individual policies

In the individual policy segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in the "stand alone" form, through annual premium and single premium products with constant capital or decreasing, and in accessory form to other types of policies.
For the tariffs of these products, the Group utilises specific tariff forms determined through official ISTAT statistics on the mortality of the Italian population, adapted on the basis of the mortality history of the portfolio of the policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or not. The amount insured is underwritten on the basis of fixed and standard rules, the so-called "underwriting grid". This grid is structured on the basis of a different step-up of capital insured for which there are different types of events of a health nature in accordance with the "International Guidelines" in the medical field.
There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.
In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.
In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.
It is also noted that for amounts above a certain threshold, the underwriting of the risk is subject to the presence of explicit acceptance by the reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.
The trend of the technical performance on the portfolio confirms that historically applied in terms of personalisation of the statistical base adopted compared to the general ISTAT. The longevity risk is currently marginal - typically related to the portfolio relative to annuities - due to the non significant presence of this type of contract in the portfolio of the Company.

Corporate Policies

In the Corporate sector, the typical risks insured by the insurer are those relating to the coverage conventionally called "assistance" and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).
In consideration of the tariff structures utilised by the insurance companies of the Group for this type of contract, a verification that the insurance cover is due to an objective situation - an obligation of law and company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests of insurance cover made based on the needs of single individuals in order to exclude the origin of all forms of anti selection of the risk are excluded methodologically.
This fundamental rule is supplemented by further limitations relating to the determination of the capital and amount insured.
The amount insured is underwritten based on standard variable rules (insurance grid) based on the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.
For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.
It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is reserved in relation to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.
The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company - means the recurring monitoring of the trend both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.
The technical trend on the portfolio confirms, generally, that historically applied in terms of personalisation on the statistical basis adopted with respect to ISTAT.
Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in portfolio.
This risk is present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated base statistics and a careful evaluation of guaranteed financial returns, subject to constant monitoring on the markets. The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by our sales network, with an increase related to the salaries.
The portfolio related to the management of the liquidity of the companies is realised through specific financial securitisation policies of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of the services and shows a strong acceleration in line with the market.
In relation to this, particular attention is dedicated to the concentration of the commitments on the individual counterparties in order to avoid negative impacts on the company accounts in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.
This element is circumvented with an internal regulation which requires on the one hand, a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related and on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of Life insurance products

The portfolio of the Group can be classified in three uniform macro-groups for technical characteristics and the product offered:

- The risk products, whose offer consists of products protecting the individual or his family guaranteeing a certain economic level against unexpected events;
- The pure investment product to meet greater requests for solutions for treasury needs of small and medium size enterprises as a replacement of alternative opportunities proposed by the financial market;
- Savings products for the medium-long term period, also with a view to pensions.

In relation to the traditional products, within the first category are included all the contracts which have an important risk component in the case of death, as for the temporary death case and for mixed insurance; in the second case, the contracts which have a strong financial component such as the securitisation and for the third category prevalently annuity contracts and deferred capital.
In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to the Oicr basket and equity or stock exchange indices.

A Life contract is classified as insurance if the insurance risk is significant, that is if an event insured can induce the insured to pay significant additional services; "additional services" are intended as the amounts paid in the case of the occurrence of events which exceed those that would be paid in which the event insured did not occur.
A contract of the Life Division is considered an insurance contract if:

- the services are above, conventionally and with a certain continuance, the level of 5% of the amount payable in the case in which the event does not occur;
- it is an annuity right;
- it contains an option of conversion in guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.
The classification was made at tariff level; consequently there are in existence certain insurance products (for example covering death), certain financial products (for example capital redemption policies) and in addition, residually, products for which, in order for their classification, it is necessary to make evaluations at individual contract level.

LAT Model

To determine the LAT (Liability Adequacy Test) in order to evaluate the adequacy and the sufficiency of the reserves recorded in the Local GAAP accounts, a model was adopted which generates prospective annual cash flows, developed in MoSes for the Companies Fondiaria-SAI, Milano Assicurazioni, Popolare Vita.

Lawrence Life does not require LAT for contracts classified as insurance in that the reserves made satisfy the minimum control requirements.
Relating to the traditional portfolio, this was divided into uniform groups according to the technical characteristics of the product (securitisation contracts, risk and savings and pension).

The table below shows the quantification in terms of policies.

Number of policies (*) elaborated at 31.12.09

Division	Capitalisation	Prod. Of Risk	Savings & pension	Total
Fondiaria-SAI	35,664	115,270	262,805	413,739
Milano Ass.ni	17,713	104,881	103,369	225,963
Popolare Vita	1,554	-	57,004	58,558
Total	**54,931**	**220,151**	**423,178**	**698,260**

(*) for the collective a record was considered for each person insured

The tariffs modelled for the purposes of the LAT calculation covered almost all of the portfolio of the traditional contracts within IFRS 4 at the time of evaluation, as illustrated by the table below.

Composition of the traditional portfolio by division at 31/12/2009

(in Euro thousands)

Division	Reserve elaborated	Total reserve	% elaborated
Fondiaria-SAI S.p.A.	6,721,104	7,265,452	92.5
Milano Ass.ni S.p.A.	3,139,162	3,417,285	91.9
Popolare Vita	2,267,601	2,325,980	97.5
Total	**12,127,867**	**13,008,717**	**93.2**

The results obtained in the portfolio considered, in accordance with the methods described below, were thereafter proportionally extended to the entire portfolio.

For each policy the projected cash flows are annually generated which takes into account the demographic assumptions, mortality and expenses in accordance with the second order so as to value on an annual basis, the economic gains for the calculation of the needs, assuming that they are settled on maturity or at the end of the deferral of the capital paid.
For the cash flows of the premiums, in relation to the specificity of each tariff, only the policies which at the valuation date were paid were considered.
The recognition of services and premiums, where in accordance with a minimum guaranteed return and for the discounting of the cash flows, utilise a market risk free curve at the reference date.

For the contracts with specific assets, the discount rate was taken from the effective return of the assets to cover the reserves, taking into account the credit risk related to the individual securities comprised in the basket. The credit risk is valued based on the probability of default assigned by Standard & Poor.
In the estimate of the amounts paid following the redemption by clients of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific penalties of each tariff are considered.
For the entire life tariffs, a contract duration of twenty years was utilised.
In the definition of the assumptions of the future commissions payable to the network based on the premiums collected, reference was made to the loading corresponding to the tariffs and in accordance with the current commercial agreements in force.
The discounting of the future cash flows described above permitted the determination of the commitments of the Company in accordance with the “best estimate” basis at the moment of the valuation. This amount is defined in the “LAT Reserve” table below.
With regard to the assumptions, reference was made where possible to the company experience and the Italian insurance market in addition to economic-financial scenarios at the valuation date.

Traditional Portfolio

The application of the model for the valuation of the LAT provided the results shown below comparing them with the reserves in the accounts considering the actuarial reserves, the future expenses reserves, the additional reserves for interest guarantee and decreased by the commissions to be amortised described above.

LAT valuation at 31/12/2009

(in Euro thousands)

DIVISION		CAPITALIS.	PROD. OF RISK	SAVINGS & PENSION	TOTAL
Fondiaria-SAI	LAT Res.	2,055,934	779,210	4,016,938	6,852,081
	Tot. per Accounts	2,154,241	857,945	4,337,155	7,349,341
	Balanced Res.	*2,136,838*	*846,965*	*4,281,649*	*7,265,452*
	Additional Res.	*6,156*	*5,651*	*28,568*	*40,375*
	Expenses Res.	*11,247*	*6,514*	*32,931*	*50,693*
	DAC	-	*1,186*	*5,993*	*7,179*
Milano Ass.ni	LAT Res.	572,981	685,498	1,917,872	3,176,352
	Tot.per Accounts	601,650	759,998	2,097,334	3,458,982
	Balanced Res.	*597,651*	*749,971*	*2,069,663*	*3,417,285*
	Additional Res.	*248*	*8,500*	*23,458*	*32,206*
	Expenses Res.	*3,750*	*3,620*	*9,989*	*17,359*
	DAC	-	*2,093*	*5,775*	*7,868*
Popolare Vita	LAT Res.	148,991	-	2,130,286	2,279,277
	Tot. per Accounts	149,731	-	2,175,353	2,325,084
	Balanced Res.	*148,509*	-	*2,177,471*	*2,325,980*
	Additional Res.	*995*	-	*4,565*	*5,560*
	Expenses Res.	*226*	-	*2,427*	*2,653*
	DAC	-	-	*9,109*	*9,109*

Notes:

- Revaluation of services: according to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: an inflation rate of 2.35% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase year by year.

  Discount rate: EuroSwap Curve at the valuation date, except where specified above.
- Redemptions, Reductions, Cancellation: the frequency to be eliminated fluctuates in a range between 0.00% and 33.03% for the traditional portfolio and between 0.00% and 44.02% for the Unit and Index portfolio.
- Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 30% those deriving from the table SIM/F 2002.
- Management expense fluctuates in a range between Euro 22/year and Euro 50/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Index and Unit-Linked Policies

For the valuation of Index and Unit products classified as "insurance" (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the accounts in relation to the risks underwritten and to the future expenses.

LAT Evaluations - Index and Unit insurance at 31/12/2009

(in Euro thousands)

COMPANY		UNIT-LINKED	INDEX-LINKED	TOTAL
Fondiaria-SAI	LAT Res.	61,731	213,024	274,755
	Tot.per Accounts	63,253	214,781	278,034
	Class D Res.	62,337	211,697	274,034
	Additional Res.	562	267	829
	Expenses Res.	355	2,817	3,172
Milano Ass.ni	LAT Res.	-	220,050	220,050
	Tot. per Accounts	-	221,618	221,618
	Class D Res.	-	218,665	218,665
	Additional Res.	-	-	-
	Expenses Res.	-	2,952	2,952
Popolare Vita	LAT Res.	114,649	3,200,173	3,314,822
	Tot. per Accounts	115,708	3,206,030	3,321,738
	Class D Res.	115,471	3,178,314	3,293,785
	Additional Res.	237	7,276	7,513
	Expenses Res.	-	20,439	20,439

Notes:

- Revaluation of services: according to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: an inflation rate of 2.35% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase year by year.

  Discount rate: EuroSwap Curve at the valuation date, except where specified above.
- Redemptions, Reductions, Cancellation: the frequency to be eliminated fluctuates in a range between 0.00% and 33.03% for the traditional portfolio and between 0.00% and 44.02% for the Unit and Index portfolio.
- Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 30% those deriving from the table SIM/F 2002.
- Management expense luctuates in a range between Euro 22/year and Euro 50/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Guarantee return reserve

With reference to the commitments underwritten with the policyholders, the breakdown of the Life reserves for the companies of the Group shows approx. half (51.2%) equal to Euro 8,859.2 million relate to policies with guaranteed returns between 1% and 3%, while approx. 21% (equal to Euro 3,582 million) relate to policies with guaranteed return between 3% and 5%.
In comparison, the reserves for contracts without guarantees are modest (Euro 177.8 million) while, compared to the previous year, the reserves with guarantees at fixed interest rates on maturity decreased from Euro 4,130.2 million in 2008 to Euro 3,931.2 million in 2009 and the reserves for contracts with guarantees related to specific assets also decreased from Euro 807.9 million in 2008 to Euro 744.3 million in 2009.

Insurance reserves of the Life segment: guarantee return (*)

(in Euro millions)	**(**) 2009**	**(***) 2008**
Reserves with guaranteed annual interest rate	**12.449.5**	**13.248.1**
0% - 1%	8.3	8.7
from 1% to 3%	8.859.2	8.842.4
from 3% to 5%	3.582.0	4.397.0
Reserves without guaranteed interest rate	**177.8**	**202.9**
Reserves related to specific assets	**744.3**	**807.9**
Reserves with guaranteed interest rate on maturity	**3.931.2**	**4.130.2**
Total	**17.302.8**	**18.389.1**

(*) The total includes the amount of the direct gross actuarial reserves and the technical reserves where the investment risk is borne by the policyholders.
(**) Companies considered: Fondiaria-SAI, Milano Assicurazioni (including the former SASA Vita), Popolare Vita (including former Novara Vita).
(***) Companies considered: Fondiaria-SAI, Milano Assicurazioni (including the former SASA Vita), BPM Vita and Popolare Vita (including former Novara Vita).

Information on operating risks

The framework of Operational Risk Management

The Fondiaria-SAI Group, following the drive based on strategic and regulatory requirements, set out and is currently implementing a framework – for the identification, measuring, monitoring and management of the Operating Risks, which relates to "the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services (outsourcing risk)" (Regulation No. 20 ISVAP Article 18 paragraph 2, letter f). Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include Risk Compliance and Reputational Risk, with the objective to evaluate the direct and indirect effects of events relating to Operating Risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

Within the corporate governance structure of the Group, the Operational Risk Management (ORM) activity is undertaken by the Operational Risk Management, IT and Privacy Unit within the Risk Management Department of the Parent Company Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, have the objective to ensure the safeguarding of the Group assets, the adequate control of the risks and the improvement of the efficiency of the business processes.
In the undertaking of its activities, in 2009 the Risk Management department utilised the operating structures in the data collection process. Based on the organisational model of the Group, within the operating organisation the Process Owners, responsible for risks in their area, collaborated with the Organisational Appointees, operational persons with specific knowledge on risks.
The Risk Management Department also interfaces with the other supervisory boards within a reciprocal consultative and information-sharing relationship, in the projects in which the different organisational departments participate. In particular, the principal persons/departments in which operating relationships are undertaken are:

- The Executive appointed pursuant to Law 262/2005;
- The compliance and corporate governance Committee and the Compliance Department;
- The Audit Department.

In relation to the classification of the operating risks, the model adopted is that of the event type in the banking area (Basilea II) and which the current orientation of CEIOPS refers to within Solvency II. This classification, structured on three levels was modified for the second and the third levels to adapt it to the specific problems and internal analysis models; below the first level of classification is shown.

Table 10 – Classification of the operating risk

1	Internal fraud
2	External fraud
3	Employment relationship and workplace security
4	Clients, products and business practices
5	Damage to tangible assets
6	Interruption/reduction of operations
7	Execution, delivery and management of processes

Activities carried out and objectives for 2010
In relation to the RSA, the year was characterised by the follow-up and by the further detailed analysis undertaken in the previous years and by the extension of the parameter on new insurance business processes: the underwriting of risks, the management of claims and reinsurance. Specifically, assessment was undertaken of:

- the Process of Underwriting Special Risks (risks relating to the Aircraft, Hailstorm, Bond and Technological Classes).
- the Reinsurance Process, both relating to the activities undertaken in the Italian territory and those relating to the captive company of the Group Fondiaria Sai Lawrence Re located in Ireland;
- the linking process between underwriting of the technological risks and the Reinsurance Process with the objective to have an “end to end” vision between underwriting and reinsurance.

Relating to the follow-up of areas already analysed, an update was undertaken with more detailed analysis in some cases with a specific focus on any elements of particular interest. This activity concerned:

- the Finance Process, with particular attention to the risks which may occur due to the malfunctioning of the IT system. a further analysis was undertaken on the risks relating to the application for the settlement and the sales/purchase of securities;
- the Claims Settlement Process relating to the occurrence of some indicators agreed in the first recognition made in 2008;
- the Administrative and Management Processes of SGR Sai Investmenti on the real estate funds Tikal RE Fund and Athens concentrated the analysis on the impact of regulatory changes.

In line with the objectives of collaboration and coordination with the other functions of governance, results of the analysis were shared with the relative structures for the regulatory compliance aspects and those in accordance with law 262. The questionnaires, which included approx. 100 questions, were drawn up in accordance with the method, making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit deparetment, with the support of the respondents and based on the preceding verifications carried out.

In 2010, the activity planned provides for further extension of the assessment of the following business processes:

- Life Process (from underwriting to settlement);
- Underwriting Motor risk process;
- Broker management process.

Relating to the commencement of the Loss Data Collection the conclusion of the analysis activities resulted in the revision of the approach initially assumed, as it was not considered possible to undertake at the current moment a route involving extensive process automation. Therefore it was decided to create a network of persons dedicated to risk management which would include among their objectives the timely production of loss data collection. The creation of this network, the training and the definition of operating procedures are the objectives for the year 2010.

Other risks

Risk of holdings in the banking and financial sector

Following the entering into force of the 7th update of the Bank of Italy Circular No.216 and based on indications provided by the Parent Company, approved by the Board of Directors, BancaSai and Finitalia adopted the calculation method of the new capital requirements, the simplified method. The new method refer to the “first pillar” relating to the credit, counterparty, market, exchange rate and operating risks.
As contained in the above-mentioned regulation, the application of the other two pillars “Prudent Control Process” (ICAAP or Internal Capital Adequacy Assessment Process) and “Public Information” within the Bank Group report directly to the senior management of the Group. The functions undertaking the analysis, management and monitoring of the risks, in particular those relating to the credit risk, utilise fully integrated instruments in the decisional processes, which also permit the obtaining of periodic performance information (reports and performance indicators).

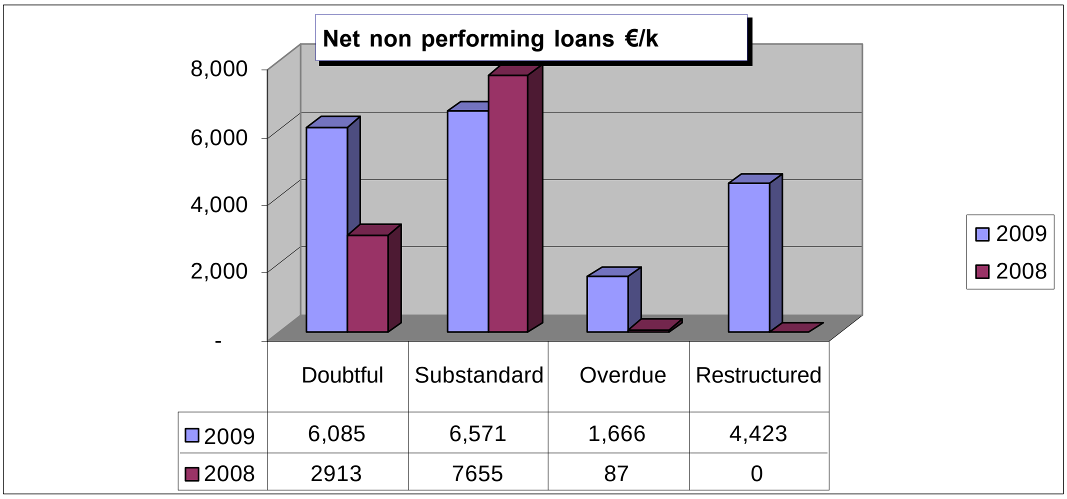
For the details of the above-mentioned risks, in accordance with the provisions of article 2428 of the Civil Code, reference should be made to that reported below.

BancaSai
The Bank continues to focus on the "fractioning of the risk" which is still one of the important requisites of the loan portfolio, both in relation to the distribution by economic activity and concentration by individual client. In fact, apart from the credit line granted to the subsidiary Finitalia which represents approx. 12% of the total of the portfolio, the distribution of the credit lines by economic activity sees loans provided to Households of almost 40% of the total, to banks and financial service companies of 9%, Building and Public Works, Insurance, Financial and Auxiliary Services 8% each and other segments with reduced percentages.

In consideration of its operating activities, the credit risk is the principal risk component to which the Bank is exposed. Credit risk concerns the risk – connected to the activity of granting credit – relating to the probability of loss, of either capital or interest, originating from the state of insolvency of the debtor. The credit risk is measured and monitored in terms of maximum overall credit line, represented by the sum of all the risk activities – in whatever currency denominated – with clients or group of clients related to an economic or legal segment.
Particular attention is given to the granting of commercial credit lines for the inherent characteristics of this technical form, related to their capacity to ensure greater client loyalty, to the margins generated, and to their ability to be an indicator of the state of our counterparties, through the verification of the returns on the portfolio. The self-liquidating lines overall grew by over 10% from the beginning of the year, in addition to those repaid through instalments and related to property mortgages which characterised the start-up phase of the credit institution.

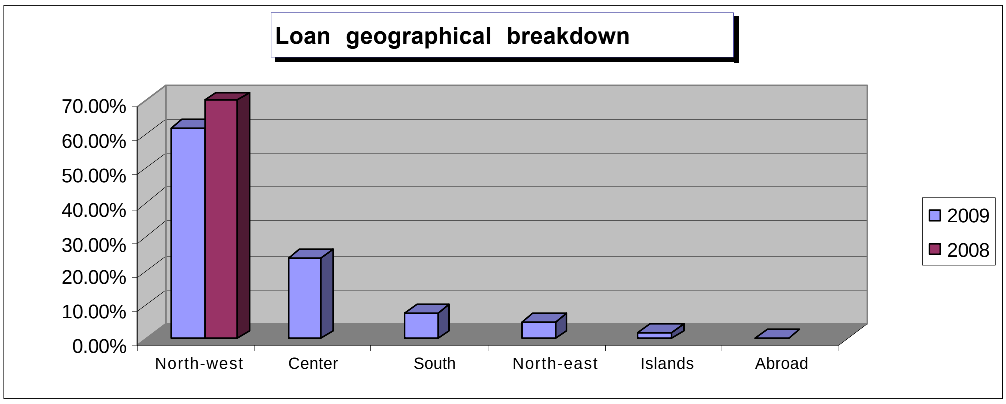
Due to the deteriorating economic climate, from August 2008 and for all of 2009 there was an overall increase in problem loans, in spite of increased monitoring activities on clients. Nevertheless, the quality of the loan book remains good: 97% of the credit portfolio is current, the percentage of non-performing loans on the total loans amounts to 3%; the individual positions are adequately managed and prudently written down (the level of coverage of the non-performing loans is 30%). The activity of constant monitoring of the loan portfolio, as well as the prior examination of the solvency of the debtors continued during the year. From this viewpoint, the annual revision of the credit lines was particularly important, which involved an increasing number of counterparties than the previous year following the greater number of loans and the reduction of the credit limit threshold for the revision of the credit limits.

The increased deterioration of loans in 2009 on the previous year, comprising overdue and non-performing loans, or the persistent breaching of credit limits, illustrated in the table below, is caused by the current recession, and in particular the widespread deterioration of the SME's and households, segments in which BancaSai has a strong presence which has seen som respite in recent months. Against these loans, whose risk levels determine the prompt instigation of necessary recovery actions, adequate provisions were made.



	Doubtful	Substandard	Overdue	Restructured
2009	6,085	6,571	1,666	4,423
2008	2913	7655	87	0

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



The Bank also utilises the Credit Rating System for the determination of internal ratings assigned to clients. The analysis compared to the previous year recorded upgrading for 25% of the portfolio, downgrading for 32% of the portfolio, while the remaining part remained unchanged or without rating. For the purposes of the calculation of the capital requirements, against the credit risks, as of January 1, 2008, BancaSai applies the provisions in accordance with the new regulations for the standardised method: the current rating system utilised for management purposes is therefore not utilised for capital regulatory purposes.

The table below shows the percentage of each rating class compared to the total.

Loan Rating Breakdown (%)								
RATING	WITHOUT	INDUSTRIAL	FINANCIAL	BANK/INSURANCE	SME	PRIV.CONS.	SMALL BUS.	TOT
WITHOUT RATING	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.37%**
AAA	0.00%	0.10%	0.00%	0.00%	0.00%	0.02%	0.08%	**0.20%**
AA	0.00%	6.68%	1.65%	1.02%	1.77%	0.85%	0.30%	**12.28%**
A	0.00%	2.63%	1.18%	0.00%	1.05%	3.18%	0.52%	**8.56%**
BBB	0.00%	1.28%	0.00%	0.00%	0.29%	6.10%	0.22%	**7.89%**
BB	0.00%	2.88%	0.02%	0.02%	0.45%	14.08%	0.54%	**18.00%**
B	0.00%	5.63%	5.35%	0.00%	1.05%	11.84%	0.76%	**24.62%**
CCC	0.00%	0.55%	0.00%	0.01%	2.49%	0.72%	0.22%	**3.98%**
CC	0.00%	2.87%	0.00%	0.00%	2.07%	1.28%	3.09%	**9.31%**
C+	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.01%	**0.03%**
C	0.00%	0.40%	0.00%	0.00%	0.56%	0.04%	0.17%	**1.17%**
D	0.00%	0.36%	0.00%	0.00%	0.23%	0.69%	0.41%	**1.69%**
SUB TOTAL	**0.37%**	**23.37%**	**8.20%**	**1.05%**	**9.97%**	**38.82%**	**6.32%**	**88.10%**
FINITALIA	0.00%	0.00%	11.90%	0.00%	0.00%	0.00%	0.00%	11.90%
TOTAL	**0.37%**	**23.37%**	**20.11%**	**1.05%**	**9.97%**	**38.82%**	**6.32%**	**100.00%**

Finitalia

The organisational structure is based on the separation between the functions of the provision of credit and that of control and management of the credit.

The Board of Directors have the power to determine the general management strategies of the company. In relation to internal controls, the Board of Directors approves the strategic and management policies of the risk, as well as the organisational structure of the company. The strategies and policies are principally contained in the documents "Company Regulations" and "Limits and Risk Management".

The Credit Department is responsible for the credit risk limits. The Credit Recovery Department is responsible for the management and recovery of loans and reports to the Administrative Department. The Organisational and Credit Risk Control Department is responsible for the credit risk control and reports to the Risk Management Department who in turnt reports to the Banking Group Risk Committee through a system of internal reporting and oversees compliance with the capital requirements calculating the risk weighted asset against the credit and counterparty risk of the bank portfolio in accordance with the provisions of "Basilea II".

The provision of credit is undertaken through a profile of the potential borrower and based on their capacity for borrowing and capacity to generate sufficient financial cash flows in order to meet the repayments on the pre-established maturity dates. Finitalia has implemented a process for the evaluation of lending which takes into consideration all of the information acquired from internal and external databanks, utilising the knowledge of the clientele both in relation to banking/financial aspects and insurance, obtaining the client profile on the basis of all the relationships in course with the Fondiaria SAI Group. The borrower is processed and analysed through semi-automatic procedures by personnel in accordance with levels of authority attributed, integrated in the management system operating on the AS400.

The Administrative Department is responsible for the analysis and classification of non-performing loans, as well as the verification of the impairment test. The criteria for the impairment test provides for the segmentation of the portfolio by uniform categories of products and by different risk classes to which are applied the average statistical percentage losses recorded analysing historical data.

Finitalia has adopted, for the purposes of the calculation of the capital requirements necessary for the credit risk, the simplified standardised calculation method, in accordance with that of the Banking Group.
In order to permit correct monitoring of the risks of the BancaSai Banking Group, Finitalia provides the Parent Company on a monthly basis specific data extractions in order to provide a general overview of the credit risk trend at consolidated level.
The management and recovery of the non-performing loans is undertaken through standardised and automated procedures within the management system, which classifies the various loans by expiry period. The entire process is undertaken by the Credit Recovery Department, in conjunction with the insurance department in the case of any insurance guarantees present.
The various credit recovery phases are based on the level of overdue and type of credit (credit card or personal loan), beginning with solicitation letters and/or telephone calls for small insolvencies, up to debt collectors and other legal action for significant amounts overdue.
The eventual write-off of the position, where such conditions exist, only takes place after exhaustion of the entire recovery process, any relative legal action and through the acquisition of additional information. The write-off of positions is undertaken on a monthly basis.

PART F - Information on business combinations and discontinued operations

In accordance with IFRS 3, the following operations took place utilising the business combination method and the Consolidated Income Statement of the Fondiaria-SAI Group includes the income of the companies acquired from the acquisition date.

Reference should be made to the Directors' Report relating to the details of the operations and the information relating to the income statements of the companies acquired.

Acquisition of 100% of Atahotels Group

As described in detail in the Directors´ Report, following the preliminary contract signed at the end of 2008 by Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. for the purchase from Sinergia Holding di Partecipazioni S.p.A. and Raggruppamento Finanziario S.p.A. of 100% of Atahotels S.p.A., the purchase operation was completed on 29/5/2009 for a total amount of Euro 25 million, respectively for a holding of 51% and 49% in Atahotels.

The cost of the operation was compared with the fair value of the current and potential assets and liabilities of the company acquired.

The difference was allocated as follows:

(in Euro thousands)	
Goodwill	9,857
Brand	11,834
Deferred taxes	3,834

The value of the Brand, considered fair based on an independent expert's opinion, is representative of the price paid of the subsidiary Atavalue S.r.l.

A summary of the book values of the company acquired are reported below:

(in Euro thousands)	Book value	Fair Value adjustments – allocation of gains	Total Fair Value
Intangible assets	53,090	11,834	64,924
Property, plant & equipment	28,625	-	28,625
Investments	9,971	-	9,971
Cash and cash equivalents	2,974	-	2,974
Receivables and other net assets	(44,512)	-3,834	(48,346)
Financial liabilities	(44,969)	-	(44,969)
Provisions	(413)	-	(413)
Net assets acquired			**12,766**
Acquisition price			**25,000**
Total goodwill.			12,234
Minority interest share			2,377
Goodwill recorded			**9,857**

The net cash flow of the acquisition was as follows:

(in Euro thousands)

Payment in cash	(25,000)
Cash and banks acquired	2,974
Net cash outflow	**(22,026)**

The acquisition of the Atahotels Group contributed negatively to the consolidated results of the Fondiaria SAI Group for Euro 19 million.

BIPIEMME VITA S.p.A.

In December 2009 Banca Popolare di Milano S.c.ar.l. and Milano Assicurazioni S.p.A. formalised an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005.
The guidelines of the agreement, approved by the respective Boards of Directors, provide for the repurchase by Banca Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a consideration of approx. Euro 122 million. The transfer of the investment will take place, subject to obtaining the necessary authorisations, during 2010.

Therefore, in accordance with IFRS 5, the 2009 data of Bipiemme Vita is not fully consolidated but reclassified in specific accounts in the financial statements (Non-current Assets and Liabilities or discontinued group held for sale and Profit/loss from discontinued operations).

The effects of this reclassification on the 2009 and 2008 Income Statements showing the contribution of Bipiemme Vita to the individual account lines is shown below:

(in Euro thousands)	Bipiemme Vita 31/12/2009	Consolidation adjustments	Total BPM Vita assets in sale
INTANGIBLE ASSETS	**107**	**86,846**	**86,953**
Goodwill	-	20,845	20,845
Other intangible assets	107	66,001	66,108
PROPERTY, PLANT & EQUIPMENT	**145**	**-**	**145**
Property	-	-	-
Other tangible assets	145	-	145
TECHNICAL RESERVES – REINSURANCE AMOUNT	**5,083**	**-**	**5,083**
INVESTMENTS	**3,857,601**	**-**	**3,857,601**
Investment property	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-
Investments held to maturity	93,316	-	93,316
Loans and receivables	-	-	-
Financial assets available-for-sale	2,276,533	-	2,276,533
Financial assets at fair value through the profit or loss account	1,487,752	-	1,487,752
OTHER RECEIVABLES	**10,798**	**-**	**10,798**
Receivables from direct insurance operations	7,320	-	7,320
Receivables from reinsurance operations	109	-	109
Other receivables	3,369	-	3,369
OTHER ASSETS	**84,986**	**(3,637)**	**81,349**
Non-current assets or of a discontinued group held for sale	-	-	-
Deferred acquisition costs	-	-	-
Deferred tax assets	18,546	-	18,546
Current tax assets	55,440	-	55,440
Other activities	11,000	(3,637)	7,363
CASH AND CASH EQUIVALENTS	**54,911**	**-**	**54,911**
TOTAL ASSETS	**4,013,631**	**83,209**	**4,096,840**

(in Euro thousands)	Bipiemme Vita 31/12/2009	Consolidation adjustments	Total BPM Vita liabilities in sale
TECHNICAL RESERVES	**2,581,625**		**2,581,625**
FINANCIAL LIABILITIES	**1,154,667**	**0**	**1,154,667**
Financial liabilities at fair value through profit or loss account	1,146,434		1,146,434
Other financial liabilities	8,233		8,233
PAYABLES	**62,709**	**0**	**62,709**
Payables from direct insurance operations	13,983		13,983
Payables from reinsurance operations	2,195		2,195
Other payables	46,531		46,531
OTHER LIABILITIES	**53,404**	**21,594**	**74,998**
Liabilities in a discontinued group held for sale			0
Deferred tax liabilities	19,265	21,594	40,859
Current tax liabilities	14,528		14,528
Other liabilities	19,611		19,611
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,852,405**	**21,594**	**3,873,999**

(in Euro thousands)	**Bipiemme Vita 31/12/2009**	**Consolidation adjustments**	**BPMV income/charges in sale**
Net premiums	667,620	-	667,620
Gross premiums	*675,652*	-	*675,652*
Premiums ceded to re-insurers	*(8,032)*	-	*(8,032*
Commission income	18,190	-	18,190
Income and charges from financial instruments at fair value through profit or loss statement	1,186	-	1,186
Income from investments in subsidiaries, associates and joint ventures	-	-	-
Income from other financial instruments and property investments	90,018	-	90,018
Interest income	*67,061*	-	*67,061*
Other income	*8,915*	-	*8,915*
Profits realised	*14,042*	-	*14,042*
Valuation gains	-	-	-
Other revenues	220	-	220
TOTAL REVENUES AND INCOME	**777,234**	**-**	**777,234**
Net charges relating to claims	(706,926)	-	(706,926)
Amounts paid and changes in technic al reserves	*(710,775)*	-	*(710,775)*
Reinsurers' share	*3,849*	-	*3,849*
Commission expenses	(7,914)	-	(7,914)
Charges from investments in subsidiaries, associates and joint ventures	-	--	-
Charges from other financial instruments and property investments	(12,225)	-	(12,225)
Interest expense	*(550)*	-	*(550)*
Other charges	*(6,447)*	-	*(6,447)*
Losses realised	*(5,228)*	-	*(5,228)*
Valuation losses	-	-	-
Management expenses	(25,936)	-	(25,936)
Commissions and other acquisition expenses	*(16,853)*	-	*(16,853)*
Investment management charges	*(2,852)*	-	*(2,852)*
Other administration expenses	*(6,231)*	-	*(6,231)*
Other costs	(1,429)	(23,169)	(24,598)
TOTAL COSTS AND CHARGES	**(754,430)**	**(23,169)**	**(777,599)**
PROFIT BEFORE TAXES	**22,804**	**(23,169)**	**(365)**
Income taxes	(6,053)	6,903	850
NET PROFIT	**16,751**	**(16,266)**	**485**

(in Euro thousands)	**2008**	**BPM Vita Accounts FY 2008**	**Consolidation adjustments**	**2008 IFRS 5 reclassified**
Net premiums	11,153,553	599,906	-	10,553,647
Gross premiums	*11,493,086*	*606,863*	-	*10,886,223*
Premiums ceded to re-insurers	*(339,533)*	*(6,957)*	-	*(332,576)*
Commission income	89,319	24,664	-	64,655
Income and charges from financial instruments at fair value through profit or loss statement	(341,548)	(3,340)	-	(338,208)
Income from investments in subsidiaries, associates and joint ventures	38,062	-	-	38,062
Income from other financial instruments and property investments	1,413,772	84,604	-	1,329,168
Interest income	*924,990*	*59,853*	-	*865,137*
Other income	*262,623*	*11,953*	-	*250,670*
Profits realised	*225,710*	*12,798*	-	*212,912*
Valuation gains	*449*		-	*449*
Other revenues	460,392	100	-	460,292
TOTAL REVENUES AND INCOME	**12,813,550**	**705,934**	**-**	**12,107,616**
Net charges relating to claims	(8,965,047)	(632,351)	-	(8,332,696)
Amounts paid and changes in technical reserves	*(9,126,604)*	*(636,438)*	-	*(8,490,166)*
Reinsurers' share	*161,557*	*4,087*	-	*157,470*
Commission expenses	(32,611)	(11,806)	-	(20,805)
Charges from investments in subsidiaries, associates and joint ventures	(7,236)	-	-	(7,236)
Charges from other financial instruments and property investments	(679,962)	(19,335)	-	(660,627)
Interest expense	*(144,866)*	*(829)*	-	*(144,037)*
Other charges	*(71,354)*	*(272)*	-	*(71,082)*
Losses realised	*(193,203)*	*(14,247)*	-	*(178,956)*
Valuation losses	*(270,539)*	*(3,987)*	-	*(266,552)*
Management expenses	(1,948,428)	(25,590)	-	(1,922,838)
Commissions and other acquisition expenses	*(1,478,826)*	*(17,131)*	-	*(1,461,695)*
Investment management charges	*(17,932)*	*(2,495)*	-	*(15,437)*
Other administration expenses	*(451,670)*	*(5,964)*	-	*(445,706)*
Other costs	(1,005,774)	(460)	(32,265)	(973,049)
TOTAL COSTS AND CHARGES	**(12,639,058)**	**(689,542)**	**(32,265)**	**(11,917,251)**
PROFIT BEFORE TAXES	**174,492**	**16,392**	**(32,265)**	**190,365**
Income taxes	(83,728)	(6,198)	10,557	(88,087)
NET PROFIT	**90,764**	**10,194**	**(21,708)**	**102,278**
PROFIT FROM DISCONTINUED OPERATIONS	**-**	**-**	**11,514**	**(11,514)**
CONSOLIDATED PROFIT	**90,764**	**10,194**	**(10,194)**	**90,764**
Group share	**87,409**	**-**	**-**	**87,409**

PART G – Information on related party transactions

Disclosure in the consolidated financial statements on “Related Parties” is governed by IAS 24 and by Consob Communications.

The principal equity, financial and economic transactions of the Parent Company with its subsidiaries (whether within the application of article 2497 of the Civil Code or otherwise) are reported in the Directors’ Report to the separate financial statements.

The operations between the Parent Company and its subsidiaries were eliminated in the consolidated financial statements and are not shown in these notes.

The operations between Group and other related parties are detailed in the following tables:

(in Euro thousands)	31/12/2009		31/12/2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Holding company	92	416	-	417
Associated companies and joint ventures	12,684	2,779	76,633	2,825
Group companies	7	8	6	20
Other related parties	250,102	34,226	371,026	68,383

(in Euro thousands)	31/12/2009		31/12/2008	
	Income	**Charges**	**Income**	**Charges**
Holding company	166	2,295	565	1,910
Associated companies and joint ventures	15,798	13,401	13,693	2,950
Group companies	5	-	5	-
Other related parties	16,442	130,406	16,318	110,692

All of the above operations were concluded at normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made in the year for any losses on receivables from related entities.

The principal transactions in the year are outlined below.

The principal transactions with associated companies and joint ventures refer to:

- Euro 12 million due from the associated company HEDF Isola S.c.s. for interest-bearing loans granted by Milano Assicurazioni S.p.A..

The principal transactions with Other Related Parties refer to:

- Euro 42 million due from IM.CO. S.p.A. to Milano Assicurazioni S.p.A. for payments on account in the year and in previous years in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell’Isola). The project included the sale in 2005 to “IM.CO. S.p.A.” of the above-mentioned land and the purchase from the same company for Euro 93.7 million of a building for office use under construction on the land sold.
- Euro 20 million due to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for capital expenditures on properties.

- Euro 103 million payments on account in the year and in previous years to Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to construction contracts on the building at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 96 million. In relation to this project, in August 2009, a supplementary contract was signed with the counterparty for improvements to the real estate complex in course, increasing the price by Euro 13.8 million plus VAT. Given the nature of the supplementary agreement, specific fairness and legal opinions were acquired, similar to those for the original contract;
- Euro 22 million due to Immobiliare Fondiaria-SAI S.r.l. from IM.CO. S.p.A. for Euro 19 million and from Marcora Costruzioni S.p.A. for Euro 3 million as down-payments on extraordinary maintenance and future construction;
- Euro 8 million downpayment, in previous years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for design work in the Castello Area (FI);
- Euro 30 million incurred by the subsidiary Villa Ragionieri S.r.l. with IM.CO. S.p.A. as increased costs for the expansion work and plant in the new health centre owned by the company.

The liabilities to Associated Companies and Joint Ventures relate to commercial operations between the subsidiary Immobiliare Lombarda S.p.A. and its associated company Tre Torri S.c.a.r.l. for Euro 3 million.

The liabilities to Other Related Parties principally refer to the trade payables of the subsidiary Immobiliare Fondiaria-SAI S.r.l. to I.C.E.IN. S.p.A. for Euro 2 million and Marcora Costruzioni S.p.A. for Euro 17 million, as well as the subsidiary Villa Ragionieri with IM.CO. S.p.A. for Euro 5 million for invoices to be received against work undertaken, and for Fondiaria-SA S.p.A. payables to administrative/technical Consultants for Euro 4 million and Life insurance policies for Euro 3 million.

The income from Associated Companies and Joint Ventures principally relates to interest on loans incurred by the associated company Garibaldi S.c.s. with Milano Assicurazioni S.p.A. for Euro 1 million and construction revenues for Euro 12 million by Immobiliare Lombarda from the associated company Citylife.

The income from Other Related Parties principally refers to income from insurance premiums of Euro 13 million and the income from leases agreed with Atahotels S.p.A by Campo Carlo Magno S.p.A. for Euro 1 million and by Tikal R.E. Fund for Euro 2 million.

The charges from Other Related Parties principally refer to the fees to Directors for offices covered in companies of the Group for Euro 25 million and salaries of senior management for Euro 5 million.

Finally, Euro 76 million was incurred by Immobiliare Lombarda (Euro 30 million) and Immobiliare Fondiaria-SAI (Euro 46 million) for costs in the year for maintenance of the properties owned.

The Companies IM.CO S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. are related parties because there are the same members on the board of directors of these companies, or their holding companies, and on the boards of Fondiaria-SAI and/or its subsidiaries.

In relation to the operations with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Directors' fees

The remuneration of directors for offices held in the Group is shown in the following table:

(in Euro thousands)	**31/12/2009**	**31/12/2008**
Remuneration	12,050	12,883
Bonus and other incentives	-	8,500
Non-monetary benefits	69	64
Total	**12,119**	**21,447**

The remuneration recognised to directors is fixed based on the average market remuneration level, while the bonuses and the other incentives are normally determined ex-post in relation to the results achieved and/or in relation to particular operations.

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

Obligation to publish the audit fees and other services provided by audit firm

The Consolidated Finance Act reform contained in law No. 262 of 28.12.05, supplemented by Legislative Decree No. 303 of December 29, 2006 modified the regulations on the incompatibility of the audit firm and introduced new provisions in relation to the disclosure of audit fees pursuant to article 160, paragraph 1-bis.
Article 149 of the Consob Issuers' regulations implemented article 160, paragraph 1-bis of the Consolidated Finance Act and establishes the format for the disclosure of the audit remuneration which the audit company and parties that belong to its network received, separately, for audit or other services and indicating the type or category or service.

The fees received for the various services by the audit firm Deloitte & Touche S.p.A. from Fondiaria-SAI S.p.A. are listed below:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Fondiaria-SAI	1,397.3
	-	-	-
b) certification services	Deloitte & Touche S.p.A.	Fondiaria-SAI	175.7
	-	-	-
c) fiscal consulting	-	-	-
d) other services	Deloitte & Touche S.p.A.	Fondiaria-SAI	85.6
Total fees in the year			1,658.6

excluding VAT

The fees for the various services by the audit firm Deloitte & Touche S.p.A. paid by the subsidiaries of Fondiaria-SAI Group are listed below:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Subsidiary companies	2,439.0
b) certification services	Deloitte & Touche S.p.A.	Subsidiary companies	593.2
c) fiscal consulting	-	-	-
d) other services	Deloitte & Touche S.p.A.	Subsidiary companies	392.7
Total fees in the year			3,424.9

excluding VAT

PART H – Other Information

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	2009	2008
US Dollar	1.4406	1.3917
UK Sterling	0.8881	0.9525
Japanese Yen	133.16	126.14
Swiss Franc	1.4836	1.485
Serbian Dinar	96.2044	89.3912

Group solvency margin

In accordance with the provisions of the Supervision Authority in relation to the correct solvency margin and the application of the prudent filters, subsequent to the introduction of the new IAS/IFRS standards, for the year 2009 the ratio between the constituting elements and the amount of the correct solvency margin requested was approx. 121% (130% at December 31, 2008).

Subsequent events after the year end

There were no significant events pursuing to paragraph 21 of IAS 10. The paragraph “Significant events after the year-end” in the Directors’ Report illustrates the principal events after December 31, 2009.

DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Fausto Marchionni (as Chief Executive Officer of Fondiaria-SA) and Piergiorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the accuracy of the information on company operations and
   - the application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January 1, 2009 - December 31, 2009.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2009 is based on a Model defined by Fondiaria-SAI in accordance with the “Internal Control – Integrated Framework” and “Cobit” which represent benchmarks for internal control systems generally accepted at international level.

3. It is also noted that:

3.1. The Financial statements as at 31/12/2009:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;

b) correspond to the underlying accounting documents and records;

c) were prepared in accordance with article 9 of Legislative Decree No. 38/2005 and the ISVAP terms, regulations and circulars and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the consolidated companies.

3.2. The Directors’ Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 26, 2010

The Chief Executive Officer

Fausto MARCHIONNI

The Executive Responsible
the preparation of the corporate accounting documents

Pier Giorgio BEDOGNI

Independent boards reports

Board of Statutory Auditors' Report

Dear Shareholders,

Your Company has prepared the Consolidated Financial Statements at December 31, 2009 applying international accounting standards (IAS/IFRS) and applying the format for the accounts and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007.

The Consolidated Financial Statements therefore consist of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the notes to the financial statements.
These financial statements are presented together with the Directors' Report, containing information on the operational performance of the Group.

The Consolidated Financial Statements and the Directors' Report also contain exhaustive and detailed information on the operational performance of the Parent Company and of the consolidated companies, on the principal sectors of activities of the Group (non-life and life insurance, real estate and other activities), on the asset and financial management, on the litigation in course, on the significant events after year-end and on the outlook.

The Financial Statements also take account of the Bank of Italy/Consob/Isvap document published on March 4, 2010 -the "Joint Table in application of IAS/IFRS criteria" - on information to be disclosed in financial reports on the verifications to be made on impairment tests, on the contractual clauses of financial debt, on the restructuring of debt and on the "fair value hierarchy".

We have undertaken adequate controls on the Consolidated Financial Statements at December 31, 2009 of the Fondiaria-SAI Group and we verified:

- the correct application of the accounting principles and of the valuation criteria. In particular compliance with the consolidation principles and regulations in relation to the formation of the consolidation area and the reference date of the data;
- the adequacy of the organisational-procedural structure of the Parent Company in order to manage the information flows and the consolidation operations and therefore the correctness of the accounting results of the subsidiary companies and the information transmitted from the companies included in the consolidation;

- the adequacy and conformity of the presentation and disclosures required by the IAS/IFRS standards issued by the IASB and approved by the European Union, and in turn integrated with specific regulations issued by the Supervision Authority.

We also report that the Auditors' Report of Deloitte & Touche S.p.A., issued on April 6, 2010, does not report any exceptions and/or irregularities.
The Board also reports that the audit opinions on the subsidiary companies are in accordance with the provisions of Legislative Decree No. 58/1998 and Consob Resolution No. 11971 of May 14, 1999. We also attest that the voluntary audits of the subsidiary companies, not subject to compulsory audit in accordance with local regulations, are in accordance with the above-mentioned provisions.

The Consolidated Financial Statements prepared in thousands of Euro, report a net loss and Group net equity respectively of Euro -342,593 and Euro 2,716,187 thousand. For the determination of the components contributing to these results, the Consolidated Financial Statements, in the Explanatory Notes, provide exhaustive comments on the principal accounts.

Finally, we attest that the structure of the consolidated financial statements are considered correct and conform with legislative requirements.

Turin, April 7, 2010

The Board of Statutory Auditors

Benito MARINO
Marco SPADACINI
Antonino D'AMBROSIO

Auditors' Report

Attachments to the Consolidated Financial Statements

Consolidation scope

(in Euro)

Order number	Company	State	Method (1)	Activity (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	% consolidated
1	PRONTO ASSISTANCE SPA	086	G	1	100.00	100.00	100.00	100.00
2	SIAT SOCIETA' ITALIANA ASS E RIASS SPA	086	G	1	0.00	94.69	94.69	100.00
3	BIM VITA SPA	086	G	1	50.00	50.00	50.00	100.00
4	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL	086	G	11	100.00	100.00	100.00	100.00
5	FINSAI INTERNATIONAL SA	092	G	11	19.92	99.99	100.00	100.00
6	SAIAGRICOLA SPA	086	G	11	92.01	97.48	100.00	100.00
7	SAIFIN - SAIFINANZIARIA SPA	086	G	11	100.00	100.00	100.00	100.00
8	SAINTERNATIONAL SA	092	G	11	99.99	99.99	99.99	100.00
9	SAI HOLDING ITALIA SPA	086	G	11	100.00	100.00	100.00	100.00
10	SAILUX SA	092	G	11	0.00	100.00	100.00	100.00
11	SIM ETOILE SA	029	G	10	99.99	99.99	99.99	100.00
12	SRP ASSET MANAGEMENT SA	071	G	11	0.00	99.99	100.00	100.00
13	COLPETRONE SRL	086	G	11	0.00	97.48	100.00	100.00
14	CONSORZIO CASTELLO	086	G	10	0.00	98.50	99.66	100.00
15	DIALOGO ASSICURAZIONI SPA	086	G	1	0.00	62.76	99.85	100.00
16	DOMINION INSURANCE HOLDING LTD	031	G	11	0.00	99.99	100.00	100.00
17	SYSTEMA VITA SPA	086	G	1	100.00	100.00	100.00	100.00
18	EUROPA TUTELA GIUDIZIARIA SPA	086	G	1	100.00	100.00	100.00	100.00
19	FONDIARIA NEDERLAND B.V.	050	G	11	100.00	100.00	100.00	100.00
20	DIALOGO VITA SPA	086	G	1	40.00	77.71	100.00	100.00
21	SERVICE GRUPPO FONDIARIA SRL	086	G	11	70.00	88.86	100.00	100.00
22	MILANO ASSICURAZIONI SPA	086	G	1	60.58	62.85	62.86	100.00
23	NUOVE INIZIATIVE TOSCANE SRL	086	G	10	96.88	98.84	100.00	100.00
24	STIMMA SRL	086	G	10	100.00	100.00	100.00	100.00
25	SYSTEMA COMPAGNIA DI ASS.NI SPA	086	G	1	0.00	62.85	100.00	100.00
26	THE LAWRENCE RE IRELAND LTD	040	G	5	0.00	100.00	100.00	100.00
27	THE LAWRENCE LIFE ASSURANCE CO. LTD	040	G	2	0.00	100.00	100.00	100.00
28	GRUPPO FONDIARIA-SAI SERVIZI SCRL (ex Uniservizi)	086	G	11	64.27	87.11	100.00	100.00
29	VILLA RAGIONERI SRL	086	G	10	100.00	100.00	100.00	100.00
30	CASCINE TRENNO SRL	086	G	10	0.00	100.00	100.00	100.00
31	TRENNO OVEST SRL	086	G	10	0.00	100.00	100.00	100.00
32	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	086	G	10	0.00	100.00	100.00	100.00
33	MERIDIANO BELLARMINO SRL	086	G	10	0.00	100.00	100.00	100.00
34	MERIDIANO BRUZZANO SRL	086	G	10	0.00	100.00	100.00	100.00
35	MERIDIANO ORIZZONTI SRL	086	G	10	0.00	62.85	100.00	100.00
36	MERIDIANO PRIMO SRL	086	G	10	0.00	100.00	100.00	100.00
37	MERIDIANO SECONDO SRL	086	G	10	0.00	100.00	100.00	100.00
38	BANCA SAI SPA	086	G	7	100.00	100.00	100.00	100.00
39	BRAMANTE SRL	086	G	10	0.00	100.00	100.00	100.00
40	CAMPO CARLO MAGNO SPA	086	G	10	0.00	62.85	100.00	100.00
41	CARPACCIO SRL	086	G	10	0.00	100.00	100.00	100.00
42	CASA DI CURA VILLA DONATELLO SPA	086	G	11	100.00	100.00	100.00	100.00
43	CASA DI CURA VILLANOVA SRL	086	G	11	100.00	100.00	100.00	100.00
44	PONTORMO SRL (ex COS.ED SPA)	086	G	10	0.00	100.00	100.00	100.00
45	CRIVELLI SRL	086	G	10	0.00	100.00	100.00	100.00
46	FINITALIA SPA	086	G	11	0.00	100.00	100.00	100.00
47	IMMOBILIARE LITORELLA SRL	086	G	10	0.00	100.00	100.00	100.00
48	IMMOBILIARE LOMBARDA SPA	086	G	10	64.17	86.69	100.00	100.00
49	INIZIATIVE VALORIZZAZ.NI EDILI IN.V.ED. SRL	086	G	10	0.00	100.00	100.00	100.00
50	MASACCIO SRL	086	G	10	0.00	100.00	100.00	100.00
51	MERIDIANO QUARTO SRL	086	G	10	0.00	100.00	100.00	100.00
52	ATAVALUE SRL (ex Meridiano Terzo)	086	G	11	0.00	100.00	100.00	100.00
53	MIZAR SRL	086	G	10	0.00	100.00	100.00	100.00
54	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	086	G	10	0.00	100.00	100.00	100.00
55	MARINA DI LOANO SPA	086	G	10	0.00	100.00	100.00	100.00
56	PROGETTO BICOCCA LA PIAZZA SRL in liquidazione	086	G	10	0.00	74.00	74.00	100.00
57	PRONTO ASSISTANCE SERVIZI SPA	086	G	11	37.40	79.76	100.00	100.00
58	RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL	086	G	10	0.00	100.00	100.00	100.00
59	SAI INVESTIMENTI SGR SPA	086	G	8	51.00	69.23	80.00	100.00
60	SAI MERCATI MOBILIARI SIM SPA	086	G	11	100.00	100.00	100.00	100.00
61	SANTA MARIA DEL FICO SRL	086	G	11	0.00	97.48	100.00	100.00
62	SOGEINT SRL	086	G	11	0.00	62.85	100.00	100.00
63	TIKAL R.E. FUND	086	G	10	59.65	81.87	95.01	100.00
64	SAI ASSET MANAGEMENT SGR SPA (EX EFFE GESTIONI)	086	G	8	100.00	100.00	100.00	100.00
65	FLORENCE CENTRO DI CHILURGIA AMBULATORIALE SRL	086	G	11	0.00	100.00	100.00	100.00
66	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	086	G	1	0.00	62.83	99.97	100.00
67	LIGURIA VITA SPA	086	G	1	0.00	62.83	100.00	100.00
68	MERIDIANO AURORA	086	G	10	100.00	100.00	100.00	100.00
69	BANCA GESFID SA	071	G	7	100.00	100.00	100.00	100.00
70	CAPITALIA ASSICURAZIONI SPA	086	G	1	51.00	51.00	51.00	100.00
71	ITALIBERIA INVERSIONES FINANCIERAS SL	067	G	11	100.00	100.00	100.00	100.00
72	POPOLARE VITA SPA	086	G	1	24.39	50.00	50.00	100.00
73	SINTESI SECONDA SRL	086	G	10	0.00	62.85	100.00	100.00
74	SOCIETA' EDILIZIA IMMOBILIARE SARDA S.E.I.S SPA	086	G	10	0.00	51.67	51.67	100.00
75	DDOR NOVI SAD ADO	289	G	3	99.99	99.99	99.99	100.00
76	SISTEMI SANITARI SCRL	086	G	11	78.97	92.19	99.92	100.00
77	AUTO PRESTO & BENE SRL (ex Sai Sistemi Assicurativi)	086	G	11	100.00	100.00	100.00	100.00
78	SAINT GEORGE CAPITAL MANAGEMENT SA	071	G	11	0.00	100.00	100.00	100.00
79	ATHENS RE FUND - FONDO SPECULATIVO	086	G	10	0.00	62.85	100.00	100.00
80	CITTA' DELLA SALUTE SCRL	086	G	11	0.00	100.00	100.00	100.00
81	ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIE	086	G	11	51.00	81.80	100.00	100.00
82	DDOR RE JOINT STOCK REINSURANCE COMPANY	289	G	6	0.00	100.00	100.00	100.00
83	DONATELLO DAY SURGERY SRL	086	G	11	0.00	100.00	100.00	100.00
84	IMMOBILIARE FONDIARIA-SAI SRL	086	G	10	100.00	100.00	100.00	100.00
85	IMMOBILIARE MILANO ASSICURAZIONI SRL	086	G	10	0.00	62.85	100.00	100.00
86	ITALRESIDENCE SRL	086	G	11	0.00	81.80	100.00	100.00

(1) Consolidation method: Line-by-line =G, Proportional=P, Line-by-line for man. unit =U

(2) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect

Details of non-consolidated investments

Order number	Company	State	Method (1)	Activity (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	% consolidated
1	AGRISAI SRL	086	11	a	0.00	97.50	100.00	50,373.53
2	FIN. PRIV. SRL	086	11	b	28.57	28.57	28.57	33,587,625.39
3	SOFIGEA SRL in liquidazione	086	11	b	14.91	19.62	22.41	
4	UFFICIO CENTRALE ITALIANO SRL	086	11	b	14.14	21.32	25.53	130,135.80
5	MB VENTURE CAPITAL FUND	050	11	b	30.00	30.00	30.00	9,615,000.00
6	FINADIN SPA	086	11	b	0.00	40.00	40.00	43,684,491.20
7	SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA	086	11	b	0.00	27.38	27.38	3,851,521.73
8	BORSETTO SPA	086	10	b	0.00	28.24	44.93	3,489,000.00
9	CITY LIFE SRL	086	10	b	0.00	16.76	26.66	61,327,550.00
10	GARIBALDI SCS	092	11	b	0.00	30.17	48.00	39,839,000.00
11	METROPOLIS SPA	086	10	b	0.00	18.69	29.73	889,000.00
12	PROGETTO ALFIERE SPA	086	10	b	0.00	19.00	19.00	6,605,613.00
13	SERVIZI IMMOBILIARI MARTINELLI SPA	086	10	b	0.00	12.57	20.00	105,000.00
14	A7 SRL	086	10	b	0.00	12.57	20.00	357,000.00
15	SOAIMPIANTI- ORGANISMI DI ATTESTAZIONE SPA in liquidaz.	086	11	b	21.64	21.64	21.64	317,114.00
16	GLOBAL CARD SERVICE SRL	086	11	a	0.00	59.69	95.00	
17	EX VAR SCS	092	11	b	18.00	24.29	28.00	17,717,789.90
18	PENTA DOMUS SPA	086	10	b	0.00	12.57	20.00	2,280,000.00
19	FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	086	11	b	51.00	51.00	51.00	4,923,669.00
20	SVILUPPO CENTRO EST SRL	086	10	b	0.00	25.14	40.00	303,000.00
21	IGLI SPA	086	11	b	0.00	27.14	33.33	56,731,734.60
22	QUINTOGEST SPA	086	11	b	49.00	49.00	49.00	1,980,000.00
23	DDOR AUTO DOO	289	3	a	0.00	99.99	100.00	14,841.38
24	DDOR PENZIJA PLUS AD	289	11	a	0.00	99.99	100.00	1,157,870.06
25	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	086	11	b	30.07	30.07	30.07	1,413,115.59
26	BUTTERFLY AM SARL	092	11	b	0.00	28.57	28.57	7,660,474.10
27	VALORE IMMOBILIARE SRL	086	10	b	0.00	31.43	50.00	13,099,543.95
28	TRE TORRI CONTRACTOR SCRL	086	10	b	0.00	43.34	50.00	5,000.00
29	HOTEL TERME SI SAINT VINCENT SRL	086	11	a	0.00	81.80	100.00	1,313,963.00
30	ITAL H&R SRL	086	11	a	0.00	81.80	100.00	79,528.00
31	TOUR EXCECUTIVE SPA	086	11	a	0.00	81.80	100.00	456,222.19
32	ATA BENESSERE SRL in liquidazione	086	11	a	0.00	81.80	100.00	1.00
33	ATAHOTELS SUISSE SA	071	11	a	0.00	80.16	98.00	37,333.00
34	FONDO RHO IMMOBILIARE	086	10	b	31.18	37.80	41.71	53,665,614.74
35	HEDF ISOLA SCS	092	11	b	0.00	27.03	43.00	
36	BIPIEMME VITA SPA	086	1	*	0.00	32.05	51.00	

(1) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5 and shown in the key below

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Details of tangible and intangible fixed assets

In Euro thousands

	At cost	At revalued amount or fair value	Total book value
Investment property	2,580,936	0	2,580,936
Others buildings	833,668	0	833,668
Other tangible assets	97,230	0	97,230
Other intangible assets	303,611	0	303,611

Details of financial assets

In Euro thousands

	Investments held to maturity		Loans and receivables		Available-for-sale financial assets		Fin. assets designated at fair value through profit or loss: Financial assets held for trading		Fin. assets designated at fair value through profit or loss: Financial assets at fair value through profit or loss		Total book value	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Equity securities and derivatives valued at cost	0	0		0		0		0		0	0	0
Equity securities at fair value	0	0		0	1,695,610	1,541,909	2,222	6,039	95,637	68,849	1,793,469	1,616,797
of which listed securities	0	0		0	1,558,299	1,402,953	2,175	5,940	95,637	68,849	1,656,111	1,477,742
Debt securities	808,473	845,789	1,020,996	115,432	16,261,242	17,578,144	156,161	200,984	7,314,034	6,399,868	25,560,906	25,140,217
of which listed securities	808,421	752,473	873,625	19,122	16,230,879	17,509,193	61,553	151,406	3,628,765	3,742,775	21,603,243	22,174,969
Fund units	0	0	0	0	937,833	859,797	30,110	24,606	379,978	930,026	1,347,921	1,814,429
Loans and receivables from banks	0	0	506,848	455,159	0	0	0	0	0	0	506,848	455,159
Loans and interbank receivables	0	0	470,085	84,907	0	0	0	0	0	0	470,085	84,907
Deposits with reinsurers	0	0	28,570	31,045	0	0	0	0	0	0	28,570	31,045
Financial asset components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	876,596	1,029,418	0	0	0	0	0	0	876,596	1,029,418
Non-hedging derivatives	0	0	0	0	0	0	3,509	15,961	602,582	259,115	606,091	275,076
Hedging derivatives	0	0	0	0	0	0		0	5,639	79,376	5,639	79,376
Other financial investments	0	)	4,915	60,063	1,973	2,865		0	65,236	95,851	72,124	158,779
Total	**808,473**	**845,789**	**2,908,010**	**1,776,024**	**18,896,658**	**19,982,715**	**192,002**	**247,590**	**8,463,106**	**7,833,085**	**31,268,249**	**30,685,203**

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and from pension fund management

In Euro thousands

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	2009	2008	2009	2008	2009	2008
Assets in accounts	8,096,589	7,473,068	226,918	173,912	8,323,507	7,646,980
Inter-group assets*	0	0	0	0	0	0
Total Assets	**8,096,589**	**7,473,068**	**226,918**	**173,912**	**8,323,507**	**7,646,980**
Financial liabilities in accounts	1,831,117	3,227,064	226,918	173,912	2,058,035	3,400,976
Technical reserves in accounts	6,265,181	4,245,012	0	0	6,265,181	4,245,012
Inter-group liabilities*	0	0	0	0	0	0
Total Liabilities	**8,096,298**	**7,472,076**	**226,918**	**173,912**	**8,323,216**	**7,645,988**

* Assets and liabilities eliminated in consolidation

Details of the technical reserves - reinsurance amount

In Euro thousands

	Direct business		Indirect business		Total book value	
	2009	2008	2009	2008	2009	2008
Non-Life reserves	***473,649***	***436,599***	***216,520***	***200,056***	***690,169***	***636,655***
Unearned premium reserve	80,638	73,359	62,113	57,970	*142,751*	*131,329*
Claims reserve	393,011	363,240	154,407	142,086	*547,418*	*505,326*
Other reserves	0	0	0	0	*0*	*0*
Life reserves	***128,421***	***143,296***	***51,710***	***53,597***	***180,131***	***196,893***
Provision for claims to be paid	879	618	821	1,720	*1,700*	*2,338*
Actuarial reserves	127,541	142,677	50,889	51,877	*178,430*	*194,554*
Technical reserves where investment risk is borne by policyholders and from pension fund management	0	0	0	0	*0*	*0*
Other reserves	1	1	0	0	*1*	*1*
Technical reserves attributed to reinsurers	***602,070***	***579,895***	***268,230***	***253,653***	***870,300***	***833,548***

Details of the technical reserves

In Euro thousands

	Direct business		Indirect business		Total book value	
	2009	2008	2009	2008	2009	2008
Non-Life reserves	***11,562,636***	***11,171,917***	***105,599***	***109,694***	***11,668,235***	***11,281,611***
Unearned premium reserve	2,728,648	2,692,653	1,998	3,536	*2,730,646*	*2,696,189*
Claims reserve	8,820,446	8,464,820	103,601	106,158	*8,924,047*	*8,570,978*
Other reserves	13,542	14,444	0	0	*13,542*	*14,444*
of which reserves set aside following the liability adequacy test	*0*	*0*	*0*	*0*	*0*	*0*
Life reserves	***20,029,981***	***18,019,133***	***19,834***	***20,792***	***20,049,815***	***18,039,925***
Reserves for claims to be paid	154,568	233,828	486	617	*155,054*	*234,445*
Actuarial reserves	13,498,912	13,846,240	19,348	20,175	*13,518,260*	*13,866,415*
Technical reserves where investment risk is borne by policyholders and from pension fund management	6,265,181	4,245,012	0	0	6,265,181	4,245,012
Other reserves	111,320	-305,947	0	0	*111,320*	*-305,947*
of which reserves set aside following the liability adequacy test	*0*	*0*	*0*	*0*	*0*	*0*
of which deferred liabilities to policyholders	*7,739*	*-437,128*	*0*	*0*	*7,739*	*-437,128*
Total Technical Reserves	***31,592,617***	***29,191,050***	***125,433***	***130,486***	***31,718,050***	***29,321,536***

Details of financial liabilities

In Euro thousands

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
	2009	2008	2009	2008	2009	2008	2009	2008
Equity financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	1,040,425	1,050,497	1,040,425	1,050,497
Liabilities from financial contracts issued by insurance companies deriving	0	0	2,058,035	3,400,976	0	16,001	2,058,035	3,416,977
From contracts for which the investment risk is borne by policyholders	0	0	1,831,117	3,227,064	0	0	1,831,117	3,227,064
From the management of pension funds	0	0	226,918	173,912	0	0	226,918	173,912
From other contracts	0	0	0	0	0	16,001	0	16,001
Deposits received from reinsurers	0	0	0	0	266,089	292,767	266,089	292,767
Financial liability components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	221,120	211,133	221,120	211,133
Payables to bank clients	0	0	0	0	579,289	403,616	579,289	403,616
Interbank payables	0	0	0	0	25,049	2	25,049	2
Other loans obtained	0	0	0	0	147,647	154,831	147,647	154,831
Non-hedging derivatives	4,825	15,424	0	0	0	108	4,825	15,532
Hedging derivatives	10,954	1,120	10,279	0	0	0	21,233	1,120
Other financial liabilities	0	35,799	1,322	943	385,426	679,991	386,748	716,733
Total	**15,779**	**52,343**	**2,069,636**	**3,401,919**	**2,665,045**	**2,808,946**	**4,750,460**	**6,263,208**

Details of insurance technical reserves							
In Euro thousands							
		2009			2008		
		Gross amount	reinsurers' share	Net amount	Gross amount	reinsurers' share	Net amount
Non Life Division							
NET PREMIUMS		**7,131,032**	**-351,093**	**6,779,939**	**7,284,746**	**-316,756**	**6,967,990**
a	Premiums written	7,169,616	-367,640	6,801,976	7,298,084	-323,974	6,974,110
b	Change in unearned premium reserve	-38,584	16,547	-22,037	-13,338	7,218	-6,120
NET CHARGES RELATING TO CLAIMS		**-5,929,786**	**258,899**	**-5,670,887**	**-5,324,134**	**139,814**	**-5,184,320**
a	Amounts paid	-5,697,312	213,004	-5,484,308	-5,851,572	200,648	-5,650,924
b	Change in claims reserve	-359,162	27,092	-332,070	455,994	-42,748	413,246
c	Change in recoveries	127,487	18,803	146,290	71,518	-18,086	53,432
d	Change in other technical reserves	-799	0	-799	-74	0	-74
Life Division							
NET PREMIUMS		5,137,011	-28,208	**5,108,803**	**4,208,340**	**-22,777**	**4,185,563**
NET CHARGES RELATING TO CLAIMS		**-6,225,959**	**24,821**	**-6,201,138**	**-3,802,470**	**21,743**	**-3,780,727**
a	Sums paid	-2,620,619	36,244	-2,584,375	-4,042,926	34,531	-4,008,395
b	Change in reserve for sums to be paid	44,669	-558	44,111	42,094	-1,246	40,848
c	Change in actuarial reserve	-1,347,209	-10,864	-1,358,073	313,888	-12,509	301,379
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	-2,330,677	0	-2,330,677	-111,449	0	-111,449
e	Change in other technical reserves	27,877	-1	27,876	-4,077	967	-3,110

Financial income and charges and from investments

(Euro thousand)

		Interest	Other Income	Other Expenses	Profits realised	Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income and charges 2009	Total income and charges 2008
								Valuation gains	Write-back of value	Valuation losses	Impairment			
Result from investments		**1,015,793**	**210,866**	**-152,951**	**379,864**	**-215,310**	**1,238,262**	**672,331**	**4,591**	**-243,964**	**-159,760**	**273,198**	**1,511,460**	**527,842**
a	Deriving from investment property	0	100,216	-60,322	66,034	-6,769	**99,159**	0	0	-59,843	-2,750	**-62,593**	**36,566**	**57,503**
b	Deriving from investments in subsidiaries, associates and joint ventures	0	14,212	-81,438	0	-90	**-67,316**	0	0	-2,012	0	**-2,012**	**-69,328**	**30,826**
c	Deriving from investments held-to-maturity:	48,019	84	-5	0	0	**48,098**	0	0	0	0	**0**	**48,098**	**5,722**
d	Deriving from loans and receivables	104,789	420	0	180	-7,092	**98,297**	0	1,308	-3	0	**1,305**	**99,602**	**64,241**
e	Deriving from available-for-sale financial assets	558,655	58,403	-3,422	135,154	-96,567	**652,223**	0	3,283	0	-157,010	**-153,727**	**498,496**	**700,243**
f	Deriving from financial assets held for trading	1,880	35,518	-25	41,715	-34,309	**44,779**	11,541	0	-12,288	0	**-747**	**44,032**	**-103,428**
g	Deriving from financial assets designated at fair value through profit or loss	302,450	2,013	-7,739	136,781	-70,483	**363,022**	660,790	0	-169,818	0	**490,972**	**853,994**	**-227,265**
Result of other receivables		38,624	25	-412	0	0	**38,237**	0	0	0	0	**0**	**38,237**	**14,055**
Result of cash and cash equivalents		15,707	32	-549	0	0	**15,190**	0	0	0	0	**0**	**15,190**	**36,915**
Result of financial liabilities		**-90,592**	**0**	**-981**	**0**	**0**	**-91,573**	**10,050**	**0**	**-1,951**	**0**	**8,099**	**-83,474**	**-141,036**
a	Deriving from financial liabilities held for trading	0	0	0	0	0	**0**	10,050		-1,951		**8,099**	**8,099**	**-10,855**
b	Deriving from financial liabilities designated at fair value through profit or loss	0	0	0	0	0	**0**				0	**0**	**0**	**0**
c	Deriving from other financial liabilities	-90,592	0	-981	0	0	**-91,573**				0	**0**	**-91,573**	**-130,181**
Result of payables		-12,060	0	-7	23		**-12,044**	**0**	**0**	**0**	**0**	**0**	**-12,044**	**-14,688**
Total		**967,472**	**210,923**	**-154,900**	**379,887**	**-215,310**	**1,188,072**	**682,381**	**4,591**	**-245,915**	**-159,760**	**281,297**	**1,469,369**	**423,088**

Details of insurance management expenses

In Euro thousands

		Non-Life Division		Life Division	
		2009	2008	2009	2008
Gross commissions and other acquisition		-1,357,713	-1,384,359	-197,010	-168,892
a	Acquisition commissions	-1,035,766	-1,054,333	-140,110	-132,005
b	Other acquisition expenses	-207,359	-200,891	-46,026	-24,076
c	Change in deferred acquisition costs	-75,409	-93,433	-742	-1,392
d	Collection commissions	-39,179	-35,702	-10,132	-11,419
Commissions and profit participation received		92,715	73,344	3,881	1,082
Investment management charges		-8,293	-8,382	-5,129	-8,942
Other administration expenses		-286,783	-294,386	-59,726	-78,527
Total		**-1,560,074**	**-1,613,783**	**-257,984**	**-255,279**

Details of other Comprehensive consolidated income

	Allocation		Adjust. to reclassify to income statement		Other changes		Total changes		Taxes		Year	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Change in reserve for net exchange differences	-7,900	5,666		0			-7,900	5,666			-3,857	4,043
Profit or loss on available-for-sale financial assets	286,874	-822,365	79,416	-171,372	0	89,956	366,290	-903,781	-42,920	206,755	-79,850	-446,140
Profit or loss on cash flow hedges	-1,573	-10,827		0			-1,573	-10,827	460	4,107	-7,671	-6,098
Profit or loss on a net foreign investment hedge	0	0		0			0	0		0	0	0
Change in net equity of holdings	4,042	-26,759		0			4,042	-26,759			5,570	1,528
Change in revaluation reserve of intangible assets	0	0					0	0			0	
Change in revaluation reserve of tangible fixed assets	-668	9,431					-668	9,431	-30	-943	8,763	9,431
Income/(charges) on non-current assets or of a discontinued group held for sale	-675	0					-675	0			-675	0
Actuarial profits and losses and adjustments to employee defined plans	-224	-4,731					-224	-4,731	601	2,028	-9,464	-9,240
Others items	-55	17,072					-55	17,072			52,381	52,436
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**279,821**	**-832,513**	**79,416**	**-171,372**	**0**	**89,956**	**359,237**	**-913,929**	**-41,889**	**211,947**	**-34,803**	**-394,040**

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
Financial assets available-for-sale		17,732,409		1,026,938				18,759,347	0
Financial assets at fair value through the profit or loss account	Financial assets held for trading	97,765		94,237				192,002	0
	Financial assets designated at fair value recorded through profit or loss	84,105		8,379,001				8,463,106	0
Total		17,914,279	0	9,500,176	0	0	0	27,414,455	0
Financial liabilities at fair value through profit or loss account	Financial liabilities held for trading	15,779						15,779	0
	Financial liabilities designated at fair value through profit or	11,601		2,058,035				2,069,636	0
Total		27,380	0	2,058,035	0	0	0	2,085,415	0