
2009 REPORTS AND FINANCIAL STATEMENTS

FONDIARIA-SAI S.P.A.

FONDIARIA-SAI S.P.A. - TURIN HEADQUARTERS – CORSO G. GALILEI, 12 - FLORENCE
HEADQUARTERS – VIA LORENZO IL MAGNIFICO - SHARE CAPITAL EURO 167,043,712 FULLY
PAID-IN – TAX, VAT AND TURIN COMPANY REGISTRATION NO. 00818570012 - COMPANY
AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966
OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925



5 YEAR OVERVIEW PARENT COMPANY

Euro/thousand

	2005	%	2006	%	2007	%	2008	%	2009	%
TOTAL PREMIUMS										
MOTOR TPL	2,269,758	43.22	2,278,106	43.29	2,180,755	42.99	2,087,376	42.29	2,016,246	41.89
NON-LIFE DIVISION	1,611,663	30.69	1,618,246	30.75	1,673,393	32.99	1,711,356	34.67	1,730,271	35.95
LIFE DIVISION	1,370,593	26.10	1,365,612	25.95	1,218,049	24.01	1,137,058	23.04	1,066,958	22.16
TOTAL	5,252,014	100.00	5,261,964	100.00	5,072,197	100.00	4,935,790	100.00	4,813,475	100.00
CLAIMS PAID										
and related charges	3,692,246		3,905,853		4,269,219		4,822,191		4,103,656	
GROSS TECHNICAL RESERVES										
UNEARNED PREMIUM RESERVE	1,342,538		1,346,849		1,388,467		1,413,408		1,449,319	
CLAIMS RESERVE	5,094,202		4,965,603		4,801,785		4,546,010		4,699,692	
OTHER TECHNICAL RESERVES	17,872		19,789		25,144		25,898		27,899	
LIFE TECHNICAL RESERVES	8,083,783		8,427,512		8,373,535		7,844,746		8,063,754	
TOTAL	14,538,395		14,759,753		14,588,931		13,830,062		14,240,664	
TECH. RESERVES/PREMIUMS	276.82%		280.50%		287.63%		280.20%		295.85%	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	2,394,071		2,547,373		2,468,001		2,530,953		2,486,065	
NET PROFIT	300,603		272,074		323,071		69,591		40,216	
TOTAL	2,694,674		2,819,447		2,791,072		2,600,544		2,526,282	
INVESTMENTS										
		%		%		%		%		%
PROPERTY	1,023,707	6.38	1,053,230	6.32	1,073,169	6.36	1,055,869	6.49	1,163,758	7.08
SECURITIES AND TIME DEPOSITS	13,626,677	84.99	14,627,153	87.74	14,892,268	88.26	14,280,915	87.81	14,316,621	87.12
LOANS	96,569	0.60	70,206	0.42	70,091	0.42	75,398	0.46	39,386	0.24
DEPOSITS AT REINSURING COMPANIES	326,286	2.04	67,970	0.41	65,592	0.39	64,655	0.40	61,689	0.38
DEPOSITS AT CREDIT INSTITUTIONS	230,509	1.44	156,297	0.94	160,501	0.95	282,059	1.73	333,994	2.03
CLASS D INVESTMENTS	729,406	4.55	696,482	4.18	610,923	3.62	504,601	3.10	517,322	3.15
TOTAL	16,033,154	100.00	16,671,338	100.00	16,872,544	100.00	16,263,497	100.00	16,432,770	100.00
AVERAGE NUMBER OF PARENT COMPANY EMPLOYEES										
	2,673		2,649		2,624		2,668		2,659	

MAIN EVENTS IN 2009

- Acquisition of Atahotels, 29/5/2009 : 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 in turn 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 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 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 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.

NEW INSURANCE PRODUCTS

Non-Life Division

- Launched 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 was launched called “Fatturato Industriale – Assicurazione dell’Azienda Industriale o Commerciale” (“Industrial Revenues – Insurance for Industrial or Commercial Companies”).
- In March 2009, the new accident policy was launched focused on families named “Retail Più Infortuni Smart”.
- As part of the review of the health products, from April 2009 new versions were available of “Sanicard Salute” (“Sanicard Health”) and “Sanicard Rinnovo Garantito” (“Sanicard Renewed Guarantee”).
- Launched in November 2009, “Retail Più Casa Classic” is a policy for the protection of the home, its contents and those persons who live or work there.
- During the year, restyling activities of the Traffic Accident products began 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 on 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 srl, on December 1, 2009, the “GPS Tariff Convention” begun 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 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, 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”.

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CORPORATE BOARDS FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Jonella Ligresti*

Chairman

Giulia Maria Ligresti *

Vice Chairman

Massimo Pini *

Vice Chairman

Antonio Talarico *

Vice Chairman

Fausto Marchionni *

Chief Executive Officer - General Manager

Andrea Brogginì

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

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

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

** Members of the Executive Committee*

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

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of 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.

NOTICE OF THE ORDINARY AND SPECIAL SHAREHOLDERS' MEETINGS

Notice of Ordinary Shareholders' Meeting

The Shareholders are called to an ordinary shareholders' meeting, in first call, on April 22, 2010 at 5pm, at the offices of the Company in Turin, Corso Galileo Galilei No. 12 and in second call, on April 23, 2010 at the same place at 11am - and the special shareholders meeting of savings shareholders, where this is held, in third call at 10am on April 23 - to discuss and resolve upon the following Agenda:

- Financial statements at December 31, 2009. Board of Directors' Report on Operations. Report of the Board of Statutory Auditors and Independent Auditors' Report. Resolutions thereon.
- Resolutions relating to the number of members on the Board of Directors and the replacement of Mr. Oscar Zannoni who has passed away.
- Appointment of an alternate auditor.
- Proposal to revoke the auditing appointment conferred to Deloitte & Touche S.p.A. for the residual years of 2010 and 2011 and the conferment to Reconta Ernst & Young S.p.A for the period 2010-2018 in order to align the audit appointment with that of the parent company Premafin Finanziaria - Holding di Partecipazioni S.p.A., in accordance with applicable regulations.
- Resolution relating to treasury shares in accordance with articles 2357 and 2357-ter of the Civil Code.
- Resolution on the shares of the parent company Premafin Finanziaria Società per Azioni - Holding di Partecipazioni pursuant to article 2359-bis of the Civil Code.

Pursuant to article 8 of the Company By-Laws, holders of ordinary shares in possession of the appropriate communication given by the intermediary certifying participation to the system managed by Monte Titoli S.p.A. may attend the Shareholders' Meetings.

It is recalled that holders of Fondiaria-SAI S.p.A. shares, not within the Monte Titoli S.p.A. system that exercise the rights relating to these securities may be made exclusively through the delivery of these certificates to an intermediary for the input into the management system.

The shareholders may be represented in the shareholders' meeting through written proxy in accordance with the provisions of law; the voting proxy may be provided through signing the relative form at the end of the affirmation notice presented to the Company by the approved intermediary, a copy of which the intermediary must make available to the holder of the voting right.

The share capital subscribed and paid-in of the Company, amounting to Euro 167,043,712.00, consists of 124,482,490 ordinary shares with a nominal value of Euro 1.00 each, in addition to 42,561,222 savings shares. At the current date the total number of shares with voting rights, excluding the treasury shares and those held by subsidiary companies, amounts to 110,099,933 ordinary shares.

The documentation relating to the agenda will be made available in accordance with the provisions required by law and on the internet site of the company www.fondiaria-sai.it. Shareholders may attain a copy.

With regard to points 2 and 3 of the agenda, it is noted that in accordance with articles 13 and 24 of the By-Laws, the voting will not take place through slates.

Notice of the Special Shareholders' Meeting

The Shareholders in possession of savings shares are called to the special Shareholders' Meeting in first call, for April 21, 2010, at the time of 4 PM, at the registered office of the Company, Corso Galileo Galilei, 12, Turin, and in second call, on April 22, 2010, at the same time and place, and in third call, on April 23, 2010, at the time of 10 AM, at the same location, to discuss and resolve on the following Agenda:

- Appointment of the common representative of the holders of savings shares for the three year period 2010-2012.
- Determination of the remuneration for the three year period 2010-2012 of the common representatives of the holders of savings shares.
- Any resolutions in relation to the creation of a fund for the expenses necessary for the protection of the common interests and the relative minutes.

Pursuant to article 8 of the Company By-Laws, holders of savings shares in possession of the appropriate communication given by the intermediary certifying participation to the system managed by Monte Titoli S.p.A. may attend the Shareholders' Meetings.

It is recalled that holders of Fondiaria-SAI S.p.A. shares, not within the Monte Titoli S.p.A. system that exercise the rights relating to these securities may be made exclusively through the delivery of these certificates to an intermediary for the input into the management system.

The savings shareholders may be represented in the shareholders' meeting through written proxy in accordance with the provisions of law; the voting proxy may be provided through signing the relative form at the end of the affirmation notice presented to the Company by the approved intermediary, a copy of which the intermediary must make available to the holder of the voting right.

The share capital subscribed and paid-in of the Company, consisting of savings shares, amounts to Euro 42,561,222.00 - 42,561,222 savings shares with a nominal value of Euro 1.00 each. All of the saving shares at the current date have a right to vote, as the Company does not hold treasury saving shares either directly or through subsidiary companies.

The documentation relating to the agenda will be made available in accordance with the provisions required by law and on the internet site of the company www.fondiaria-sai.it. Shareholders may attain a copy.

2009 Directors' Report

Dear Shareholders,

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

The particularly difficult situation, affected by both structural and extraordinary issues, has hit all sectors, affecting our Policyholders, particularly in relation to the management of their finances. 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 Company 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 Fondiaria SAI, 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.

2009 FINANCIAL STATEMENTS

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

The 88th year of the Company reports a net profit of Euro 40.2 million.

In line with the choices made for the 2008 financial statements, the company did not avail of the provisions contained in article 15 of Legislative Decree No. 185/08, the so-called ‘anti-crisis decree’ (enacted into Law No. 2/09 and subsequently extended with Legs. Decree of 24/07/2009) to value the securities not held to maturity by the Company at the value recorded in the last approved accounts, but at the market price at 31/12/2009.

Although the effects of the economic-financial crisis still have a significant impact and contribute to the unpredictable stock market movements, this decision was adopted for reasons of transparency and to favour greater comparability of accounts. It is recalled in fact that the regulations do not permit the distribution of any benefit to its shareholders, while complications of a management character may also arise. In particular the aforementioned Decree provides at article 15, paragraph 15, the obligation for insurance companies to allocate to the non-distributable reserves the difference between the values recorded in the 2009 accounts (availing of the exemption) and the market values at the reporting date.

The financial highlights for the year are shown below:

	2009	2008	Changes
Non-Life Technical Result	(171,952)	242,850	(414,802)
Life Technical Result	145,381	(156,936)	302,317
TOTAL	(26,571)	85,914	(112,485)
Net financial income Non-Life Division	185,913	275,826	(89,913)
(deduct quota transferred to technical account)	(130,167)	(193,135)	62,968
Quote transferred to the Life technical account	53,902	-	53,902
Other income and charges	(82,424)	(185,553)	103,129
RESULT FROM ORDINARY ACTIVITY	653	(16,948)	17,601
Extraordinary income and charges	35,464	51,809	(16,345)
PROFIT BEFORE TAXES	36,117	34,861	1,256
Income taxes	4,099	34,730	(30,631)
NET PROFIT	40,216	69,591	(29,375)
Of which Non-Life	(84,469)	245,622	(330,091)
Of which Life	124,685	(176,031)	300,716

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- The **profit for the year** amounted to Euro 40.2 million (Euro 69.6 million in 2008).
The results include the extraordinary effects deriving from the capital gains of the operation relating to real estate assets utilised in the business. This operation, completed at the end of the year, resulted in the recording of gross gains to be realised of Euro 116 million. This offset the technical deterioration in the Non-Life Classes, as well as the lower financial income in the year.
 - The **Technical Result of the Non-Life Division** reports a loss of Euro 172 million (profit of Euro 243 million in 2008). The result was affected by the intensified competitive environment, characterised in the Motor Classes by strong tariff competition and by a contraction in the average premium due to the provisions of the so-called Bersani Decrees.
The Motor TPL class was affected by the negative current generation claims performance, which suffered high physical damage claims, now considered structural in certain regions. In addition, the effect of the adoption of the new compensation tables for non material damage adopted by the Milanese courts, with repercussions throughout the country, required higher reserve levels.
- In relation to the performance of the Other Classes it is noted that:
- the Land Vehicle class recorded a further significant contraction in margins caused by strong competition within the sector and significant effects from natural events in 2009 (snow and hailstorms);
 - the loss within the General Classes was also as a result of the tragic earthquake in Abruzzo of April 2009;
 - reinsurance improved, principally as a result of serious claims which impacted the direct business results.
- The **Life technical result** was affected by the difficulties related to the recent economic crisis. The decrease in premiums is however offset by the recovery in the financial segment, principally owing to the recovery in the value of debt securities in portfolio for a total of Euro 125 million. The technical result was a profit of Euro 145 million, compared to a loss of Euro 157 million in 2008.
 - **Operating costs** decreased by 3.4%, thanks to the lower impact of the commission costs, in line with the decrease in premiums. On the other hand, the decrease in general expenses was more contained due to the rigidity of the overhead cost structure. The overall management costs, before the quota ceded to reinsurers, decreased from Euro 913 million to Euro 881 million. Consequently, the percentage on gross premiums decreased from 18.5% in the previous year to 18.3% in the current year. Within this, the Life classes increased from 6% to 6.4%, while the Non-Life classes amounted to 21.7% of premiums – a slight drop on 2008.
 - The **technical reserves** amounted to Euro 14,241 million (Euro 13,830 million in 2008). Of this, Euro 6,177 million related to the Non-Life Division (Euro 5,985 million at 31/12/2008) and Euro 8,064 million to the Life Division (Euro 7,845 million at 31/12/2008).
 - The **ordinary income from investments** decreased by approx. 29% on the previous year within a market experiencing strong reductions in interest rates and a significant drop in dividends from investments. Overall, the net ordinary income decreased to Euro 487 million (Euro 689 million in 2008), while the net trading income was Euro 95 million (Euro 127 million in 2008). The net impact on the income statement from the valuation of financial instruments including the investments in subsidiaries was income of Euro 30 million, thanks to the strong contribution (Euro 151 million) of recoveries in securities (particularly debt securities). A charge of Euro 430 million was recorded in 2008.

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- The balance of the **other ordinary items** was a charge of Euro 82 million, including Euro 54 million of amortisation on intangible assets (of this approx. Euro 49 million attributable to goodwill).
The improvement in the account was as a consequence of the release of part of the provision for risks and charges due to the closure of some disputes and a reduced risk of others. Consequently, the net result from ordinary activities was a profit of Euro 0.6 million (loss of Euro 17 million in 2008).
 - The balance of the **other extraordinary items**, with the exclusion of the net realisation of financial instruments (Euro – 49 million), was a profit of Euro 84 million (profit of Euro 38 million in 2008) and includes a gross gain of approx. Euro 116 million deriving from the realisation of buildings.
 - The **income tax for the year** amounted to income of Euro 4.1 million (income of Euro 34.7 million in 2008). The tax rate has little significance as it is influenced, similar to the previous year, by the effect of permanent net changes for Ires purposes (income not assessable and non deductible costs) on a strongly reduced pre-tax result.
Also in relation to Ires income taxes, compared to the previous year, there was a strong reduction in the non assessable income component due to lower dividends in the year and lower realisation from non-current equity securities.

These changes are only partially offset by the intention to separately tax the gains realised on the buildings conferred to the Rho fund. This choice will permit, through the application of a 20% substitute tax, a significant savings in taxes amounting to approx. Euro 16.7 million, already recorded in the current year. Similarly, the Irap regional tax contributes to the improvement of the result of the year for Euro 0.5 million against a charge of Euro 5.9 million in the previous year. This is related on the one hand, to the contraction in the results of the technical accounts, and on the other to the lower percentage of personnel costs which are non deductible for taxation purposes, following the recharges made for personnel on secondment with, in particular, the subsidiary Fondiaria-SAI Servizi Group net of the deductions relating to the so-called "tax amnesty".

PREMIUMS WRITTEN

Overall, the premiums written amounted to Euro 4,813 million compared to Euro 4,936 million in 2008, a decrease of 2.48%.

The direct premiums written amounted to Euro 4,798 million – a decrease of 2.46%.

The total premiums written in 2009 in the various sectors are summarised in the table below:

(in Euro thousands)	2009	2008	Change %
<u>DIRECT PREMIUMS</u>			
Motor Division	2,424,441	2,509,106	(3.37)
Other Non-Life Classes	1,311,556	1,278,256	2.61
Total Non-Life Division	3,735,997	3,787,362	(1.36)
Total Life Division	1,061,766	1,131,224	(6.14)
TOTAL DIRECT PREMIUMS	4,797,763	4,918,586	(2.46)
<u>INDIRECT PREMIUMS</u>	15,712	17,204	(8.67)
TOTAL	4,813,475	4,935,790	(2.48)

of which:

Non-Life Division	3,746,517	3,798,732	(1.37)
Life Division	1,066,958	1,137,058	(6.17)

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, establishing re-equilibrium.

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 4.8 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 fourth 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). In 2010, Prometeia has estimated that 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

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- CID single flat rate (damage to property and damage to the driver), broken down into three territories by type of motor vehicle, such as motorbikes 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 at least 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 (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.

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.

Versatility 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 continues on from 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.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

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).

In this context, domestically it is noted that insurance coverage continues to be undersubscribed by households, professionals and businesses. With particular reference to households, considering that in Italy a relatively high number of persons are property owners in comparison with other European countries, only 35% of homes are insured, the majority of which with policies linked to the mortgage. In relation to companies, Ania and Irsa commissioned the European University Institute to research a project on insurance for Small and Medium Sized Companies in Italy, which outlined an interesting scenario and with some aspects thus far unpublished which outline that despite the propensity to insure against damage proportional 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 relating 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.

PREMIUMS WRITTEN

Overall, the premiums written amount to Euro 3,747 million, a decrease of 1.37% compared to Euro 3,799 million in 2008.

The direct premiums written amounted to Euro 3,736 million - a decrease of 1.36%.

In particular, the premiums are broken-down as follows:

(in Euro thousands)	Percentage				
	2009	2008	Cge. %	2009	2008
DIRECT PREMIUMS					
Accidents	247,475	254,023	(2.58)	6.61	6.69
Health	167,294	171,010	(2.17)	4.47	4.50
Railway	3	-	-	-	-
Aviation	1,329	1,167	13.88	0.04	0.03
Maritime	5,799	4,533	27.93	0.15	0.12
Merchandise transport	6,452	10,587	(39.06)	0.17	0.28
Fire and other natural elements	233,473	232,570	0.39	6.23	6.12
Other property damage	236,735	231,807	2.13	6.32	6.10
Aviation TPL	741	900	(17.67)	0.02	0.02
Maritime TPL	3,562	3,411	4.43	0.10	0.09
General TPL	329,488	289,922	13.65	8.79	7.63
Credit	29	95	(69.47)	-	-
Bonds	37,371	39,693	(5.85)	1.00	1.04
Pecuniary losses	12,042	10,783	11.68	0.32	0.28
Legal expenses	8,999	8,703	3.40	0.24	0.23
Assistance	20,764	19,052	8.99	0.55	0.50
TOTAL OTHER NON-LIFE DIVISION	1,311,556	1,278,256	2.61	35.01	33.63
Land vehicles	411,710	425,127	(3.16)	10.99	11.19
Motor TPL	2,012,731	2,083,979	(3.42)	53.72	54.88
TOTAL MOTOR	2,424,441	2,509,106	(3.37)	64.71	66.07
TOTAL DIRECT PREMIUMS	3,735,997	3,787,362	(1.36)	99.72	99.70
INDIRECT PREMIUMS	10,520	11,370	(7.48)	0.28	0.30
of which:					
Italian	2,379	1,378	72.64	0.06	0.04
Overseas	8,141	9,992	(18.52)	0.22	0.26
TOTAL	3,746,517	3,798,732	(1.37)	100.00	100.00

CLAIMS PAID AND CLAIMS REPORTED

The claims paid for direct Italian premiums - gross of recoveries from reinsurers - and including the settlement expenses amount to Euro 2,941 million, a decrease of 1.2% compared to 2008.

The breakdown by business class is shown in the following table:

	Claims paid (in Euro thousands)			Claim reported (*) Number		
	2009	2008	Cge. %	2009	2008	Cge. %
Accident	139,014	128,009	8,60	54,757	52,618	4.07
Health	138,056	149,547	(7,68)	190,774	184,461	3.42
Railway	-	-	-	2	-	-
Aviation	7,426	1,134	554,85	2	4	(50.00)
Maritime	4,524	2,443	85,18	365	321	13.71
Merchandise transport	3,088	3,155	(2,12)	1,397	1,176	18.79
Fire and other natural elements	182,553	139,691	30,68	46,210	44,227	4.48
Other property damage	168,914	155,880	8,36	98,159	93,115	5.42
Aviation TPL	8	1,500	(99,47)	5	4	25.00
Maritime TPL	1,373	261	426,36	476	130	266.15
General TPL	208,446	217,010	(3,95)	60,887	54,949	10.81
Credit	503	583	(13,72)	5	3	66.67
Bonds	24,488	22,841	7,21	1,035	775	33.55
Pecuniary losses	1,508	2,446	(38,35)	1,357	2,093	(35.16)
Legal expenses	1,485	1,233	20,44	918	914	0.44
Assistance	10,613	10,777	(1,52)	54,323	42,818	26.87
TOTAL OTHER NON-LIFE DIVISION	891,999	836,510	6,63	510,672	477,608	6.92
Motor TPL	1,743,609	1,868,652	(6,69)	483,351	483,151	0.04
Land vehicles	304,939	271,320	12,39	215,701	193,683	11.37
TOTAL MOTOR	2,048,548	2,139,972	(4,27)	699,052	676,834	3.28
TOTAL DIRECT PREMIUMS	2,940,547	2,976,482	(1,21)	1,209,724	1,154,442	4.79

(*) for generation

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.

Overall the Motor TPL claims managed numbered 471,969, an increase of 0.9% on 2008.

Settlement Time

The speed of the settlements, net of the claims not accepted, for the principal classes relating to the year 2009 is shown below compared to the previous year:

CLASSES – Current year (<i>Values expressed in %</i>)	2009	2008
Accident	39.94	41.03
Health	83.29	84.98
Land vehicles	88.13	87.54
Fire and other natural elements	78.92	73.51
Other property damage	73.72	73.79
General TPL	54.88	60.95
Others Classes	71.47	71.67
Motor TPL*	72.84	79.18

CLASSES – Previous year (<i>Values expressed in %</i>)	2009	2008
Accident	64.08	70.01
Health	86.32	90.73
Land vehicles	91.41	88.64
Fire and other natural elements	84.45	79.76
Other property damage	82.18	81.56
General TPL	39.77	42.81
Others Classes	51.32	57.44
Motor TPLo*	69.16	73.71

(*) Speed of settlement calculated on the claims managed (No Card + Card Operator)

Motor TPL – CARD OPERATOR Current year (<i>Values expressed in %</i>)	2009	2008
Motor TPL	77.57	83.16

Previous year (<i>Values expressed in %</i>)		
Motor TPL	81.97	91.61

MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 810.3 million, a total decrease compared to the previous year of approx. 3.8% (Euro 842.3 million in 2008).

The management expenses are shown in the table below:

(in Euro thousands)	2009	2008	Change %
Direct business			
Commissions and other acquisition expenses	652,947	686,911	(4.94)
Other administration expenses	157,355	155,385	1.27
Total management expenses	810,302	842,296	(3.80)

Within the Management Expenses, the personal expenses decreased by 7.4% (Euro 89.4 million in 2009 and Euro 96.5 million in 2008).

The total cost of personnel, which includes the quota recorded under settlement expenses, amounts to Euro 149.9 million, a decrease of 4% on the previous year (Euro 156.2 million in 2008).

TECHNICAL BALANCES

The technical balances of the Italian direct premiums before the changes of the equalisation reserve and without allocation of the financial income to the technical account are shown below:

(in Euro thousands)	2009	2008	Changes
Motor TPL	(132,285)	56,717	(189,002)
Land vehicles	(17,174)	28,380	(45,554)
Other Non-Life Classes	(145,683)	(3,412)	(142,271)
TOTAL DIRECT ITALIAN PREMIUMS	(295,142)	81,685	(376,827)

As described previously, the strong technical deterioration results from, in addition to the already mentioned contraction in premiums:

- for the Motor TPL class the general 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 on settlement for physical damage;
- for the Land Vehicle Class the significant increase in the frequency concentrated on some accessory guarantees, including windscreen and collision. Other factors were the negative effects of the already mentioned climatic events and the strong discounts which characterised the class;
- for the General classes, as well as the effects from the earthquake in the Spring of 2009, the particularly negative performance of some guarantees in the General TPL and Health classes. In particular in the General TPL class, there was a deterioration in the “corporate” segment both in relation to the Public Entities and third parties in general. The above-mentioned events resulted in the necessity for greater prudence in the estimates included in the IBNR claims.

MOTOR TPL

Premiums

The reduction of premiums written, of 3.4%, 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. This reduction is due also to the slight contraction in the number of policies generated by the above-stated portfolio multi-claim policies of the Company and in part also due to the increase in discounts to clients in a context of strong market competition, particularly in the first part of 2009.

On December 1, 2009 a new Motor TPL tariff was launched, with innovative criteria which takes account of the change in market conditions and of the new regulatory framework which, in view of the legislation introduced in the course of the last two years, modified the underwriting criteria of the insurance companies and the costs for claims. Therefore the level of “personalisation” increased further.

The new TPL Motor tariff has not fully produced the expected benefits on the premiums in portfolio in consideration of its brief period on the market. This has the objective to protect both the portfolio and profitability. This strategy has therefore reduced the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk.

In particular the tariff is concentrated on the vehicle, to take account of the cost of the repairs of the motor vehicle for the client. In addition the range of tariff factors related to the age and geographic area was extended, identifying in even greater detail the niche profit markets. Finally greater value is given to the information shown on the expected risk.

Following the important commercial agreements signed between Fondiaria-SAI S.p.A. and OCTO Telematics Italia srl (which includes also the subsidiary Milano), on December 1, 2009, the “GPS Tariff Convention” begun which unites the successful Nuova 1 GLOBAL insurance solution with the significant experience of a leader in the satellite radar location sector. The “black box” is now well-established, also at European level, as an instrument ideally suited to provide a real contribution to highway security. Continuing a path begun with other initiatives in this area, the Company has started an important initiative called the “GPS Tariff Convention”, aimed at comprehensively offering to all clients throughout Italy who are already signed up or were intending to install in their motor vehicle a Clear box from OCTO Telematica Italia srl.: a GPS and communication system with the driver data and accident data acquired, recorded and transferred to the Services Centre and therefore made available to the Company.

Claims

The number of claims reported in the year in which our policyholders were civilly responsible was 483,827, +0.1% compared to 2008. There was a decrease in the number of claims paid to 438,552 (-4.4%). Overall, there was an increase in the cost of the current generation which amounted to Euro 1,667 million (+7.3%).

Relating only to the claims managed, the number of claims reported was 471,969, a slight increase (+0.9%) on 2008, while the number of claims paid decreased strongly to 425,485 (-9.9%).

The average cost of the payments for managed claims increased by 0.9% for the current generation and 8.7% for the previous generations, with an overall increase of 1%.

The average costs of the reserve incurred a strong decrease for the current year (-15.6%) and for previous years (-7.2%).

The claims/premiums ratio, net of the Guarantee Fund for Road Victims, is 84.5% for the current year and 85.5% at global level.

The speed of settlement of the claims managed (No Card Claim + Operator Card Claims) was 72.8% for the claims in 2009 and 69.2% for the claims in previous years. The same indicator relating to claims caused was 71.2% for the year and 70.7% for previous years.

The table below shows the situation of the claims still open at December 31, 2009 for Fondiaria-SAI, compared with the claims reported and the situation relating to the Operator Card.

Generation	Reported*	No. of Claims open	% on reported claims
2000	613,255	729	0.12
2001	589,850	1,149	0.19
2002	578,220	1,876	0.32
2003	539,448	2,696	0.50
2004	513,105	3,144	0.61
2005	503,957	4,308	0.85
2006	495,470	7,220	1.46
2007	492,136	9,693	1.97
2008	483,281	24,032	4.97
2009	483,827	122,415	25.30

(*) Excluding the Mandatory CID reported from 1/2/2007 with the introduction of the direct compensation, the claims caused were considered (No Card + Card Debtor)

Card management from 1/2/2007

Generation	Claims Reported	No. of Claims open	% on reported claims
2007	244,276	2,387	0.98
2008	305,196	9,018	2.95
2009	362,667	74,188	20.46

LAND VEHICLES

Premiums amounted to Euro 412 million, a decrease of 3.2% on 2008, a slight contraction due to 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. Price competition and the particularly negative performance of some accessory guarantees such as windshield and vandalism guarantees - which in a period of economic crisis traditionally record an increase in claims - affected the profitability of the Class. Also in this Class, actions have been undertaken to recover sufficient levels of profit. In particular, as well as the already mentioned increase in tariffs, the guarantees with strongly negative performances will no longer be sold individually but only together with fire and theft guarantees, which continue to report a satisfactory level of claims to premium ratio. In order to contain the cost of claims, the windshield repair actions will be channelled through the networks with which conventions have been signed, providing in each case sample checks in order to verify the nature and the quality of the actions.

The cancellation of some multi-claim portfolio policies also affected the Land Vehicle class.

The claims reported in 2009 amounted to 215,701, an increase of 11.4% compared to the previous year. There was also an increase in the number of claims paid to 203,207 (+13.8%).

The increases in claims reported and payments made are prevalently due to the windshield guarantees as well as the numerous natural events which occurred in the first part of the year. The cost of the claims of the current generation amounts to Euro 320.4 million, an increase of 16.7% compared to 2008 as a consequence of the phenomena described above. The speed of settlements, net of the claims eliminated without further process, amounted to 88.13% for the current generation claims (87.5% in 2008) and 91.4% for the claims of previous years (88.6% in 2008).

The claims/premiums ratio for the year was 77%, while the global total increased to 79.1%.

The combined ratio was 104.2%.

OTHER NON-LIFE CLASSES

The Italian direct premiums written amount to Euro 1,312 million - an increase on 2008 of 2.6%.

There was an increase on 2008 both in the number of claims reported (+6.9%) and the number of claims paid (+6.3%).

The generation cost of the current year increased compared to 2008 (+21.5%).

This data was affected also by the compensation costs related to the L'Aquila earthquake of April 6, 2009, amounting to Euro 33 million. Excluding this event the increase would have been 17.5%.

Within the "Retail products" plan the guidelines which were drawn up in 2009 focus on two specific needs:

- to redefine and reform the products and the portfolio which report poor technical performances;
- strengthen the value of the segments and products with good profit margins.

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

- “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.
- “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. A cluster mechanism (0-5 years and 6-20 years) was also created to manage changes relating to the age of buildings, favouring newly constructed buildings;
- “Retail Più Casa Smart”, launched in January 2009: pre-defined 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 accessible for all. “Retail Più Casa Smart” avails of 3 types of guarantees, Building, Content and Civil Responsibility, also available individually, with 2 coverage options, to offer the possibility to every homeowner or tenant to choose the coverage most suited to their security needs;
- “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;
- 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.

In relation to the “Large Businesses” Corporate segment, during the year, based on an agreement signed with Dun & Bradstreet, a file including a series of information and updated parameters on Companies with revenues above Euro 500,000,000, useful for the development activities in this market segment was drawn up. This file will be available in the first quarter of 2010 to the various department sectors.

With reference to the individual Classes:

Accident

The premiums amount to Euro 247.5 million (-2.58% on 2008).

The number of pro-rata claims reported in the year amounted to 54,757 (+4.1%) on the previous year, while the number of claims paid amounted to 39,185, decreasing slightly.

The premiums in the “Large Businesses” sector increased slightly (+3.9%) compared to the previous year, while the technical result improved significantly, with a Claim/Premium ratio of 72.2%.

The premiums in the “Public Entities” sector decreased (-7.8%) compared to the previous year, with a strong deterioration in the technical result and entirely attributable to losses on some CAI policies, hit by some particularly significant and already cancelled claims.

There was a strong increase compared to 2008 in the cost of the claims which amounted to Euro 146.13 million (+17.8%), a percentage which takes account however of the impact of the catastrophic claims which occurred during the year.

The claims/premiums ratio for the year was good (59.7%), as was the overall level (67.4%).

The technical balance of the class remained positive, however decreasing strongly.

The Class recorded a combined ratio of 97.6%, in line with the previous year.

Overall the technical reserves represent 101% of the premiums for the year.

In relation to Retail products with strong profit margins, the following activities took place:

- 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;
- 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.

Health

The Class reports a strong negative trend principally due to the decrease in premiums and the increase in claims, although contained, both reported and paid.

This Class, although continuing to report a large loss, shows improvement on the previous year, due to the restructuring actions undertaken in recent years in the mass risk sector.

The premiums amounted to Euro 167.3 million, a decrease of 2.17%

The pro-rata claims reported amounted to 190,774, an increase of 3.4%.

The number of claims paid, amounting to 166,372, increased by 0.2% compared to 2008.

The cost of the claims of the current generation amounted to Euro 135.2 million, a decrease of 4%.

The technical reserve was negative but an improvement on the previous year.

The combined ratio for the Class was 113.4%.

Within the redefinition of the Retail products which present weak technical performances, we highlight the following initiatives:

- 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);

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- 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 Centanni” and “Medica Sanitaria”;
 - 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”.

Fire and other natural events

There was a slight increase in the associated premiums however with a significant increase in the number of claims reported and paid, with consequent increase in the cost of the claims which amounted to Euro 201.45 million, an increase of 38.5% on the previous year.

The premiums amounted to Euro 233.5 million, an increase on 2008 (+0.4%).

The “Large Businesses” sector reports a decrease both in premiums (-19.4%) and in the number of contracts with a significant decline relating to one single contract, although already reformed in the final part of the year.

The premiums written in the “Public Entities” sector increased by over 31% on the previous year, principally due to a series of reforms on contracts already in portfolio.

The extremely negative technical result was a direct consequence of the impact deriving from the damage of the Abruzzo earthquake, which concerned various policies, among which the ASL health centre at L’Aquila (third party contract of 30%) which alone represented over 55% of the entire claims cost of the current year for this class.

Following the earthquake, a Working Group comprised of various departments was constituted, from technical, organisational and control departments, which is dealing with underwriting matters, with the aim to identify a refinement of the risk valuation methodology, starting with an analysis of the information available on the most up-to-date and reliable databanks.

The objective is to redefine some of the operating regulations to be adopted in the underwriting process in a standardised manner across the various business sectors. The activity is currently being completed and will be finalised in 2010.

A new unified “All Risks” contract was drawn up and provided to the various users which will constitute the basis for the negotiations of the coverage formulated.

The pro-rata claims reported were 46,210, an increase of 4.5%.

The number of claims paid of 41,642 increased by 15.3%.

The technical balance of the class recorded a negative result, principally due to the increase in the cost of the claims in the period attributable to the significant increase in claims paid in the year and in part to the negative impact of the natural event claims.

The combined ratio for 2009 was 130.2%.

The technical reserves of the class represent 142.1% of the premiums for the year.

Maritime and transported goods

These Classes represent, together with the Vehicle TPL policies (which are included in the Motor TPL Class) the largest part of the premiums and claims relating to transport guarantees.

The Maritime class recorded an increase in premiums, despite the negative economic conditions. However the pleasure boat sector, after years of strong growth, is undergoing a crisis which caused a strong drop in production and the closure or downsizing of numerous boat yards. It is expected that the crisis will continue also in 2010 and it is too early to make forecasts for 2011.

The Transport Goods and Vehicle TPL policies recorded a drop due to the unfavourable economic environment. The drop in trading and the decrease in industrial production led to a reduction in demand and a consequent decrease in the amount of premiums.

In 2010, a new product for the coverage of goods transported by motorway will be launched; the “Industrial revenue” product will continue, which is an instrument guaranteeing businesses producing goods against risk of damage to the goods during transport.

In the Vehicle TPL sector improvements at the end of 2009 (in particular the automatic tariff for contracts graded by “License”) enabled an extension of the premium base in 2010.

Other property damage

The premiums in the Class grew in a contained manner compared to an increase in the cost of claims paid. This resulted in a negative technical balance.

Theft Risk (“Public Entities” and “Large Businesses”).

In the “Theft” segment, the premiums recorded in the “Large Businesses” sector reduced on the previous year (-14.4%) with a Claim/Premium ratio remaining positive however.

The premiums recorded in the Public Entities sector reduced slightly (1.7%), while the Claims/Premiums ratio remained largely positive and at slightly more than 43.5%.

Technological risks

During 2009 Technological Risk premiums recorded strong growth (+11.6%), despite the general economic crisis and particularly in the construction sector, which after nine years of uninterrupted growth reported a reduction in investments of 9.4% (estimate Ance).

The increase in premiums was accompanied by a significant reduction in the cost of accepted claims which, together with the increase in premiums, allowed for an excellent technical result, with a Claims/Premium ratio improved by over 12 points compared to 2008.

The maintenance of a high growth trend in premiums in the sector is due to various factors: we highlight in particular the strengthening of the organisational structure of the Technological Risks Unit (with the constitution of a specialised assistance structure regionally which has begun to operate in the final four months of the year) and the beginning of an extensive technical training programme for the Agencies, which allows the Networks to understand the potential of the sector.

The growth was aided also by the issue of policies relating to some large public and private initiatives, by the ten-year policies for the protection of the property of the acquirer and by the insurance demand in the renewable energy sector, in particular for photovoltaic plant, for which the Company can propose a comprehensive and competitive product.

In 2010, the macroeconomic data and the specific data of the construction sector are not encouraging. For 2010 Ance forecasts a fall in production estimated at between -7.1% (not taking into account the possible contribution from the “home plan 2”) and -3.9%. However it is believed that this scenario can be overcome by using also the capacity of the agency networks also in the “Technological Risks” sector, thanks also to the carrying out of specialised training activities and the fully operational regional assistance structure. A drive towards further growth of the portfolio in 2010 may also derive from the updating of the regulations and the “Electronic” tariff product and by the launch of the new product to guarantee “Replace and Install” both earmarked for the year. In the leasing sector, an improvement in the technical performance is expected thanks to the decisive actions for reform undertaken during 2009.

Hailstorm Risk

During 2009 the segment was characterised by:

- lack of state insurance contribution (average of 40% of the premium);
- average reduction of the agricultural product price (approx. 15%);
- increased competition between the Companies resulting in unjustified tariff reductions.

The decrease in premiums, of slightly more than 20%, is principally due to the choices of the agricultural producers not to undertake insurance coverage or limit it only to the risk of hailstorms rather than the full range of natural events.

Also in 2009 there were significant hailstorm events which particularly affected Alto Adige and the South. This despite the generation C/P standing at amounts below 60%, a slight deterioration on 2008, but on the other hand the market reporting data higher than 100%.

The current refinancing of the Solidarity Fund decreed at the end of December 2009 and applicable for the three year period 2009-2011, guaranteeing the certainty of resources, will see an adequate recovery of coverage.

Overall, the premiums amounted to Euro 236.7 million, an increase of +2.13%

The pro-rata reported 98,159 claims (+5.4%).

The number of claims paid amounted to 84,515, an increase of 4.8% compared to 2008.

The increase on 2008 of the generation costs amounting to Euro 176 million (+7.2%) is highlighted.

The current claims/premiums ratio for the year was 77.4%, while overall amounting to 80.7%.

The class reported a combined ratio of 111%.

The percentage of the technical reserves on the premiums amounted to 102.7%.

The technical reserve was negative.

General TPL

The Division presents a strong increase in premiums accompanied by a substantial increase in the number of claims, with a significant amount of late claims and a reduction in the number of claims paid.

The premiums in the “Large Business” sector are substantially unchanged compared to the previous year (+0.6%).

The premiums in the “Public Entities” sector reports a strong increase of over 65%, deriving in particular from the reform activity undertaken on a series of policies, together with the awarding of several tenders, among which concerning a risk, in the past already insured by the Company, relating to an ASL clinic, on the basis of a private agreement after an uncompleted tender process.

The monitoring activity was fully launched for the contracts in this sector and also for the health sector, to keep under strict observation as well as the technical performances, also the correct execution of the contract, with reference to all of the components, providing at the same time actions for reform whenever considered necessary. Also following the stated activities, an improvement in the value of the Claims/Premium ratio was recorded compared to the previous year, also in consideration of the improved contribution of the sufficiency for the previous years.

The entire range of the “Pollution TPL” (Pollution TPL for activities with third parties and “Pollution TPL for the transport of dangerous goods) products were published, which contain particularly innovative new coverage conditions in the Environmental Risk Sector, which are expected to be particularly significant in the coming years, in consideration of the continuing change in legislation at national and European Community level.

A series of meetings with some agencies were organised during the year, in order to present and to expand upon the themes related to Pollution coverage.

The new edition of the Directors’ TPL was also launched, reformulating the contents of the contractual regulations and renewing an agreement in place last year with a leading world reinsurer, leader in the sector, which guarantees us a proven and reliable partnership.

The premiums amounted to Euro 329.5 million (+ 1.26%).

The pro-rata reported 60,887 claims (+10.8%).

The number of claims paid, amounting to 40,555 decreased by 0.1% compared to 2008.

The cost of current year claims amounted to Euro 276.1 million, a strong increase on the previous year (+44%), this increase is principally due to higher reserves for late claims in the current year.

The claims/premiums ratio for the year was 89.9%, while the global was 83%.

The combined ratio for 2008 was 115%.

Overall, the ratio between the technical reserves and the premiums was slightly above 350%.

Bonds

In 2009, the Bond Class reports a significant contraction in premiums amounting to Euro 37.4 million (-5.8%).

The Bond Class performance in the year was affected to a large extent by the general economic climate.

The economic crisis, which hit all of the goods sectors, had direct repercussions on the construction sector, one of the leading sectors in the division. The reduction of the number of public tenders, and the decrease in the residential initiatives, contributed significantly to a contraction in premiums.

The broker channel was among the most penalised distribution channels.

In relation to profitability, an increase in claims was recorded, also in this case due to the direct link with the deteriorating financial conditions of Businesses and the significant increase in bankruptcies (approx. 40% increase).

The deterioration of the final Claims/Premiums ratio from 41.2% in the previous year to approx. 50% in the current year however appears contained in relation to the current economic environment. This result was favoured by the traditional prudent underwriting policy of the Company.

In the current year the training activities of the agency network continued: by the summer the project started in previous years which has seen training seminars at over 800 agencies of the network will be completed.

In relation to the underwriting policies chosen, taking account of the likely continuation of the effects of the crisis throughout 2010, it is considered indispensable to confirm the guidelines adopted in previous years, focussing on prudent selection of the client and of the individual underwriting businesses. The rates to be applied will be examined due to the increased and more complex risks being undertaken.

There was an increase in both the payments and claims reported and an increase on the previous year in relation to the current generation costs which amounted to Euro 28.3 million (+16%).

From a profitability viewpoint, the year just ended also recorded a good Claims/Premiums ratio (62.4%) while the global ratio amounts were 49.7%.

The combined ratio for the class was 86%.

The ratio between the technical reserves and the premiums was above 340%.

The year recorded a positive technical balance, in line with the previous year.

MANAGEMENT OF NON-LIFE DIVISION CLAIMS

In 2009, the Claims Structure of the Parent Company underwent an extensive reorganisation, which principally involved the Settlement Network and the Control activity.

Settlement networks

The reorganizational actions sought to guarantee an improved service throughout the country in terms of:

- improved ability to recognise the individual needs of each region;
- quick decision making;
- improved collaboration and exchange of experiences between the Areas;
- more interaction with the commercial structure.

Consequently the Networks were broken down into four macro areas (North-West, North-East, Centre, Centre South) attributed to four Supervisors with the duty to ensure the reaching of the prefixed industrial objectives by the Claims Management, optimising the quality of the service and the settlement processes.

Control Activity

In this context the reorganisation led to an increase in the quality control of the settlement process and the fight against fraud in order to:

- improves the technical quality of settlements;
- Improve the service to clients;
- improve the identification and the management of fraudulent claims.

Therefore a Technical Control Unit was set up in order to verify compliance with operating regulations and the legal time limits for the claims settlement, in order to avoid claims and penalties.

The implementation of the control of settled claims and in the region allowed:

- the management of abnormal or potentially fraudulent claims, through reorganisation of the antifraud units (in relation to processes, roles, skills and instruments) as well as the monitoring system (in this latter case the structure is still in a reorganisation phase);
- manage the Auto and General Class experts, establishing the technical standards for their activities.

Auto Presto & Bene

With particular reference to the Motor TPL class, in order to recover sufficient technical margins, as well as the new tariff, increased benefits are expected from “*Auto Presto & Bene*”, the specific structure created by the Fondiaria-SAI group with the objective to improve the service to clients and to contain the material damage claim costs, through the entry into the spare parts distribution chain, with the consequent creation of value for the companies of the Group.

Auto Presto & Bene in fact signed agreements with the principal car manufacturers to directly purchase spare parts from their distribution networks and supplying them to repair centres within the network in order to only utilise original spare parts in the repairs of damaged vehicles, therefore providing clients with an excellent level of service. With the inclusion in the value chain of the spare parts, cost efficiencies of raw materials can be achieved and agreements with the repair centres for the restoration costs can be reached, while disregarding the activities no longer required as they are carried out directly.

The project is also able to generate value, as well as for the companies of the Fondiaria-SAI group, also for other parties involved in the motor repair process and in particular:

- tied repair centres, which will see an increase in volumes and have the opportunity to work with specialised and qualified personnel;
- for the car manufacturers, thanks to the increase in the market share of original spare parts and the simplification of the supply process, with a sole and reliable customer dealing with large volumes;
- for the agencies, which benefit from the loyalty of the client and the greater flexibility in the tariff, thanks to the improvement in the claims to premiums ratio.

The extension to all of the Claims Structures and the Agency Networks of the Electronic System was completed during the year, which was begun at the end of 2008. The digitalisation of the documents related to the claims process was enabled by the initiative, in order to improve the circulation and the sharing of information, optimising the management process.

NON-LIFE REINSURANCE

Outward Reinsurance 2009

The entire reinsurance structure of the Company is based on proportional cover and excess cover and non-proportional coverage in claim excess.

Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.

For the Bond and Aviation Classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.

The net retention of the Technological Risks, with the exception of those relating to the Ten Year Guarantee, are protected on a non-proportional base individually by risk and jointly with the Fire and Land Vehicle classes on the occurrence of an event: this latter has only this specific coverage; a protection for risk is planned also for the Electronic and IT sectors.

The non-proportional programmes are the only instruments utilised to protect the Fire, Injury, Motor TPL, General TPL and Theft classes.

The confirmation of the type of coverage indicated continues to be in line with the specific characteristics of each individual portfolio, also taking into consideration the economic validity of the solutions indicated and their sourcing on the reinsurance market.

All the programmes reported are reinsured by the Irish Group company The Lawrence Re, indirectly controlled 100% by Fondiaria-SAI, which subsequently transfers the risks assumed on reinsurance.

The only exceptions are represented by the Transport coverage, by the Aviation coverage (directly placed on the market) and finally the Assistance Class, whose protection is guaranteed by the Group company Pronto Assistance.

In the case of the Transport sector, the entire portfolio is reinsured with Siat, utilising a proportional coverage in a cession share of 99% and commissions equivalent to the acquisition costs; no non proportional protection is in place.

The reinsurance structure of the Company requires that relations are undertaken, principally through The Lawrence Re, with the principal market operators, always under conditions of financial solidity, of specific professionalism and with a proven interest in the establishment of long term relationships.

The strategy adopted by the Company in the optional segment is, where possible, complementary to that of the reinsurance agreements; the capacity requested is consequently in excess to that automatically contained in each agreement and therefore may be of a proportional or non proportional nature (in claim excess) according to the underlying agreement: only the Aviation Class deviates from this general structure, in which a search is normally undertaken for the optional capacity before the complete expiry of the contractual capacity in order not to overexpose the automatic coverage to a range of natural event risks.

The cases relating to the typical risk excluded from the contractual conditions or the cases relating to specific commercial agreements which provide for the adoption of a joint reinsurance package to the participation of the individual policy differ from this normal activity.

The reinsurance structure reported have proven to be adequate for the requirements of the Company, and therefore continue to be in line with that of the previous years.

The premiums ceded in the year amounted to Euro 155,633 thousand, compared to Euro 145,178 thousand in the previous year.

After the substantial increase of premiums ceded in the previous years due to the introduction of the new non proportional agreement with lower limits in the Motor TPL class and an increase in the percentage of the cessions in the transport classes (99% to the group company SIAT), a result was achieved indicative of a substantially unchanged reinsurance programme compared to 2008.

The result is an improvement on expectations particularly due to the recoveries from the 2009 Fire programme and following the natural event claims in the year ("Abruzzo Earthquake" and "North Italy Hailstorms"). There were also significant recoveries on a series of previous Aviation TPL claims.

Inward Reinsurance 2009

At December 31, 2009, this includes all the optional business and the acceptances by the insurance companies of the Group and at December 31, 2008 for all the other types of agreements. The result continues to be positive (Euro 1,480 thousand) thanks to the improvement of reinsurance of previous years accepted by companies of the group. The only inward reinsurance portfolio of the group in pure run-off recorded a positive stable result.

The premiums accepted in the period amounted to Euro 10,520 thousand, a small decrease compared to the previous year.

NON-LIFE INSURANCE LITIGATION

The cases (Motor and Non Motor) closed in 2009 amounted to 21,238, a decrease of 10.60% compared to 2008. 85.66% are within the Motor TPL division (87.5% in 2008).

There was an increase of 8.74% for the amount of the legal expenses paid, equal to Euro 68,620 thousand (Euro 63,103 thousand in 2008).

The claims in litigation at 31/12/2009 were 47,013 cases (+15.74% compared to the previous year).

The Motor TPL civil cases pending at 31/12/2009 totalled 35,120 compared to 29,614 at 31/12/2008, an increase of 18.59%.

Life Business and Pension Funds

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 (Securitisation operations) 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%.

PREMIUMS

Overall, the premiums written amounted to Euro 1,067 million compared to Euro 1,137 million in 2008, a decrease of 6.17%.

The direct premiums written amount to Euro 1,062 million, a decrease of 6.1% and broken down as follows:

(in Euro thousands)	2009	2008	Cge %	Percentage 2009	2008
<u>DIRECT PREMIUMS</u>					
I – Insurance on human life expectancy	761,132	757,646	0.46	71.33	66.63
III – Insurance related to investment funds	14,275	56,942	(74.93)	1.34	5.01
IV - Health insurance	375	172	118.28	0.04	0.02
V – Securitisation operations	258,939	287,726	(10.00)	24.27	25.30
VI – Management operations of pension funds	27,045	28,739	(5.89)	2.53	2.53
TOTAL LIFE DIVISION	1,061,766	1,131,224	(6.14)	99.51	99.49
<u>INDIRECT PREMIUMS</u>	5,192	5,834	(11.00)	0.49	0.51
of which:					
- Italian	5,069	5,717	(11.33)	0.48	0.50
- Foreign	123	117	(5.13)	0.01	0.01
TOTAL	1,066,958	1,137,058	(6.17)	100.00	100.00

The premiums of direct Italian business are broken down as follows:

(in Euro thousands)	2009	2008	Cge %	Percentage 2009	2008
Individual	649,154	696,439	(6.79)	61.14	61.57
Collective	385,567	406,046	(5.04)	36.31	35.89
Open Pension fund	27,045	28,739	(5.89)	2.55	2.54
TOTAL	1,061,766	1,131,224	(6.14)	100.00	100.00

Also in 2009, Class I products represented the type of cover appreciated greatest by clients, focused on products with a minimum guaranteed yield and the protection of the investment.

AMOUNTS PAID AND RELATIVE CHARGES

The settlements of direct business amounted to Euro 1,078 million including the change in the reserves for sums to pay. Compared to the previous year (Euro 1,731.8 million), there was a decrease of 37.7%.

During the year, capital on maturity and annuity payments were made of Euro 537.1 million (Euro 570.7 million in 2008). The redemptions report a decrease of 54.8%, principally due to the lower advanced redemption of large securitisation products for “institutional” Clients.

Direct Business

(in Euro thousands)

	2009	2008	Change %
CLASS I			
Claims	28,338	33,109	(14.4)
Capital and annuity matured	414,773	447,205	(7.3)
Redemptions	277,906	360,898	(23.0)
Total	721,017	841,212	(14.3)
Change Reserve	(21,577)	(36,277)	-
TOTAL	699,440	804,936	(13.1)
CLASS III			
Claims	1,326	1,696	(21.8)
Capital and annuity matured	69,856	107,858	(35.2)
Redemptions	9,676	14,916	(35.1)
Total	80,858	124,469	(35.0)
Change Reserve	6,490	(2,692)	-
TOTAL	87,348	121,778	(28.3)
CLASS IV			
Claims	-	-	-
Capital and annuity matured	34	-	-
Redemptions	-	-	-
Total	34	-	-
Change Reserve	-	-	-
TOTAL	34	-	-
CLASS V			
Claims	2,625	1,557	68.6
Capital and annuity matured	51,460	15,639	229.0
Redemptions	231,754	779,925	(70.3)
Total	285,839	797,122	(64.1)
Change Reserve	(3,600)	(812)	-
TOTAL	282,239	796,310	(64.6)
CLASS VI			
Claims	382	225	69.6
Capital and annuity matured	1,055	12	8,547.5
Redemptions	6,737	8,577	(21.5)
Total	8,174	8,814	(7.3)
Change Reserve	950	-	-
TOTAL	9,124	8,814	3.5
TOTAL LIFE BUSINESS			
Claims	32,671	36,587	(10.7)
Capital and annuity matured	537,178	570,715	(5.9)
Redemptions	526,073	1,164,316	(54.8)
Total	1,095,922	1,771,618	(38.1)
Change Reserve	(17,737)	(39,781)	-
TOTAL	1,078,185	1,731,837	(37.7)

MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 67.8 million, a total increase compared to the previous year of approx. 1% (Euro 67 million in 2008).

This result is due to the cost containment of overheads as illustrated in the table below:

(in Euro thousands)	2009	2008	Change %
Direct business			
Commissions and other acquisition expenses	32,303	30,171	7.07
Other Administration expenses	35,494	36,901	(3.81)
Total Management Expenses	67,797	67,072	1.08

Within the Management Expenses, the cost of personnel decreased by 5.4% (Euro 19.8 million in 2009 and Euro 20.9 million in 2008).

TECHNICAL PERFORMANCE

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.

- 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 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: the sales results are low.

The DEDICATA policy (Term Life) introduced in 2008 with differentiation for policyholders' smoking habits has suffered a slowdown.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, there was a slight drop in new business on the previous year.

Collective Insurance

In 2009, the “corporate” segment recorded a negative performance in terms of premiums, affected by the general economic environment and lower employment levels, which penalised the sector, although with a different profile and technical content, whose results are based directly 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 Company 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 securitisation 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 the potential.

LIFE REINSURANCE

Outward Reinsurance 2009

The protection of the Life portfolio, in consideration of its inherent equilibrium, continues to be unaltered compared to previous years: the surplus agreements continue to be used, which is also reinsured with The Lawrence Re, whose total capacity permits a significant reduction of the necessary options; recourse is made to this latter for the limited exposures above that contractually agreed, or in the case of important collective contracts, utilising directly a limited number of reinsurers with considerable underwriting and financial capacity, as well as with a sufficiently high rating.

The Lawrence Re then cedes the above-mentioned proportional agreement utilising an integrated programme between protection in claim excess and excess loss.

The event risk is protected with a non-proportional programme with retention equal to the three coverage.

The premiums ceded in the period amounted to Euro 14,538 thousand, an increase compared to Euro 13,194 thousand in the previous year. The result reflects the type of the class and is in line with the previous year.

Inward Reinsurance 2009

The year 2009 includes the business accepted from companies of the Group and in 2008 for those accepted outside of the Group. The premium volumes amounted to Euro 5,192 thousand, a slight decrease compared to Euro 5,833 thousand in 2008. Some agreements ceased as acceptances by companies of the Group continue to produce effects in the accounts.

The rest of the portfolio, which includes the run-off of the non-group business, report results in line with the characteristics of the Class.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At December 31, 2009, the volume of investments amounted to Euro 15,582 million compared to Euro 15,530 million in the previous year, an increase of 0.3%.

The total structure of the investments, with exclusion of the D class, changed as follows:

(in Euro thousands)	31/12/2009	Composition %	31/12/2008	Composition %	Changes %
- Property	1,163,758	7.31	1,055,869	6.70	10.22
- Bonds and other fixed income securities	8,286,151	52.07	8,052,664	51.09	2.90
- Equity Investments	5,212,981	32.75	5,446,249	34.56	(4.28)
- Mutual funds	727,958	4.57	633,047	4.02	14.99
- Loans	39,386	0.25	75,420	0.48	(47.78)
- Deposits at Credit Institutions	544	-	52,846	0.34	(98.97)
- Deposits with reinsuring companies	61,689	0.39	64,655	0.41	(4.59)
- Other financial investments	89,531	0.56	148,955	0.95	(39.89)
Total investments	15,581,998	97.90	15,529,705	98.55	0.34
- Cash and cash equivalents (1)	333,450	2.10	229,213	1.45	45.48
TOTAL	15,915,448	100.00	15,758,918	100.00	0.99

(1) includes the amounts of class F of assets

The volume of investments was substantially stable being impacted on the one hand by the recovery in value of debt instruments and on the other by the reduction following the repayment (Euro 175 million) of the bridge loan provided by Mediobanca in the previous year.

The increase in the account property is attributable, although in the presence of disposal of assets of Euro 177 million following, in particular, the conferment to the Rho Fund, to the merger by incorporation of four real estate subsidiaries at the end of 2009 amounting to Euro 245 million in addition to purchases and incremental expenditure totalling Euro 41 million.

The table below shows the breakdown of class D investments by nature:

CLASS D INVESTMENTS

The table below shows the breakdown of class D investments by nature.

(in Euro thousands)	31/12/2009	Composition %	31/12/2008	Composition %
- Fixed income securities	303,665	58.7	322,201	63.9
- Shares and units	195,803	37.9	163,005	32.3
- Cash and cash equivalents	12,198	2.4	10,140	2.0
- Other assets	5,656	1.1	9,255	1.8
TOTAL	517,322	100.0	504,601	100.0

The increase in the class D investments is principally due to the recovery in value of securities in portfolio.

The table below shows the results of the financial assets and property (excluding income from class D investments) for 2007 and 2006:

INVESTMENT INCOME

(in Euro thousands)	2009	2008	Changes
Income from shares and units	110,495	249,797	(139,302)
Income from land and buildings	50,223	47,333	2,890
Income from other investments	386,483	513,433	(126,950)
Gross total income	547,201	810,563	(263,362)
Management charges	60,383	121,434	(61,051)
Total net income	486,818	689,129	(202,311)
Net income realised on land and buildings	116,157	42,529	73,628
Net income from assets and current investments	125,042	104,015	21,027
Net income from other non-current investments	(29,748)	23,103	(52,851)
Total net realisable income	211,451	169,647	41,804
Net adjustment on:	48,077	(425,966)	474,043
<i>Bonds</i>	<i>103,569</i>	<i>(187,126)</i>	<i>290,695</i>
<i>Shares and funds</i>	<i>(54,127)</i>	<i>(233,313)</i>	<i>179,186</i>
<i>Property</i>	<i>(1,365)</i>	<i>(5,527)</i>	<i>4,162</i>
TOTAL	746,346	432,810	313,536

During the year, following the expiry of some of the options to hedge some non-current equities, the Company realised in the current segment gains of approx. Euro 65 million (Euro 142 million in 2008).

The decrease in the account “Net income from other non-current investments” of Euro 53 million includes losses on non-current securities, securities which constituted the underlying securities of the above-mentioned options.

FINANCIAL MANAGEMENT

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.

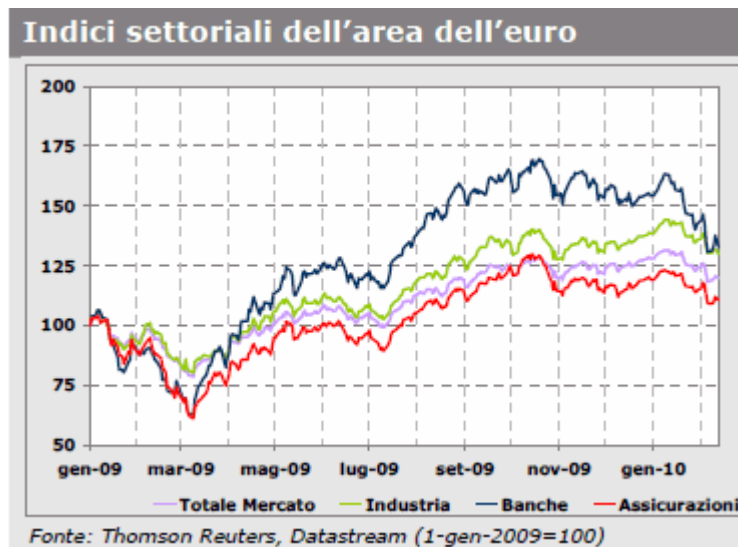
The third quarter of the year featured, at macroeconomic level, a significant improvement in the confidence indicators and at the micro level positive indications from the quarterly reports, particularly in the United States where the majority of companies reported profits ahead of expectations. In particular 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 1 - Sector indices of the Euro Zone



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

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 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 represented 30.8%. The Corporate Securities are, largely, belonging to the "Investment Grade" category.

Currently the outlook for 2010 is for relative prudence, 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.

Lehman Brothers Holdings Inc.

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 Fondiaria-SAI portfolio had a carrying value of Euro 6.6 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.

SIGNIFICANT FINANCIAL OPERATIONS

In relation to listed subsidiaries:

- MELIORBANCA: sale of 7,700,000 shares for the offer on the company launched by B.P.E.R. at Euro 3.2 per share with value date of March 3, 2009.
- MONTE DEI PASCHI DI SIENA: sale of 6,892,508 shares realising a loss of Euro 9,182 thousand.
- PIRELLI & C. ORD.: sale of 87,600,000 shares realising a net loss of Euro 27,198 thousand.
- UNICREDIT ORD.: sale of 1,871,205 shares realising a gain of Euro 3,414 thousand.

The main operations relating to the principal non listed subsidiaries are also reported:

- ATAHOTELS : purchase of 14,280,000 shares for a total payment of Euro 12,809 thousand; subsequent subscription of a share capital increase of 6,120,000 shares and reduction of share capital for 11,556,600 shares to cover losses.
- AUTO PRESTO & BENE: share capital increase with a total payment of Euro 6,000 thousand.
- EUROSAI: purchase of 1,305,600 shares of the subsidiary Saifin Saifinanziaria with payment of Euro 1,231 thousand; subscription to the share capital increase for 3,960,000 shares.
- IMMOBILIARE LOMBARDA: purchase of 131,245,047 shares by the subsidiary Milano Assicurazioni for Euro 22,700 thousand; subsequently 2,456,103,179 Immobiliare Lombarda shares owned by Fondiaria-SAI were cancelled and converted into 20,000 Immobiliare Fondiaria-SAI shares.
- IMMOBILIARE FONDIARIA-SAI: incorporation of the company following the partial spin-off of the subsidiary Immobiliare Lombarda with a simultaneous cancelation of 2,456,103,179 Immobiliare Lombarda shares owned by Fondiaria-SAI and conversion of 20,000 Immobiliare Fondiaria-SAI shares for a counter value of Euro 390,282 thousand.
- NUOVE INIZIATIVE TOSCANE: share capital payment of Euro 5,551 thousand and subsequent partial reimbursement of the share capital payment of Euro 2,906 thousand.
- POPOLARE VITA: share capital payment of Euro 27,431 thousand for the restructuring operation of the index-linked policies issued by Novara Vita with underlying securities issued by Lehman Brothers.
- SAI HOLDING: share capital payment of Euro 28,810 thousand for the restructuring operation of the index-linked policies issued by Novara Vita with underlying securities issued by Lehman Brothers.
- SAI MERCATI MOBILIARI: payment to cover losses of Euro 3,122 thousand.
- VILLA RAGIONIERI: share capital payment of Euro 48,168 thousand against restructuring expenses of the building in which the activities are undertaken and purchase of sanitary equipment.

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.

For further information in relation to the operation, reference should be made to the 2009 Consolidated Half-Year Report.

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.

Merger by incorporation of property companies

In December, the merger by incorporation into Fondiaria-SAI S.p.A. was signed by the following entirely held property companies:

- MANTEGNA S.r.l. with registered office at Milan, Galleria del Corso No. 2, share capital of Euro 10,000 paid-in, tax number and Company's Registration Number of Milan: 12984 150156
- MERIDIANO QUINTO S.r.l. with registered offices Turin, Via Carlo Marengo No. 25, share capital of Euro 800,000 paid-in, tax number and Company's Registration number of Turin 04326640960;
- MERIDIANO RISPARMIO S.r.l. with registered office in Milan, Via Senigallia No. 18/2, share capital of Euro 10,000 paid-in, tax number and Company's Registration number of Milan 04148720966;
- PORTOFINO VETTA S.r.l. with registered office in Florence, Via Lorenzo il Magnifico No. I, share capital of Euro 10,400 paid-in, tax number and Company's Registration number of Florence: 04154310488.

The merger by incorporation, in accordance with the provisions of article 2505 of the civil code was undertaken without any share exchanges, as the participants of the operation were directly held 100% by the incorporating Fondiaria-SAI.

The share capital of the incorporating company remained unchanged and the shares of the incorporated companies were cancelled from the effective date of the merger.

The operations of each of the incorporated companies were allocated to the accounts of the incorporating company as of January 1, 2009 and this date was also applicable for fiscal purposes.

Following the above-mentioned operation, the value of the investments were cancelled totalling Euro 298.6 million against increases in property and other net assets of Euro 299.1 million. The difference, amounting to Euro 0.5 million, was recorded for Euro 2.9 million to property relating to the companies incorporated, gross of the fiscal effect for deferred taxes of Euro 1 million and, for the residual of Euro 2.4 million, to the merger surplus.

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 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.

In December 2009, Atahotels sold to the company Atavalue S.r.l. (indirect 100% subsidiary of Fondiaria-SAI) its brand, within a project to increase the overall value of the brand.

The objective is to consolidate the positioning of Atahotels on the national market and to evaluate new development opportunities based on similar business models to those utilised by other hotel chains; this created a need to redefine the management model of Atahotels, concentrating on direct management activities of the hotels and appointing another company of the Fondiaria SAI Group, owner of the brand, to undertake the management of the commercial activity and the responsibility for the brand process management (including utilisation of the brand through licences and franchising contracts).

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.

FINANCIAL DEBT

At 31.12.09, the financial debt of Fondiaria-SAI S.p.A. is as follows:

(in Euro millions)	31/12/2009	31/12/2008	Changes
Subordinated loan 2002	400.0	400.0	-
Subordinated loan 2005	100.0	100.0	-
Subordinated loan 2006	150.0	150.0	-
Subordinated loan 2008	250.0	250.0	-
Various loans and other financial payables	509.8	624.8	(115.0)
Total debt	1,409.8	1,524.8	(115.0)

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

- A subordinated loan of Euro 400 million, agreed and issued on 23.07.03. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;
- A subordinated loan of Euro 100 million agreed on 20.12.05 (received on 31.12.05), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.
- A subordinated loan of Euro 150 million signed on June 22, 2006 (received on July 14, 2006). 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;

-
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on 14.07.08 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.

With reference to the subordinated loan of Euro 400 million and the subordinated loan of Euro 150 million, it is recalled that the entire positions are fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loans, stabilising on an annual basis the interest streams to be paid to the counterparty.

On April 30, 2009 an Interest Rate Swap contract was signed to cover the Euro 100 million subordinated loan; in addition on September 30, 2009 a further Interest Rate Swap contract was signed of Euro 100 million as partial coverage of a subordinated hybrid loan of Euro 250 million.

For further information, reference should be made to the section relating to derivative financial operations.

With reference to Other loans and Other financial payables, amounting to Euro 509.8 million, the most significant amounts are reported below:

- Euro 180.4 million relates to the loan granted to the subsidiary Sainternational S.A., related to liquidity from a Convertible and Repayable Bond (Mandatory Exchangeable Guaranteed Notes) exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010.
- Euro 227.1 million refers to the loan granted by the subsidiary Saifin (Euro 157 million) and Fondiaria Nederland B.V. (Euro 70.1 million);
- Euro 75 million refers to the residual, relating to the senior loan contract concluded on January 11, 2008 between Fondiaria-SAI S.p.A. and Mediobanca. The loan was received in one single amount on January 25, 2008. The change compared to the previous year are due to two repayments. The first of Euro 100 million in July and the second of Euro 75 million in December. The repayment of the residual occurred on 25/01/2010: against this, on the same date Mediobanca has refinanced Euro 75 million, with repayment date of 31/1/2011, applying a spread of Euribor at 12 months plus 200 bps.

The residual of the account “Other loans and other financial payables”, amounting to Euro 27.3 million, relates to interest bearing loans from other subsidiaries. For further information, reference should be made to the notes to the financial statements.

TREASURY SHARES AND SHARES OF HOLDING COMPANIES

At December 31, 2009 and at December 31, 2008, the Parent Company holds, also through subsidiaries, the 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	35,547	3,200,000	54,614
Milano Assicurazioni	9,982,557	229,260	8,382,557	209,900
Sai Holding	1,200,000	14,975	1,200,000	20,480
Total	14,382,557	279,782	12,782,557	284,994
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	22,742
Milano Assicurazioni	9,157,710	9,582	9,157,710	11,356
Saifin - Saifinanziaria	66,588	68	66,588	89
Total	27,564,325	28,839	27,564,325	34,187

Treasury shares

In 2009, the 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.

We also report that the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares and the subsidiary Milano Assicurazioni S.p.A. held a further 9,982,557 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.

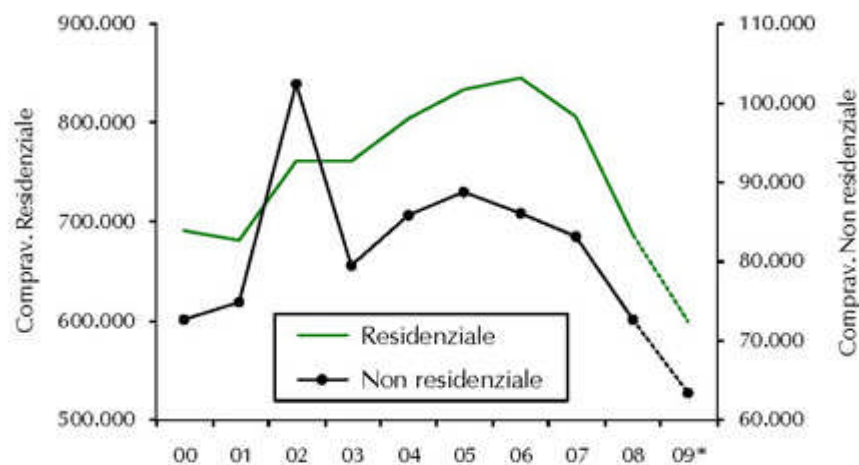
REAL ESTATE SECTOR

The widespread real estate speculation in the United States is the main factor contributing to the global crisis in recent months. After the strongest monthly falls in history, the prices of houses in the US in May 2009 returned to growth. The S&P/Case-Shiller index, between May and July grew 3.4%, with rises in 18 of the 20 cities considered.

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 2 – Number of residential and non residential sales



(*) estimate

Source: elaboration and estimates of Nomisma 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.

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 not affect the legitimacy of the Convention of 2005 or future construction in the area.

Also design activities have been entirely suspended.

Conferment of property to the Immobiliare Rho Fund

Fonditaria-SAI S.p.A., Milano Assicurazioni S.p.A. and the Tikal R.E. Fund, a property fund managed by Sai Investimenti 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 cash received will be 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 with a pool of primary banks, for an amount of approx. 55% of their transfer value. The operation was financed by a group of banks comprising UniCredit Group (lead bank), Banca Imi (agent bank), BNP Paribas, Calyon, Société Generale, MPS Capital Services and BancaSai.
2. the transfer of the properties to the Rho Fund and corresponding bank debt relating to the above-mentioned loans;
3. the 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 for the Insurance Companies, with a lock-up commitment of 4 years;
4. the placement with institutional investors of the residual quota (70%). The placement of the fund quotas is through BancaSai.
5. Fondiaria-SAI and Milano 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.

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

The operation realised a gain before taxes for the Parent Company of Euro 116 million.

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 original price.

Other information

STRUCTURE OF THE SALES ORGANISATION

With reference to 2009, the national distribution of the Fondiaria-SAI Agents was as follows:

	SAI	Fondiaria	Total at 31/12/09	Total at 31/12/08
North	400	207	607	662
Centre	137	196	333	312
South	212	154	366	361
TOTAL	749	557	1,306	1,335

The number of Agencies with SAI mandate was 749, and was composed of 204 Agencies in cities and 545 General Agencies; the number of Brokers was 1,256.

With reference to the number of agencies with La Fondiaria mandates it is reported that at 31.12.09 in addition to the traditional agencies there were also 5 directly managed agencies.

Specifically, the distribution structure includes 1,306 sole agencies and other localisations belonging to the Parent Company (1,335 at 31/12/2008), as well as a further 2,052 sole and multi-firm agencies (2,026 at 31/12/2008) that collaborate with the other Group companies.

The secondary offices of the company are as follows: FLORENCE (Via Lorenzo il Magnifico, 1), MILAN (Via Senigallia, 18/2), MILAN (Via Locatelli, 1), ROME (Piazza di Spagna, 15).

HUMAN RESOURCES

At December 31, 2009, the number of employees of the Company was 2,659 (2,668 at December 31, 2008) of which there were: 74 executives, 2,572 white-collar insurance employees and 13 caretakers of the buildings owned, whose employment contract is governed by the national caretakers contract.

The year 2009, similar to the previous year, was marked by the full implementation of the provisions contained in the Fondiaria-SAI Additional Enterprise Contract, signed on December 20, 2005.

The process of harmonisation of the regulatory and economic agreements was therefore completed between the employees of the former Fondiaria and the employees of the former Sai, whose unification, for some departments, had already been implemented in previous years, while for others this was completed at the conclusion of the contractual period at 31/12/2009.

The industrial relations were undertaken in accordance with the Group consolidated principles of information and dialogue and resulted in the signing with the trade unions of some agreements relating to issues concerning the implementation of the supplemental contract, such as the closure of businesses and the variable premium, for which an agreement was reached also for 2009, although without the renewal of the supplemental contract which expired on 31/12/2008.

Employee disputes before the courts were maintained, in the current year, in line with those of previous years, therefore remaining limited. At 31/12/2009, there were 33 employment cases pending.

As always, all of the Company functions fully contributed to the expectations, giving a concrete contribution in terms of professionalism and commitment, of which it is necessary to give a warm thanks to all personnel involved. This thanks and appreciation is extended also to the agency networks.

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 (48 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	Value of options	Total cost	Cost at 31.12.09
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				

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 management personnel:

		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 –	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
Giulia Maria Ligresti	Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
	Vice Chairman –													
	Director - EC	1,100,000	21.546	2011	-	-	-	-	-	-	-	1,100,000	21.546	2011
Antonio Talarico	Vice Chairman –													
	Director - EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	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 management personnel (a)		4,618,000	21.546	2011	-	-	-	-	-	-	-	4,618,000	21.546	2011

(a) the data of “key management personnel” is at an aggregate level.

MANAGEMENT OF RISKS

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 Fondiaria-SAI is based on the rationale of **Enterprise Risk Management**:

- aimed at generating a culture of risk management within the Company based on the different hierarchy levels involved;
- based on an integrated viewpoint of all of the current and future risks which the Parent Company 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.

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 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 Risk Policy approved by the Board of Directors of the 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 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: maximum percentage of “illiquid” instruments.

The portfolio 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 selected also 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 Company.

The Parent Company 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 Value at Risk Life Classes at 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	8.59	13.22	0.28	13.50
Total Derivatives	-0.11	103.63	0.00	103.63
Net equity exposure	8.48	12.05	0.28	12.34
Total Securities	76.42	1.34	0.00	1.34
Total non-listed shares	9.49	10.50	0.25	10.75
Total	94.39	3.22	0.05	3.27
Other assets	5.61	3.19	0.00	3.19
Total	100.00	3.22	0.05	3.27

Table 2 – Analysis of the Value at Risk Life Classes at 31/12/2008

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	7.05	15.47	0.36	15.83
Total Derivatives	0.00	N/A	0.00	N/A
Net equity exposure	7.05	12.90	0.36	13.26
Total Securities	77.80	1.39	0.01	1.39
Total non-listed shares	10.43	13.58	0.38	13.97
Total	95.27	3.57	0.07	3.65
Other assets	4.73	3.70	0.00	3.70
Total	100.00	3.58	0.07	3.65

Table 3 – Analysis of the Value at Risk Non-Life Classes at 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	23.45	14.51	0.04	14.55
Total Derivatives	0.09	-231.02	0.00	-231.02
Net equity exposure	23.54	13.53	0.04	13.57
Total Securities	29.87	0.73	0.00	0.73
Total non-listed shares	43.30	10.40	0.00	10.40
Total	96.72	8.17	0.01	8.18
Other assets	3.28	8.33	0.00	8.33
Total	100.00	8.18	0.01	8.19

Table 4 – Analysis of the Value at Risk Non-Life Classes at 31/12/2008

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	24.91	13.21	0.02	13.23
Total Derivatives	1.13	-20.29	0.00	-20.29
Net equity exposure	26.04	12.02	0.02	12.04
Total Securities	30.23	0.62	0.05	0.68
Total non-listed shares	41.25	13.27	0.00	13.27
Total	97.51	8.95	0.02	8.97
Total	100.00	8.96	0.02	8.98

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 VaR of the derivatives reduces the risks of the equity positions (hedge operations).

The account other assets includes structured securities.

Table 5 – Analysis of the Risk Capital Life Classes at 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	8.59	46.01	1.28	47.29
Total Derivatives	-0.11	148.38	0.00	148.38
Net equity exposure	8.48	44.69	1.30	45.99
Total Securities	76.42	4.78	0.02	4.80
Total non-listed shares	9.49	41.12	1.20	42.32
Total	94.39	12.02	0.25	12.27
Total	100.00	12.02	0.24	12.26

Table 6 – Analysis of the Risk Capital Life Classes at 31/12/2008

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	7.05	52.42	1.66	54.07
Total Derivatives	0.00	N/A	0.00	N/A
Net equity exposure	7.05	44.45	1.66	46.11
Total Securities	77.80	7.07	0.03	7.10
Total non-listed shares	10.43	51.15	1.78	52.93
Total	95.27	14.67	0.34	15.00
Other assets	4.73	15.04	0.00	15.04
Total	100.00	14.68	0.32	15.00

Table 7 – Analysis of the Risk Capital Non-Life Classes at 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	23.45	50.33	0.18	50.52
Total Derivatives	0.09	-1026.83	0.00	-1026.83
Net equity exposure	23.54	46.04	0.18	46.22
Total Securities	29.87	2.31	0.00	2.31
Total non-listed shares	43.30	41.04	0.01	41.04
Total	96.72	30.29	0.05	30.34
Other assets	3.28	31.87	0.00	31.87
Total	100.00	30.35	0.05	30.39

Table 8 – Analysis of the Risk Capital Non-Life Classes at 31/12/2008

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	24.91	46.98	0.10	47.08
Total Derivatives	1.13	-67.65	0.00	-67.65
Net equity exposure	26.04	44.95	0.09	45.04
Total Securities	30.23	3.28	0.24	3.52
Total non-listed shares	41.25	49.89	0.01	49.89
Total	97.51	33.34	0.10	33.44
Total	100.00	33.40	0.10	33.50

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 Risk Capital 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 Parent Company principally regards debt securities and in particular long maturity. In order to limit this risk, Fondiaria-SAI 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 9 – Sensitivity analysis of the bond component

(in Euro millions)	+ 50 bp		- 50 bp	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Total	(209)	(234)	223	252
of which Non-Life	(17)	(19)	18	20
of which Life	(192)	(215)	206	232

The structured securities 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 10 - Analysis of Life Division bond component by VaR and Risk Capital maturity

Type	Composition (Exact holding) %	Macaulay Duration	VaR Rate %	Risk Capital Rate %
Government Euro	68.68	6.71	1.27	4.58
<i>Variable rate</i>	<i>8.55</i>	<i>0.76</i>	<i>0.32</i>	<i>1.23</i>
<i>Fixed rate</i>	<i>60.13</i>	<i>7.52</i>	<i>1.40</i>	<i>5.05</i>
0,0< <=1,5	12.33	0.47	0.24	0.12
1,5< <=3,0	2.97	2.12	1.02	2.67
3,0< <=5,5	11.08	3.84	1.44	4.97
5,5< <=7	7.26	5.43	1.62	6.04
>7	26.50	12.98	1.92	7.38
Corporate Euro	31.25	4.51	1.48	5.19
<i>Variable rate</i>	<i>1.46</i>	<i>0.16</i>	<i>0.05</i>	<i>0.96</i>
<i>Fixed rate</i>	<i>29.79</i>	<i>4.71</i>	<i>1.55</i>	<i>5.40</i>
0,0< <=1,5	2.32	1.08	0.59	0.56
1,5< <=3,0	2.42	2.28	1.08	2.92
3,0< <=5,5	13.56	3.85	1.47	5.07
5,5< <=7	2.97	5.43	1.93	7.14
>7	8.51	7.13	1.94	7.34
Bond funds Euro	0.00	2.34	0.91	2.18
<i>Fixed rate</i>	<i>0.00</i>	<i>2.34</i>	<i>0.91</i>	<i>2.18</i>
0,0< <=1,5	0.00	0.89	0.50	-
3,0< <=5,5	0.00	4.81	1.62	5.90
Government Non Euro	0.06	3.23	0.78	1.68
<i>Variable rate</i>	<i>0.00</i>	<i>0.17</i>	<i>0.05</i>	<i>0.82</i>
<i>Fixed rate</i>	<i>0.06</i>	<i>3.31</i>	<i>0.80</i>	<i>1.70</i>
0,0< <=1,5	0.02	1.31	0.52	0.51
1,5< <=3,0	0.01	1.49	0.59	0.76
3,0< <=5,5	0.03	3.30	1.00	2.46
5,5< <=7	0.00	5.95	0.32	0.93
>7	0.00	12.40	1.33	4.05
Corporate Non Euro	0.01	0.26	0.05	0.12
<i>Variable rate</i>	<i>0.01</i>	<i>0.11</i>	<i>0.01</i>	<i>-</i>
<i>Fixed rate</i>	<i>0.01</i>	<i>0.38</i>	<i>0.10</i>	<i>0.22</i>
0,0< <=1,5	0.01	0.12	0.01	-
3,0< <=5,5	0.00	3.04	0.99	2.37
Total bonds	100.00	6.00	1.33	4.77
Total	100.00	6.00	1.33	4.77

The percentage weight is calculated taking as reference the values utilised in the analysis.
The analysis does not include structured securities.

Table 11 - Analysis of the Non-Life bond component by VaR and Risk Capital maturity

Titpologia	Composizione (Exact holding) %	Duration Macaulay	VaR Rate %	Risk Capital Rate %
Government Euro	90.07	2.27	0.75	2.30
<i>Variable rate</i>	<i>31.12</i>	<i>0.94</i>	<i>0.36</i>	<i>1.45</i>
<i>Fixed rate</i>	<i>58.95</i>	<i>2.98</i>	<i>0.95</i>	<i>2.75</i>
0,0< <=1,5	28.44	0.88	0.47	0.60
1,5< <=3,0	11.16	2.00	0.97	2.35
3,0< <=5,5	3.52	4.24	1.51	5.34
5,5< <=7	10.44	5.10	1.62	5.95
>7	5.40	10.73	1.83	7.06
Corporate Euro	7.11	2.52	0.73	2.94
<i>Variable rate</i>	<i>3.92</i>	<i>0.19</i>	<i>0.08</i>	<i>0.96</i>
<i>Fixed rate</i>	<i>3.19</i>	<i>5.22</i>	<i>1.54</i>	<i>5.37</i>
0,0< <=1,5	0.01	0.50	0.28	-
1,5< <=3,0	0.66	2.09	1.30	3.31
3,0< <=5,5	0.39	2.95	1.27	4.11
5,5< <=7	0.78	4.47	1.56	5.59
>7	1.35	8.35	1.74	6.67
Bond funds Euro	2.83	2.75	1.07	3.00
<i>Fixed rate</i>	<i>2.83</i>	<i>2.75</i>	<i>1.07</i>	<i>3.00</i>
0,0< <=1,5	1.27	0.92	0.52	0.05
3,0< <=5,5	1.56	4.25	1.53	5.41
Total bonds	97.17	2.29	0.74	2.35
Total	100.00	2.31	0.75	2.37

*The percentage weight is calculated taking as reference the values utilised in the analysis.
The analysis does not include structured securities.*

Equity risk, exchange risk and real estate risk

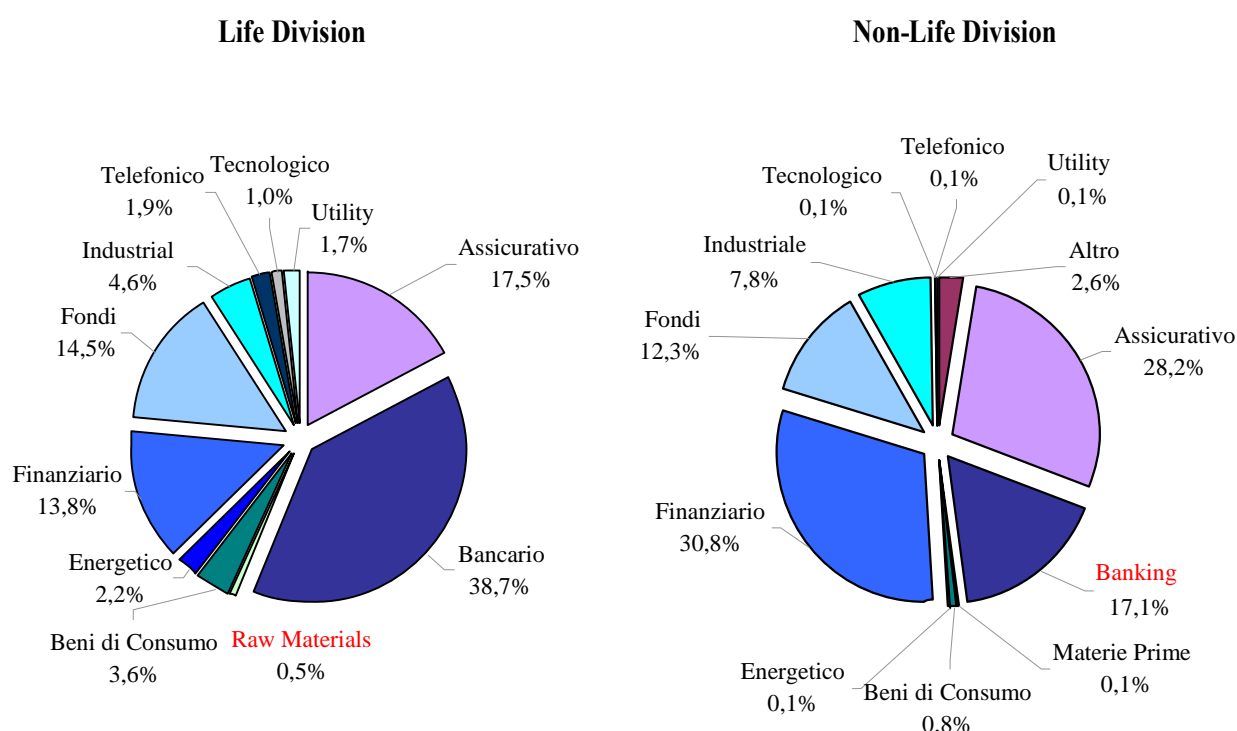
The equity risk “risk of unexpected losses deriving from adverse changes in equity prices” and the foreign exchange risk “risk of unexpected losses deriving from adverse changes in exchange rates” are valued as stochastic models calibrated on the market. With particular regard to this, the Company does 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, Fondiaria-SAI 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 3 – Share portfolio composition



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 12 – Sensitivity analysis of the listed equity portfolio

(in Euro millions)	31/12/2009	31/12/2008
Total	(188)	(193)
of which Non-Life	(118)	(135)
of which Life	(70)	(59)

The table below shows the VaR and Risk Capital analysis relating to the equity risk and exchange risk (of the equity and bond portfolio) broken down by currency.

Table 13 – VaR analysis relating to the Life Division equity and exchange portfolio

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	37.18
	Swedish Crown	0.02	17.17	6.22	23.39
	US Dollar	0.07	16.54	6.38	22.92
	Euro	8.07	13.21	0.00	13.21
	Swiss Franc	0.23	11.95	2.95	14.89
	UK Sterling	0.18	12.71	6.15	18.86
	Total listed shares	8.59	13.22	0.28	13.50
Derivatives on shares	Euro	-0.11	103.63	0.00	103.63
	Total Derivatives	-0.11	103.63	0.00	103.63
	Net equity exposure	8.48	12.05	0.28	12.34
Bond funds	Euro	0.00	0.91	0.00	0.91
Bonds	US Dollar	0.04	0.81	6.43	7.24
	Euro	75.31	1.36	0.00	1.36
	Swiss Franc	0.01	0.05	2.98	3.03
	UK Sterling	0.00	1.24	6.30	7.53
	Japanese Yen	0.00	0.40	8.01	8.40
Time deposits	Euro	1.06	0.00	0.00	0.00
	Total Securities	76.42	1.34	0.00	1.34
Equities	Euro	8.68	10.06	0.00	10.06
	Swiss Franc	0.81	15.20	2.95	18.14
	Total non-listed shares	9.49	10.50	0.25	10.75
	Total	94.39	3.22	0.05	3.27
	Other assets	5.61	3.19	0.00	3.19
	US Dollar	0.00	3.19	6.39	9.58
	Euro	5.61	3.19	0.00	3.19
	Total	100.00	3.22	0.05	3.27

Table 14 – VaR analysis relating to the Non-Life Division equity and exchange portfolio

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Equities	Swedish Crown	0.01	17.71	6.22	23.93
	Euro	23.25	14.55	0.00	14.55
	Swiss Franc	0.09	9.18	2.95	12.13
	UK Sterling	0.10	8.47	6.15	14.62
	Japanese Yen	0.00	18.29	7.99	26.27
	Total listed shares	23.45	14.51	0.04	14.55
Derivatives on shares	Euro	0.09	-231.02	0.00	-231.02
	Total Derivatives	0.09	-231.02	0.00	-231.02
	Net equity exposure	23.54	13.53	0.04	13.57
Bond funds	Euro	2.37	0.50	0.00	0.50
	Bonds	27.50	0.75	0.00	0.75
	Total Securities	29.87	0.73	0.00	0.73
Equities	US Dollar	0.01	11.13	6.38	17.52
	Euro	43.30	10.40	0.00	10.40
	Total non-listed shares	43.30	10.40	0.00	10.40
	Total	96.72	8.17	0.01	8.18
	Other assets	3.28	8.33	0.00	8.33
	Euro	3.28	8.33	0.00	8.33
	Total	100.00	8.18	0.01	8.19

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 VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Table 15 – Risk Capital analysis relating to the Life Division equity and exchange portfolio

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Equities	Norwegian Crown	0.01	77.99	0.52	78.51
	Swedish Crown	0.00	88.59	25.62	114.21
	US Dollar	0.02	62.26	28.25	90.51
	Euro	0.07	53.48	28.92	82.40
	Swiss Franc	8.07	46.03	0.00	46.03
	UK Sterling	0.23	42.88	14.05	56.93
	Japanese Yen	0.18	42.24	27.97	70.20
	Total listed shares	8.59	46.01	1.28	47.29
Derivatives on shares	Euro	-0.11	148.38	0.00	148.38
	Total Derivatives	-0.11	148.38	0.00	148.38
	Net equity exposure	8.48	44.69	1.30	45.99
Bond funds	Euro	0.00	2.18	0.00	2.18
Bonds	US Dollar	0.04	1.73	29.13	30.85
	Euro	75.31	4.85	0.00	4.85
	Swiss Franc	0.01	0.07	14.20	14.27
	UK Sterling	0.00	3.22	28.60	31.82
	Japanese Yen	0.00	1.60	35.44	37.04
	Total Securities	76.42	4.78	0.02	4.80
Equities	US Dollar	8.68	39.52	0.00	39.52
	Euro	0.81	58.33	14.05	72.38
	Total non-listed shares	9.49	41.12	1.20	42.32
Total		94.39	12.02	0.25	12.27
Other assets		5.61	12.09	0.00	12.09
	US Dollar	0.00	12.01	28.90	40.96
	Euro	5.61	12.09	0.00	12.09
	Total	100.00	12.02	0.24	12.26

Table 16 – Risk Capital analysis relating to the Non-Life Division equity and exchange portfolio

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Equities	Swedish Crown	0.01	64.86	28.25	93.12
	Euro	23.25	50.47	0.00	50.47
	Swiss Franc	0.09	34.76	14.05	48.81
	UK Sterling	0.10	32.10	27.97	60.07
	Japanese Yen	0.00	66.27	35.36	101.62
	Total listed shares	23.45	50.33	0.18	50.52
Derivatives on shares	Euro	0.09	-1026.83	0.00	-1026.83
	Total Derivatives	0.09	-1026.83	0.00	-1026.83
Net equity exposure		23.54	46.04	0.18	46.22
Bond funds	Euro	2.37	1.72	0.00	1.72
	Bonds	27.50	2.36	0.00	2.36
	Total Securities	29.87	2.31	0.00	2.31
Equities	US Dollar	0.01	46.00	28.92	74.92
	Euro	43.30	41.04	0.00	41.04
	Total non-listed shares	43.30	41.04	0.01	41.04
	Total	96.72	30.29	0.05	30.34
Other assets		3.28	31.87	0.00	31.87
Euro		3.28	31.87	0.00	31.87
Total		100.00	30.35	0.05	30.39

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 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 4.2% of the current value of the buildings in the accounts (approx. Euro 1,554 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.

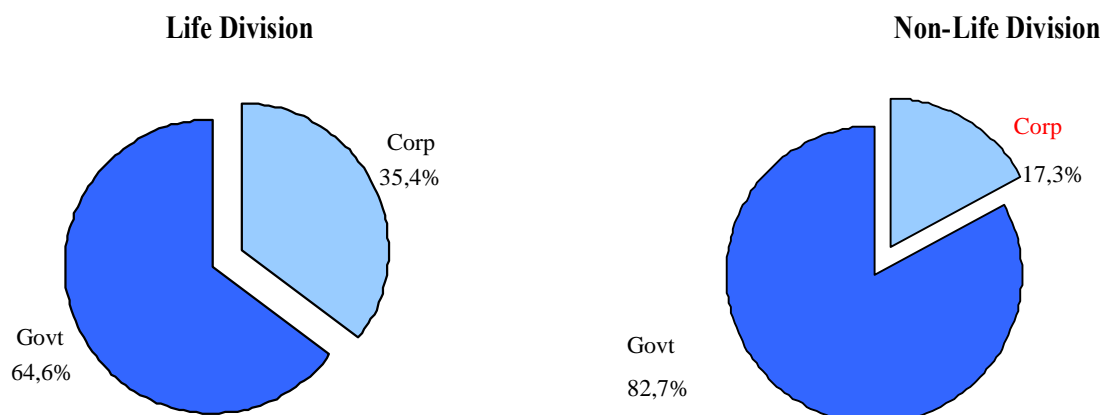
The internal model utilises two models to determine the spread risk.

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 Parent Company to the credit risk is periodically monitored.

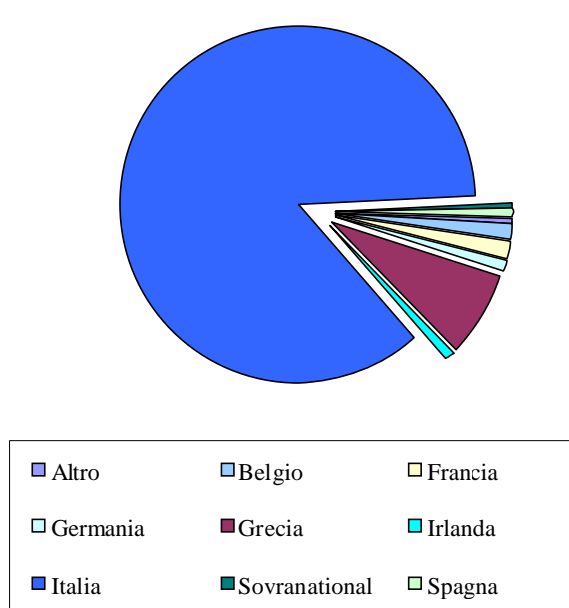
In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

The graph shows the bond portfolio by issuer, rating and segment.

Graph 4 – Breakdown of the bond portfolio

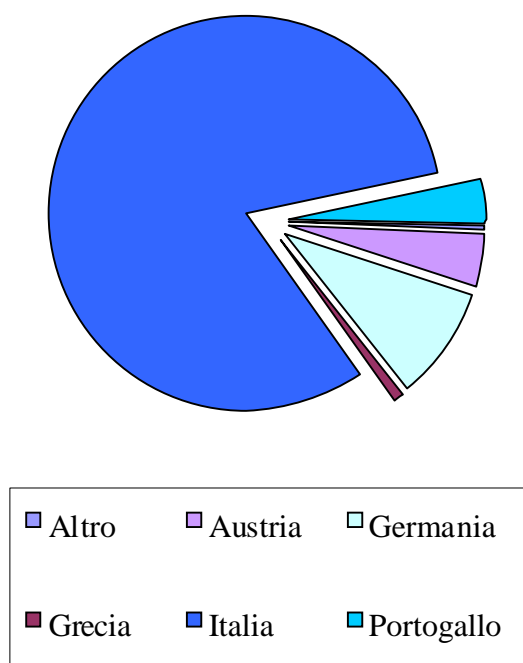


Graph 5 – Government bond portfolio by country of the Life Division



Paese Emittente	Quota Titoli Governativi (%)
Austria	0,09%
Belgio	1,34%
Canada	0,07%
Francia	1,73%
Germania	0,80%
Grecia	7,74%
Irlanda	0,72%
Italia	85,66%
Portogallo	0,43%
Sovranational	0,55%
Spagna	0,84%
Stati Uniti D'America	0,00%
Svizzera	0,00%
Ungheria	0,04%

Graph 6 – Government bond portfolio by country of the Non-Life Division



Paese Emittente	Quota Titoli Governativi (%)
Austria	4,06%
Germania	9,48%
Grecia	0,69%
Italia	81,56%
Olanda	0,37%
Portogallo	3,84%

During 2009, the exposure to Greek government bonds in the portfolio of the Parent Company varied, based on the specific needs of the Non-Life and Life Divisions. While the Non-Life Division decreased from over 11% to less than 1%, the Life Division increased the position from 4% to approx. 8%.

Overall, the Greek country risk in Fondiaria SAI remained principally unchanged. The choice to increase the Greek portion in the Life portfolio followed a close analysis of the risk/return, identifying a good pickup of the yield compared to the relative competitors in the “core” countries (such as Germany and France).

At the same time, in order to maintain substantially unchanged the risk profile on Greek securities, the holding in the Non-Life portfolio was almost entirely sold off, where the profit targets were met investing particularly in Italian government securities.

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.

Aware of the difficulties of the securities in question, a prudent analysis of the Greek risk is being carried out, as there is the belief that the country, thanks to the support of the European Union, will be shielded from any default problems.

Graph 7 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor’s rating for the Life Division

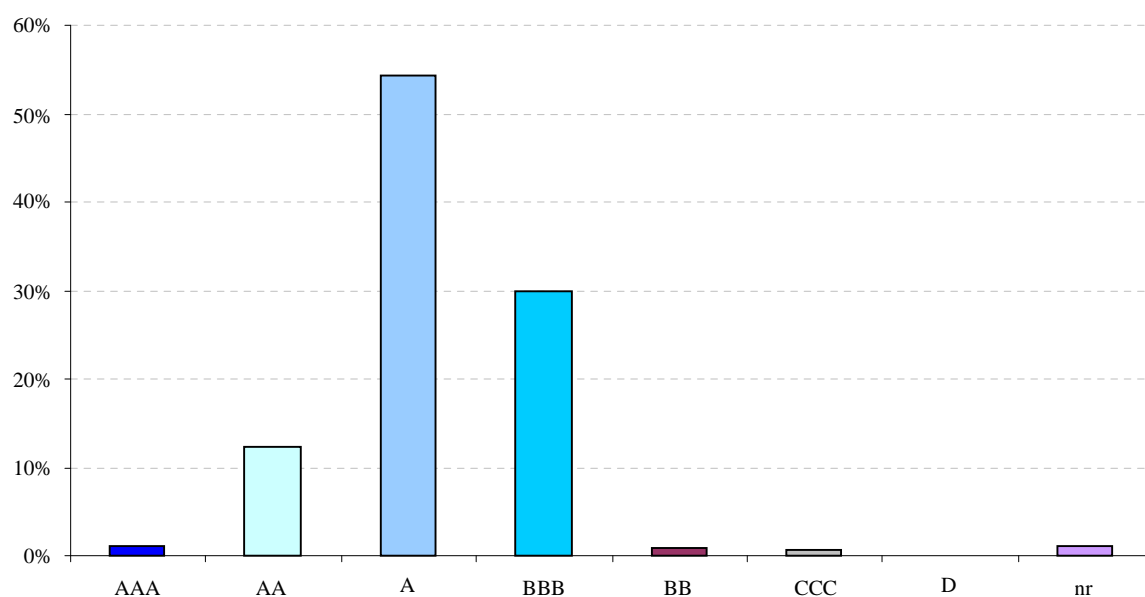
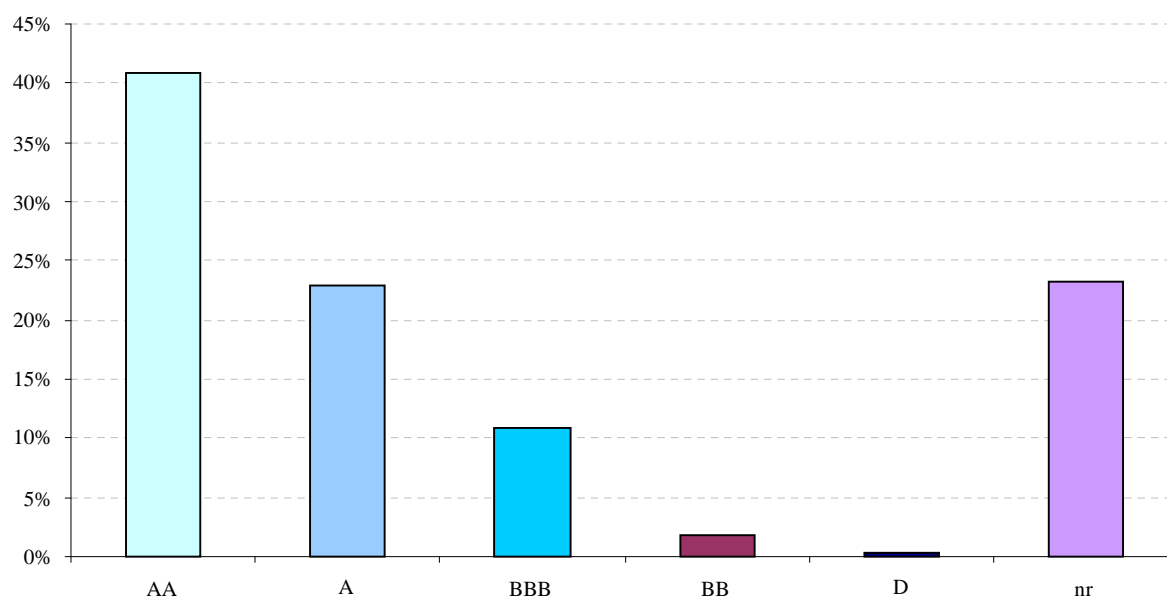
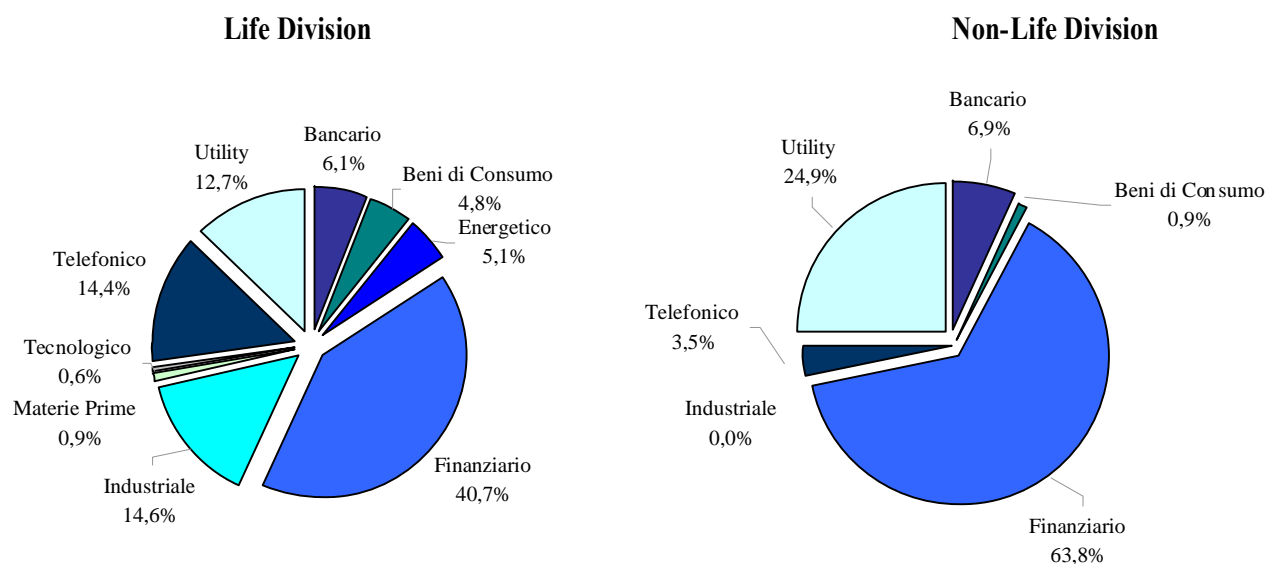


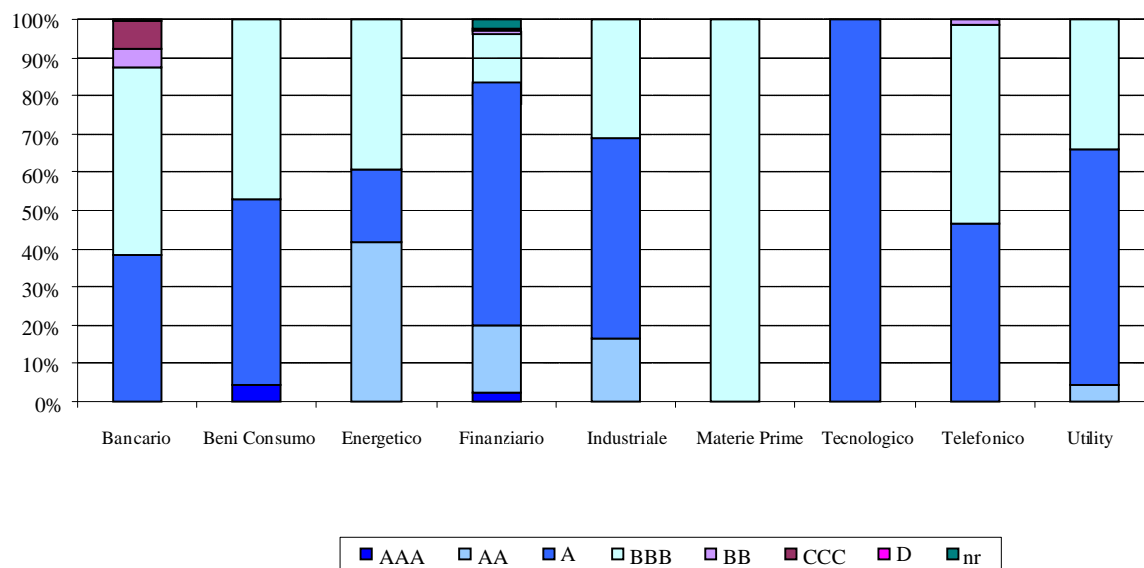
Fig. Graph 8 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor’s rating for the Non-Life Division



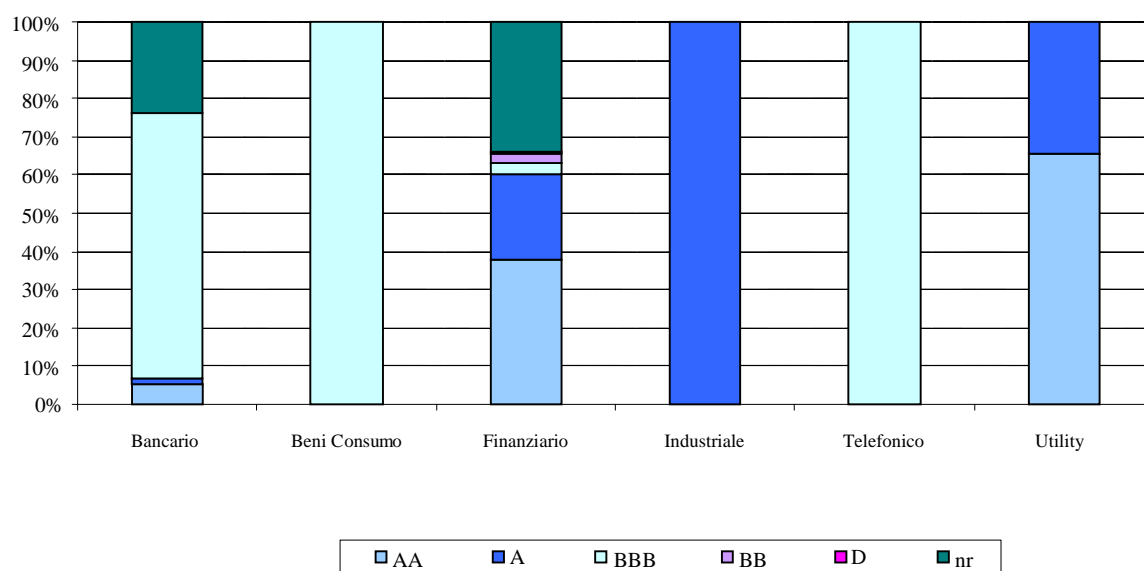
Graph 9 – Corporate bond component by division



Graph 10 - Corporate bond portfolio by sector and rating of the Life Division



Graph 11 - Corporate bond portfolio by sector and rating of the Non-Life Division



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 Parent Company adopted an organisational system based on the centralisation of the financial cash flows through the 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 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.

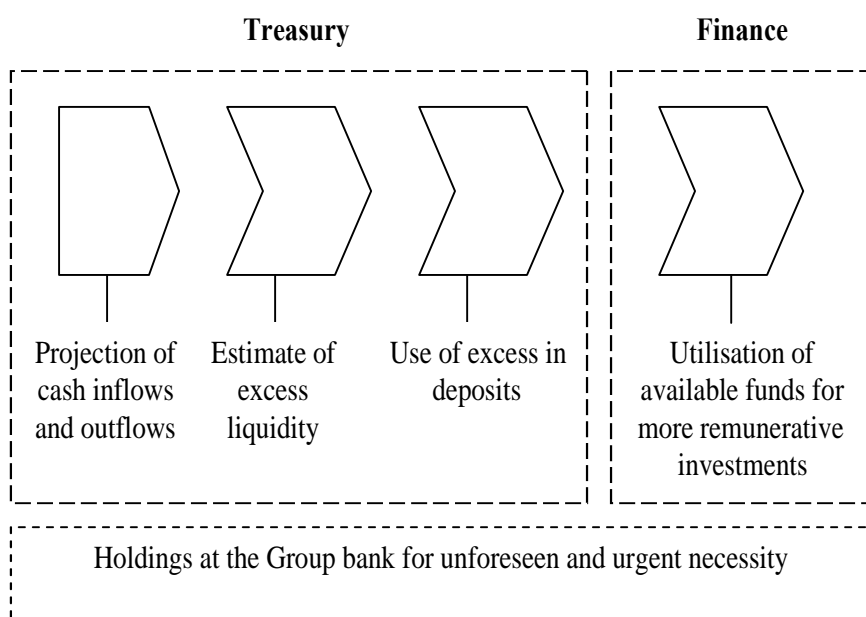
To achieve this objective, the liquidity risk is monitored on a monthly basis through a liquidity budget, as well as further controls through the programmed management of the cash flows on a daily basis, co-ordinating the most significant cash outgoings with the returns from agencies and making available 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 **commitments**, on the basis of the Parent Company Risk Policy, limits were fixed relating to the so-called illiquid assets compared to the total investments managed with illiquid assets referring to the buildings, the hedge funds, private equity, equity holdings in non consolidated companies and non listed financial instruments.

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.

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 17 – 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;

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 department, 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.

CULTURAL AND SOCIAL INITIATIVES

Branding and External Communications

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 also 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 emphasise the less obvious sales points.

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.

Public Relations

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.

Customer relations

The number of complaints received by the Company pursuant to Regulation No. 24 of May 19, 2008 in 2009 saw an increase of 11%. In particular, the Isvap claims decreased by 13.0% while the ordinary claims increased by 26.0%.

The number of complaints, as indicated above, was due in particular to the following factors:

- initiatives undertaken by a work group created to specifically confront the issues related to the ISVAP provisions;
- the consolidation of the Direct Compensation procedure;
- the channelling directed at the “pre-complaint” correspondence.

In relation to sanctions, ISVAP transmitted a total of 322 formal notifications (-36.6% on 2008) in accordance with the application of the Private Insurance Code; the Supervision Authority also issued 372 notices in relation to cases which had been previously transmitted by the Notification Act.

These injunctions amounted to Euro 4,721,486.63 (-4.0% on 2008).

In order to identify the causes which could have determined the increase in sanctions we have continued the study on the claims on which a dispute arose, thanks to which it is possible to identify the shortcomings.

This monitoring system in fact allows the mapping out of the responsibilities of the various bodies involved in the management of the damage.

We highlight that this process has been completely computerised to improve the efficiency and timing.

For the sanctions from 1/07/2008 ISVAP requested, against a delay of more than 30 days in the response to complaints made to the Institute, the Referring Unit in the territory to improve the response time - an action which also involved the Client Service office. These actions have already had an impact - in fact the number of these penalties is constantly decreasing.

Finally, we have completed the amendments to the management of complaints programme in accordance with ISVAP Regulation No. 24 of 19/05/08.

With reference to the customer loyalty programmes, the second of the two-year operations of the new club “Assicurati” has been completed, an offer which is accessible both on the web and through a specific insertion attached to the Linea Diretta Club magazine. The offers presented, available in the free institutional catalogue, had strong interest from the policyholders, but lower than expectations, therefore this type of proposal will not be continued.

For the 2010-2011 two-year period the initiative is focused on the provision of a package of assistance guarantees which the client can utilise free of charge and on the signing of agreements with companies of the Group.

In June, the Regulation of the Club Assicurati 2010-2011 was sent to all of the Sai Division Agencies which contained indications to be followed to further clients responding to the requirements to become part of the Club.

The Club Assicurati members are the best Clients reported by the agencies of the Sai Division, the employees of Fondiaria-SAI that wish to join the initiative, those belonging to the Sai seniors division and the clients of Fondiaria-SAI, Milano, Nuova Maa and Previdente involved in the Private Insurance.

The number of subscribers to the Club rose to approx. 16,300 following the subscriptions attained by the agencies. In order to create client loyalty, in collaboration with Sistemi Sanitari, a card which allows the utilisation of the reserved lounge of the Atahotels Executive Centre located within the Fiumicino Airport was sent to all doctors. In addition a package of assistance guarantees was supplied.

Being aware that a business is the sum of the men and women operating with it, their histories, skills, local connections, hopes and futures, the commitment to social issues and cultural values, the promotion of health and well being and all of the initiatives which allow the improvement of life of individuals and of the collectivity are the founding principles of the corporate responsibility actions of the Parent Company Fondiaria-SAI.

Sponsorship and donations

The policy favoured, in accordance with the traditional concerns of the Company, the problems related to social issues, isolation 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.

Among the social-cultural initiatives, Fondiaria-SAI 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 renewed its support, as the official sponsor, of the Meeting of Rimini, the 30th 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 Company is continuously committed is the support of culture, 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.

In the sporting field, Fondiaria-SAI has supported, among others, the historic Milan Football Association Masseroni Marchese, created in 1948 in order to promote sport as an important instrument in the training of young persons.

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 Fondiaria-SAI, 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, a total of 24 price sensitive press releases were published, of which 6 jointly with Milano Assicurazioni.

Activities planned for 2010

The principal commitments for 2010 are as follows:

- updating of the Group institutional communication instruments (company profile, institutional video etc.);
- launch of the new products Retail Più and Difesa Più;
- study and implementation of a communication campaign focused on SME's;
- study and implementation of brand identity and a communication campaign for the launch of the new Group retail Bank;
- study of initiatives focussed on improving areas which cause users to complain and a further improvement in the response time to complaints, following the entry into force of the new Isvap regulation No. 24 of May 19, 2008;
- constant monitoring of the situation relating to the sanctions notified by ISVAP.

COMPLIANCE WITH PRIVACY LAWS (LEGISLATIVE DECREE NO. 196/2003)

In accordance with rule 26 of the “Technical governance on security matters”, Attachment B) of Legislative Decree No. 196 of 30/06/2003, Fondiaria-SAI S.p.A. declares to have prepared the Programmed Security Document relating to the year 2009, in compliance with the provisions of article 34 of Legislative Decree No. 196 of 30/06/2003 and the technical Governance cited above.

RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

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:

- Regaining profitability through focussing on four particular high potential areas: pricing, the potential to further improve the claims segment, the reform of the obsolete policies portfolio which are no longer profitable and the increase of the Life New Business Margin contribution with the reduction of the cost base.
- Develop the operating and offer procedures through the following actions: the redeployment of the agency value chain, the innovative management of injuries through the Group company Sistemi Sanitari (Health Systems) – mainly relating to Motor claims with subsequent inclusion of serious claims - the development of meritocratic relationships with the agents, the increase in loyalty through “tailor-made” products for clients and finally the strengthening of the regional presence.
- The maintenance of a sufficient capital structure strengthening our balance sheet solidity in order to optimise the risk profile of the Group, rebalancing the asset allocation of the investment portfolio and maintaining a solid and sufficient capital structure.

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.

Fondiaria-SAI share performance

The following graph shows the performance of the Fondiaria SAI share compared with the "European insurance" and "World" insurance indices, utilising a basis of 100 from January 2003. The following securities were analysed:

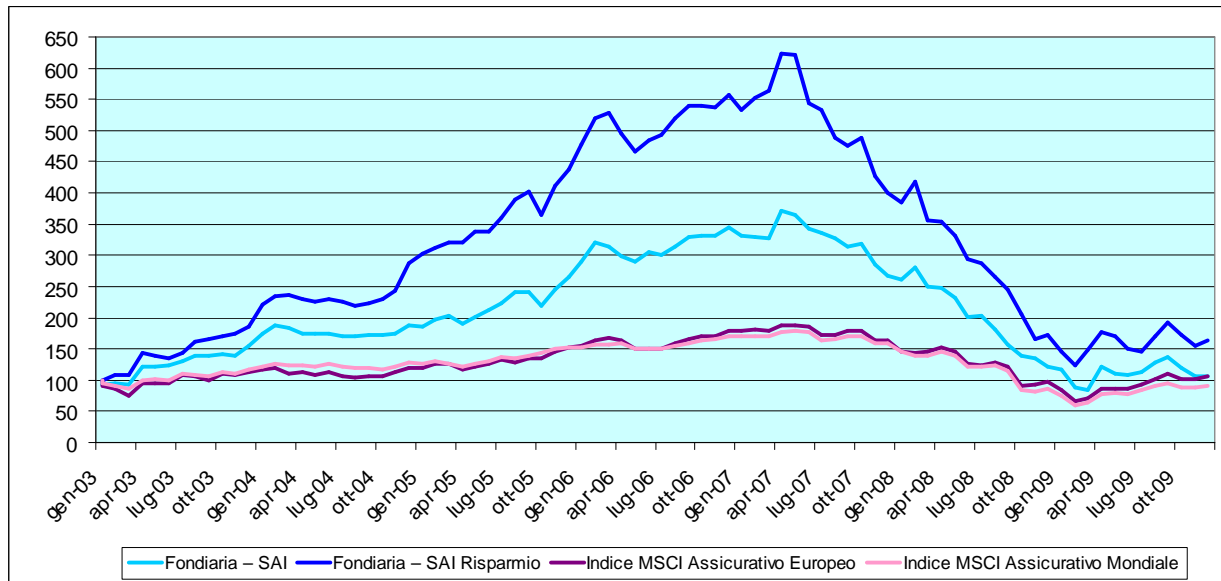
- Fondiaria –SAI Ordinary;
- Fondiaria –SAI Savings;
- MSCI European Insurance Indices;
- MSCI World Insurance Indices;

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, the shares listed overperformed compared to the two benchmarks. In particular, in line with the recovery of the economy and the growth of the Stock indices, the Fondiaria SAI 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. Fondiaria-SAI savings shares 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 12 - Fondiaria-SAI share performance



If the dividends issued in the period 2003-2009 are also included, a gross yield of over 50% for each of the listed shares is recorded, with a maximum yield of over 150% just for the Fondiaria-SAI savings share.

Graph 18 – Gross unitary dividends paid in the period 2003-2009

(values in Euro)

Security	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 r.n.c.	0.312	0.452	0.802	1.002	1.052	1.152	0.752

DIRECTION AND CO-ORDINATION – RELATIONS WITH GROUP COMPANIES AND RELATED PARTIES

The Company is not subject to management and coordination pursuant to article 2497 and subsequent 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.

The Company also undertakes transactions of a financial, insurance and a service nature with the majority of the companies of its Group.

The transactions with the companies of the Group are within the normal activities of management and coordination of the Company and they are subject to, where applicable, the specific governance control by ISVAP. There were no transactions of an atypical nature compared to the normal activities of the business.

The principal inter-group operations, regulated at market prices and in accordance with the criteria of recharging only specific costs incurred, related to reinsurance, the settlement of claims in the Non-Life sector, IT services, administration, the management of real estate and property assets, the concession of loans and guarantees and in general all of the business support activities which are carried out in a centralised manner.

The inter-group services guarantee the rationalisation of the operational functions and the utilisation of the existing synergies in the Group, realising greater overall economies.

In addition, there were no significant positions or transactions deriving from atypical and/or unusual transactions. For details on the inter-group operations, reference should be made to the attachments to the accounts - Part C - Notes to the Financial Statements.

The principal transactions with the companies subject to management and coordination recorded in the accounts of the Parent Company are shown below:

(in Euro millions)

Company	Assets	Liabilities	Costs	Revenues
ATAHOTELS S.p.A.	2			3
ATAVALUE S.r.l.		2		
AUTO PRESTO & BENE S.r.l.		2		
BANCASAI S.p.A.	230		1	3
CAPITALIA ASSICURAZIONI S.p.A.	1	1		
CRIVELLI S.r.l.		4		
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	134	137	225	135
IMMOBILIARE FONDIARIA-SAI S.r.l.		7		
IMMOBILIARE LOMBARDA S.p.A.	2	10	5	2
LIGURIA S.p.A.	3	5		
MARINA DI LOANO S.p.A.		11		
MERIDIANO SECONDO S.r.l.		2		
MILANO ASSICURAZIONI S.p.A.	137	216	5	42
NUOVE INIZIATIVE TOSCANE S.r.l.		7		
POPOLARE VITA S.p.A.	12	32		24
PRONTO ASSISTANCE S.p.A.	1		18	17
PRONTO ASSISTANCE SERVIZI S.p.A.		3	12	
SAI FINANZIARIA S.p.A.	13	160	2	13
SAI HOLDING ITALIA S.p.A.	31	8		
SAI INVESTIMENTI SGR. S.p.A.	2			1
SIAT S.p.A.	24	2	18	17
SINTESI SECONDA S.r.l.		2		
SISTEMI SANITARI S.c.r.l.	2	2		2
VILLA RAGIONIERI S.r.l.		9		
OTHER	9	6	5	7

In particular, the principal transactions relate to:

- BancaSai S.p.A. - the assets refer to current accounts which the parent company holds with the subsidiary for Euro 225 million and non-listed bonds issued by the subsidiary for Euro 5 million;
- Fondiaria-SAI Servizi S.c.r.l. Group– the assets refer to employee secondment receivables, while the liabilities comprise consortium contributions due for services received in the year; the costs incurred and the revenues principally relate to consortium transactions relating to group services;
- Marina di Loano S.p.A. – the liabilities refer to payables for group VAT for receivables transferred to the parent company;
- Milano Assicurazioni S.p.A. - the assets and liabilities refer prevalently to the inter-group transactions originating from the national tax consolidation regime. assets include the declaration of dividends relating to 2009 which will be distributed in 2010 for Euro 34 million, reinsurance transactions for Euro 38 million and Euro 23 million for the acquisition of 3.2% of the share capital of Immobiliare Lombarda for the partial spin-off of the company.

The revenues include Euro 34 million for dividends referring to the current year and Euro 5 million relating to reinsurance operations.

Costs include Euro 5 million relating to reinsurance transactions;

- Popolare Vita S.p.A. – the assets refer principally to the declaration of dividends for 2009 which will be distributed in 2010 for Euro 7 million; the liabilities refer to Group Ires payables; the revenues refer principally to the provision of administrative services and dividends declared on the 2009 result;
- Pronto Assistance S.p.A. - costs and revenues refer to reinsurance transactions, relating to the Assistance Class;
- Pronto Assistance Servizi S.p.A. - costs refer to expenses incurred for the settlement of claims and recharges for personnel costs;
- SaiFinanziaria S.p.A. – the assets refer to the dividends relating to 2009 which will be distributed in 2010 while the liabilities principally refer to the loan received of Euro 157 million. The revenues include Euro 13 million relating to the above-stated dividends referring to 2009;
- Sai Holding S.p.A. – the assets principally refer to the receivable for dividends relating to 2008, while the liabilities principally refer to the loan received of Euro 7 million;
- SIAT S.p.A. - The assets, costs and revenues principally refer to reinsurance transactions.

With reference to the other subsidiaries not within the application of article 2497 of the Civil Code, the principal transactions with the Parent Company were as follows:

(in Euro millions)

Company	Assets	Liabilities	Costs	Revenues
FINITALIA S.p.A.	3		4	
FONDIARIA NEDERLAND B.V.	11	72	2	11
ITALIBERIA INVERSIONES FINANCIERAS SL				11
SAI INTERNATIONAL S.A.		185	11	
SIM ETOILE S.A.		15		
THE LAWRENCE LIFE LTD	2			2
THE LAWRENCE RE IRELAND LTD.	152	42	99	87

In particular, the principal transactions relate to:

- Fondiaria Nederland B.V. – the assets refer to the declaration of dividends for 2009 which will be distributed in 2010; the liabilities refer to the loan received; the costs relate to interest charges on the above-stated loan, while revenues relate to dividends declared on the 2009 result;
- Italiberia Inversiones Financieras SL – the revenues refer to dividends;
- Sai International S.A. - the liabilities refer to the loans obtained of Euro 185 million, while the costs refer to the interest on the loans;
- Sim Etoile S.A. - the liabilities principally refer to loans obtained of Euro 15 million;
- The Lawrence Re Ireland Ltd. - the assets and liabilities, the costs and revenues refer to reinsurance transactions.

Other Related Parties of Fondiaria-SAI

With reference to the other related parties of Fondiaria-SAI, the principal transactions were:

(in Euro thousands)	31/12/2009		31/12/2008	
	Assets	Liabilities	Assets	Liabilities
Holding company	92	416	-	417
Associated companies and joint ventures	275	144	90	23
Group companies	7	8	6	20
Other related parties	33,012	7,491	5,202	-

(in Euro thousands)	31/12/2009		31/12/2008	
	Income	Charges	Income	Charges
Holding company	166	2,238	428	1,096
Associated companies and joint ventures	1,063	-	3,781	-
Group companies	5	-	5	-
Other related parties	13,314	29,958	8,891	31,729

The account Assets in Other related parties refer to:

- transactions with the Company IM.CO. for Euro 18 million, of which Euro 16 million relating to the purchase of the building land in Bruzzano (MI), including some buildings for warehousing and, for Euro 2 million, the acquisition of building rights located in the municipality of Pieve Emanuele (MI). with reference to the real estate operation in Bruzzano (MI), we report the purchase of land held by the Company Altair S.p.A. for Euro 1 million;
- the purchase by Sinergia Holding di Partecipazioni S.p.A. of 51% of the share capital of Atahotels S.p.A. for Euro 11 million, net of the payment on account of Euro 1 million already paid in the previous year.

The account Liabilities in the Other related parties includes Euro 3 million for life policy redemption and payables for services of a technical-administrative nature of Euro 4 million.

The account Charges from Other related parties relates to:

- Euro 12 million relating to emoluments for office and various compensation paid to directors, statutory auditors, general managers and senior management of the Parent Company.
- Euro 5 million due to the redemption of life and health policies.
- Euro 7 million deriving from technical-administrative consultancy.
- Euro 2 million referring to transactions with the companies Gilli Communication and Laità for promotional and advertising campaigns.

The account Income from Other related parties relates to premiums for life and health policies of Euro 13 million.

NATIONAL TAX CONSOLIDATION

In 2009, Group taxation was carried out under article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the Ires income tax on behalf of the 60 subsidiary companies within the tax consolidation.

The changes in the consolidation area did not result in the restitution of previous tax advantages obtained.

Effects of the national tax consolidation on the financial statements at December 31, 2009.

The group Ires income tax estimated for the year 2009 was tax income of approx. Euro 7.5 million due to the effect of the residual fiscal losses, net of the income transferred, of approx. Euro 27.2 million, while the consolidation adjustments of Euro 1.9 million take account of further deductions of interest expense pursuant to article 96, paragraph 5 bis and 7, of Presidential Decree No.917/1986.

Receivables were recorded from the subsidiaries related to the transfer of the positive assessable income tax of Euro 41.4 million, while the receivables from the tax authorities transferred to the group for 2009 and recorded in the accounts of the consolidating company against the payable to the subsidiaries amounted to Euro 5.8 million. Finally at the year-end, the amount of payables to subsidiaries for the income tax balance of 2008 and transfer of fiscal losses relating to the year 2009 amounted to Euro 148.3 million.

INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

The holdings of Directors, Statutory Auditors and General Managers and Key Executives pursuant to article 79 of CONSOB Resolution No. 11971 of May 5, 1999, in implementation of Legislative Decree No. 58 of February 24, 1998 concerning listed companies is shown below.

Investments also held by spouses not legally separated and dependent children, directly or through subsidiary companies, trust or interposed persons are also shown.

Name	Company	Number of shares held at 31.12.08	No. of shares acquired	No. of shares sold	Number of shares held at at 31.12.09
V.N. € 1					
GENERAL MANAGERS					
MARCHIONNI Fausto	Fondiarria-SAI	625 a)	ord.		625 a)
		282 a)	sav.		282 a)
BOARD OF DIRECTORS					
CORSI Francesco	Fondiarria-SAI	5 a)	ord.		5 a)
LIGRESTI Giulia Maria	Fondiarria-SAI	1,500 b)	ord.		1,500 b)
PINI Massimo	Fondiarria-SAI	4,500 a)	ord.		4,500 a)
TALARICO Antonio	Fondiarria-SAI	9,385 a)	ord.		9,385 a)
		5,200 a)	sav.		5,200 a)
	Fondiarria-SAI	1,800 b)	ord.		1,800 b)
		1,000 b)	sav.		1,000 b)
Key Executives					
	Fondiarria-SAI	23 a)	ord.		23 a)
		1,000 a)	sav.		1,000 a)

LISTED SUBSIDIARIES

Name	Company	Number of shares held at 31.12.08	No. of shares acquired	No. of shares sold	Number of shares held at at 31.12.09
V.N. € 1					
BOARD OF DIRECTORS					
PINI Massimo	Milano Ass.ni	25,173 a)	ord.	20,000 a)	45,173 a)
TALARICO Antonio	Milano Ass.ni	20,100 a)	ord.	18,000 a)	38,100 a)
LIGRESTI Gioacchino Paolo	Milano Ass.ni	86,956 a)	ord.		86,956 a)
LO VECCHIO Lia	Milano Ass.ni	1,095 a)	ord.		1,095 a)
Key Executives					
	Milano Ass.ni	33,500 a)	ord.		33,500 a)

- (a) shares held directly
(b) shares held directly by spouses
(c) shares held through subsidiaries

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 assessment, 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 for the IRAP declaration.

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	% held of ordinary share capital	% held 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) Nomination 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 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 Company's website 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 Company, 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 targeted 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 Fondiaria SAI, 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:

- the identification of the significant financial statement accounts based on quantitative factors, identified as a percentage of net equity or the result for the year and qualitative factors, based on the volumes and complexity of the transactions, the manuality of the process, the nature of the account and the existence of related parties;
- 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.

Specifically, 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 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;
- define 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 Company has prepared a procedure, identifying 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 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.

Uncertainties 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. The disclosures required as per article 94 of the Finance Act on Private Insurance are provided below. In the notes in the relative paragraphs, adequate and exhaustive information is provided into the underlying reasons for the decisions taken and the valuations made. In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on all the information available.

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

In particular, the use of greater subjective valuations by management was necessary in the following cases:

- in the determination of the loss in value of investments;

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- in the determination of the current 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 non-current equity securities to evaluate the existence of any permanent 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, for the uncertainty therein and of the time period;
 - in the estimate processes which calculate the technical reserves of the Non-Life Division.

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 it.

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 wish to renew the pact within the terms established, expiring on January 15 last.

The agreement relates in total to 46.22% of the share capital and is comprised of nine shareholders: Camfin (20.32%), Mediobanca and 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

Proposal to the Ordinary and Special Shareholders' Meetings

PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Allocation of the profit for the year

Dear Shareholders,

Having reviewed the Directors' Report and the Report of the Board of Statutory Auditors, pursuant to Legislative Decree No. 58/1998 and having reviewed the auditors' report (all documents available to the shareholders, together with the financial statements, at the registered office in accordance with the provisions of law), we invite you to approve the financial statements as at December 31, 2009, which record a net profit of Euro 40,216,417.78 – comprising a net profit of Euro 124,685,395.13 in the Life Division and a loss of Euro 84,468,977.35 in the Non-Life Division.

With the prior partial utilisation of the extraordinary reserve of the Non-Life Division for Euro 84,468,977.35 to cover the losses of the Non-Life Division and with the allocation of the Life Division profit to the Life Division Extraordinary Reserve, we propose for your approval the distribution of a gross dividend of Euro 0.40 for each ordinary share with dividend right and Euro 0.452 for each saving share with dividend right, as described below.

In relation to the allocation of a preferential dividend to the saving shareholders as per article 27 of the company by-laws, it is proposed in particular that this total dividend is attributed in part through the distribution of a part of the profit for the year and, for the remainder, through the partial distribution of the extraordinary reserve of the Non-Life division, with prior allocation to the Life Division extraordinary reserve of the non-distributable quota of the profits.

This proposal responds to the need, stated in the introduction to the Directors' Report, to continue to represent a remunerative investment for shareholders although within a market still in a recessionary phase of the cycle which has significantly affected the results of the Company.

In particular:

Net Profit for the year	€	40,216,417,78
- to the legal reserve - Life Division	€	0.00
- to the legal reserve – Non-Life Division	€	0.00
- to 42,561,222 savings shares: gross dividend of Euro 0.065, equal to 6.50% of the nominal value	€	2,766,479,43
	€	37,449,938,35
- to 121,282,490 ordinary shares (1): gross dividend of Euro 0.20, equal to 20% of the nominal value	€	24,256,498,00
- to 42,561,222 savings shares: further gross dividend of Euro 0.187 and therefore a total of Euro 0.252 equal to 25.20% of the nominal value (in order to guarantee the savings shareholders a dividend higher than the ordinary shares of 5.2% of the nominal value of the shares)	€	7,958,948,51
	€	5,234,491,84
- to the Extraordinary reserve - Life Division	€	5,234,491,84
	€	0.00
Transfer from the extraordinary reserve – Non-Life Division	€	32,768,742,40
- to 42,561,222 savings shares: further gross dividend of Euro 0.20, equal to a total of Euro 0.452 - 45.2% of the nominal value	€	8,512,244,40
- to 121,282,490 ordinary shares: further gross dividend of Euro 0.20, equal to a total of Euro 0.40 - 40% of the nominal value	€	24,256,498,00
	€	0.00

(1) Proposal based on the shares comprising the share capital, net of the treasury shares.

If this proposal is accepted, in accordance with the provisions established by Borsa Italiana S.p.A., we invite you to establish the payment of the dividend from May 27, 2010.

Deliberations relating to the composition of the Board of Directors and any substitution relating to the deceased Mr. Oscar Zannoni

We recall that on September 23, 2009 the director Mr. Oscar Zannoni passed away, having been appointed to this office together with the entire Board of Directors on April 24, 2009.

You are therefore called to appoint a director in replacement of Mr. Zannoni or alternatively reduce the number of directors from 19 to 18.

In the case of appointment of a new director, we remind you that, in accordance with article 13 of the company by-laws, as it is necessary to replace an elected director through the same slate presented, the appointment will be made through voting without slates.

Appointment of an alternate auditor

ISVAP ruling of February 18, 2010 declared the ineligibility of Ms. Maria Luisa Mosconi for the office held of alternate auditor of the company as such office comes 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 she holds the office of 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 party 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 – accepted the demand for suspension of the provisions presented by the petitioner.

Due to that stated above, Ms. Maria Luisa Mosconi was therefore reinstated as an alternate auditor of Fondiaria-SAI and consequently the shareholders' meeting was not called to undertake any resolutions in this regard. The above stated Regional Administrative Court of Lazio judgment of March 25, 2010 took place after the call date of the shareholders' meeting.

Proposal to revoke the auditing appointment conferred to Deloitte & Touche S.p.A. for the residual years of 2010 and 2011 and the conferment to Reconta Ernst & Young S.p.A. for the period 2010-2018 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 shareholders' meeting of April 28, 2006 resolved to confer to the audit company Deloitte & Touche S.p.A., for the 2006-2011 period, the audit appointment of the individual and consolidated financial statements, as well as the limited audit of the half-year report and the quarterly verification of the application of correct accounting procedures and of the true and correct recording of events. Deloitte & Touche has previously carried out this appointment for the three year periods 2000-2002 and 2003-2005.

The shareholders' meeting of the listed parent company Premafin Finanziaria S.p.A. – Holding di Partecipazioni, in the meeting of April 28, 2009, resolved to confer until to Reconta Ernst & Young S.p.A. the audit appointment for the period 2010-2018. The conferment by Premafin is one year in advance of the natural expiry of the appointment so that the subsidiaries of Premafin - and in particular Fondiaria-SAI – may become aware of the choice made by the Parent Company and take the necessary time to come to appropriate conclusions in relation to the alignment in their own regard.

In fact the responsibility regime for the principal auditors for the entire consolidated financial statements, introduced by paragraph 1-bis of article 165 of Legislative Decree No.58/98, seems to favour the direct examination by the audit company employed by the listed parent company (in this case, as stated above, Reconta Ernst & Young, employed by Premafin) for the most significant part, particularly in qualitative terms, of the consolidated financial statements, in comparison to the parts examined by other audit companies, as required by document No.600 of the auditing principles.

Fondiaria-SAI therefore revoked – in light of the regulations in force at the call date of the shareholders' meeting, which did not provide for the dismissal from office of the audit company - the audit appointment conferred to Deloitte & Touche with reference to the residual years 2010 and 2011 with the consequent conferment of the appointment to Reconta Ernst & Young S.p.A. for the period 2010-2018, allowing therefore a perfect alignment with Premafin.

In accordance with article 159 of Legislative Decree No.58/98, as amended by Legislative Decree No.303/2006, the audit appointment will be conferred by the shareholders' meeting on the proposal of the Board of Statutory Auditors.

Therefore the Board of Statutory Auditors will acquire a proposal by the company Reconta Ernst & Young for the carrying out of the audit for the period 2010-2018. This proposal, together with the proposal of the Board of Statutory Auditors to the shareholders' meeting for the conferment of office to Reconta Ernst & Young for the above-stated period, will be attached the present report.

For completeness of information, it is stated that, based on the elements acquired, for the purposes of the audit by the company of the most significant part of the consolidated financial statements of Premafin as established by audit principle No.600, it is believed that it is not strictly necessary to align the appointments, in relation to the listed companies of the Group, also in relation to the subsidiary Milano Assicurazioni S.p.A. and that therefore the alignment by Fondiaria-SAI alone was sufficient, taking account of the other appointments already awarded or which may be awarded to Reconta Ernst & Young by other groups of similar sizes belonging to the Group.

On the conferment of the audit appointment by the shareholders' meeting of Fondiaria -SAI to Reconta Ernst & Young, the audit company, also considering the other appointments undertaken or which may be undertaken within the Group, would examine the majority of the assets and revenues in the consolidated financial statements of Premafin, therefore fulfilling the significance definition in accordance with the above-stated accounting principle No. 600.

Resolutions in relation to treasury shares in accordance with article 2357 and 2357-ter of the Civil Code

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 3,200,000 treasury shares (equal to 1.916% of the entire share capital) - all ordinary shares (2.571% of the ordinary share capital).

In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds a further 9,982,557 ordinary shares of the Company, equal to 8.019% of the ordinary share capital and 5.976 % of the entire share capital, as well as the subsidiary SAI Holding Italia S.p.A. holding 1,200,000 ordinary shares of the Company, equal to 0.964% of the ordinary share capital and 0.718% of the entire share capital.

The average unit carrying value of the ordinary shares held by the Company is Euro 11.108. The official market price of the ordinary shares on March 25, 2010 was Euro 12.0357.

On April 23 2009, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 24, 2009 for the purchase and sale of treasury shares will expire.

We propose you to authorise, in accordance with articles 2357 of the civil code, further purchases of ordinary and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the treasury shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.

The request to renew authorisation for purchase and sale of treasury shares has the purpose of:

- in relation to the purchases, to avail of further investment opportunities relating to the liquidity from time to time of the share and of the trend in the share price and the market as well as to carry out a reduction in the share capital through cancellations;
- with regard to the sales, the objective is to allow the achievement of positive results and/or to obtain, through the sale of shares to third parties, opportunities related to carrying out of possible industrial projects.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of treasury shares and/or saving shares, for a maximum number, taking into account any sales in the meantime, of 250,000 ordinary and/or saving shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 3,750,000, and in accordance with the limits as per article 2357 of the civil code.

We propose also the authorisation of sales, on the market and/or to third parties for the above stated purposes, of ordinary and/or savings shares held in portfolio, in a manner believed most suited for the needs of the Company and however in compliance with regulations.

The maximum number of treasury shares which may be acquired above is the difference between the treasury shares acquired and those sold as authorised by the Shareholders' Meeting and therefore must refer to the additional number of treasury shares which the company can hold at any particular time.

We propose that each purchase is carried out for a unitary amount not above 5% of the average price recorded on the IT systems of Borsa Italiana in the three sittings preceding each single operation.

With regard to the sales, we propose the same:

- in the case of sales on the market, such are carried out at a price not lower than 5% than the average price recorded by the IT system of Borsa Italiana in the three sittings prior to each single operation;
- in the case of sales to third parties, such are carried out at a price not lower than 5% than the average price recorded by the IT system of Borsa Italiana in the five sittings prior to each single operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applicable also in the case of sale of treasury shares on the market.

In any case, in accordance with article 2357, paragraph 3 of the civil code, as lastly amended, the total nominal value of the treasury shares, also taking into account those held by subsidiary companies, may not exceed 20% of the share capital. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount that at April 23, 2008 will mature from the previous authorisation, of the “Reserves for treasury shares to be purchased” with a corresponding increase in the “Extraordinary reserve” - to make a provision of Euro 3,750,000 to the “Reserve of treasury shares to be purchased”, from the “Extraordinary reserve”, from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2357 of the civil code in the case of revaluation of the treasury shares after any write-down.

Where the Shareholders’ Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders’ Meeting, and therefore in compliance with law, the Company will also communicate to the market information on the outcome of the programme.

Resolution on the shares of the parent company Premafin Finanziaria Società per Azioni - Holding di Partecipazioni pursuant to article 2359-bis of the Civil Code

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 18,340,027 ordinary shares of the parent company Premafin Finanziaria S.p.A. - Holding di Partecipazioni (hereafter: Premafin) equal to 4.469% of the share capital. In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds 9,157,710 further ordinary shares in Premafin, equal to 2.232% of the share capital, and the subsidiary **Saifin Saifinanziaria** S.p.A. holds 66,588 ordinary shares of Premafin, equal to 0.016% of the share capital.

The average unitary carrying value of the ordinary shares of the parent company Premafin held by the Company is Euro 1.046. The official market price of the share at March 25, 2010 was Euro 1.0408.

On April 23, 2008, the twelve-month period fixed by the Shareholders’ Meeting of the Company of April 24, 2009 for the purchase and sale of shares of the holding company Premafin terminates.

We propose to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the holding company Premafin and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the shares of the holding company Premafin currently held in portfolio, as well as those purchased following the resolution of the Shareholders’ Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the holding company Premafin has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the holding company Premafin, for a maximum increase, taking into account any sales in the mean time, of 500,000 shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 750,000, and in accordance with the limits as per article 2359 of the civil code.

The maximum number of shares of the holding company Premafin acquired as above is determined as the difference between the Premafin shares acquired and those sold authorised by the Shareholders' Meeting and therefore must refer to the additional number of Premafin shares which the company can hold at any particular time.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is announced to the market and fixed, on this basis, for the duration of the programme.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the holding company Premafin, also taking into account those held by the same company and its subsidiary companies, may not exceed 10% of the share capital of the same Premafin. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases we propose - with prior elimination, for the amount that at April 23, 2009 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 750,000 to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which we also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the holding company shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, and therefore in compliance with law, the Company will also communicate to the market information on the outcome of the programme.

PROPOSAL TO THE SPECIAL SHAREHOLDERS' MEETING

Appointment of the common representative of holders of saving shares for the three year period 2010-2012

The mandate of Mr. Sandro Quagliotti as common representative of the holders of saving shares of the Company has expired, appointed by the special Shareholders' Meeting of April 30, 2007.

We therefore called the special Shareholders' Meeting for the appointment, for the three-year period, of the common representative of the holders of saving shares of the Company.

Determination of remuneration for the three year period 2010-2012 of the common representative of the holders of saving shares

We invite you also to resolve upon the determination of remuneration for the common representative of the holders of savings shares.

Any resolutions in relation to the creation of a fund for the expenses necessary for the protection of the common interests and the relative minutes

We present finally to the Shareholders' Meeting the possibility to proceed with deliberations relating to the constitution of a fund for expenses necessary for the protection of the common interests and the relative minutes.

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) Board of Directors and Executive Committee

The Board of Directors is responsible for operational activities and organisational and strategic direction of the Company and the Group, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.

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

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

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

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

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

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

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

2.2) 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.

Fondiarria-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 Fondiarria-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 the 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 (see 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 deliberated at the Shareholders' AGM of April 24, 2009 on the proposal of the only slate 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, 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 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 duration of the meeting 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 contained in the new Code, the non-executive independent directors are: Mr. Andrea Broggin, 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 operations 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 the 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 (direct indemnity Motor TPL)
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
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.
INDEPENDENT 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 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 Remuneration Committee as per point 1.12 below.

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

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. To date, 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 transactions and with related parties

With reference to the inter-group transactions and with related parties, 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 transactions and with related persons must comply with criteria of correctness 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) Board of Statutory Auditors

2.1) Composition, role and meetings of the Board of Statutory Auditors

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 duration of three hours. It is expected that a similar number of meetings will take place in 2010. Currently, the Board of Statutory Auditors met seven times in 2010.

2.2) Appointment of the Board of Statutory Auditors

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

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

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

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 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) Control procedures utilised

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 transition of the management of the risk 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 liaises 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 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 functionally 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 transmitted 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) Evaluate 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 homogeneity 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 duration of the meetings 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 responsible for the Administration Department.

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

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

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

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) Shareholders' Meetings

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 convocation 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 interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or at the e-mail address investorrelations@fondiaria-sai.it.

In order to further promote dialogue with the shareholders, the shareholders may consult the website of the Group, which is regularly updated.

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) Social Report

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							Internal Control Committee		Remuneration Committee		Nomination Committee (a)		Executive Committee	
Office	Members	Executive	Non Executive	Independent - Self-Govern. Code	***	Number of other offices *	**	***	**	***	**	***	**	***
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
<i>Powers delegated and transactions with related parties</i>			
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 persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
<i>Procedures for the most recent appointment of directors and statutory auditors</i>			
The 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		
<i>Shareholders' Meetings</i>			
Has the Company approved Shareholder Meeting Regulations?		X	The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.
<i>Internal Control</i>			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)			Group Internal Audit
<i>Investor relations</i>			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			Investor Relations Department - Corso G. Galilei, 12 TURIN Tel. 011/6657.642 e-mail: investorrelations@fondiaria-sai.it

**2009 Financial Statements
Balance Sheet
and Income Statement**

Attachment I

Company **FONDIARIA - SAI**

Share capital subscribed E. 167.043.712 Paid in E. 167.043.712

Registered office TURIN

Legal office TURIN

FINANCIAL STATEMENTS

Balance sheet

Year **2009**

(Amounts in Euro)

ASSETS

Amounts in the year

		Amounts in the year		
A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL				0
of which called in	2	0		
B. INTANGIBLE ASSETS				
1. Acquisition commissions to be amortised				
a) life division	3	49,000		
b) non-life division	4	0	5	49,000
2. Other acquisition expenses		6	0	
3. Formation and start-up costs		7	4,050,000	
4. Goodwill		8	217,685,578	
5. Other deferred costs		9	132,734	10 221,917,312
C. INVESTMENTS				
I - Land and buildings				
1. Property used for business activities	11	30,183,875		
2. Property used by third parties	12	1,107,156,452		
3. Others buildings	13	18,671,343		
4. Other property rights	14	4,916,228		
5. Assets in progress and payments on account	15	2,830,183	16	1,163,758,081
II - Investments in group companies and in other holdings				
1. Shares and holdings in companies				
a) holding companies	17	19,189,170		
b) subsidiaries	18	3,922,845,096		
c) group companies	19	0		
d) associated companies	20	46,553,456		
e) other	21	86,612,651	22	4,075,200,373
2. Bonds issued by:				
a) holding companies	23	0		
b) subsidiaries	24	5,294,682		
c) group companies	25	0		
d) associated companies	26	0		
e) other	27	15,654,600	28	20,949,282
3. Loans to:				
a) holding companies	29	0		
b) subsidiaries	30	2,451,822		
c) group companies	31	0		
d) associated companies	32	0		
e) other	33	500,000	34	2,951,822
			35	4,099,101,477
to carry forward				221,917,312

Amounts in the previous year

			Amounts in the previous year		
					1810
		1820			
183	365,000				
184	0	185	365,000		
		186	0		
		187	7,912,500		
		188	266,342,429		
		189	1,655,602		190276,275,531
		191	107,325,949		
		192	938,782,132		
		193	4,679,192		
		194	2,279,472		
		195	2,802,558	196	1,055,869,303
197	22,741,633				
198	4,095,551,689				
199	0				
200	48,053,456				
201	84,720,434	202	4,251,067,212		
203	0				
204	3,820,000				
205	0				
206	0				
207	0	208	3,820,000		
209	0				
210	16,751,822				
211	0				
212	0				
213	14,538,470	214	31,290,292	215	4,286,177,504
	to carry forward				276,275,531

BALANCE SHEET

ASSETS

		Amounts in the year	
	carried forward		221,917,312
C. INVESTMENTS (continued)			
III. - other financial investments			
1. Shares and quotas			
a) Shares listed	36 1,130,101,828		
b) Shares not listed	37 6,178,678		
c) Quotas	38 1,500,000	39 1,137,780,506	
2. Investment fund units		40 727,958,359	
3. Bonds and other fixed-income securities			
a) listed	41 8,084,457,417		
b) not listed	42 117,106,668		
c) convertible bonds	43 63,637,256	44 8,265,201,341	
4. Loans			
a) secured loans	45 0		
b) loans on policies	46 32,362,333		
c) other loans	47 4,072,133	48 36,434,466	
5. Quotas in mutual investments		49 0	
6. Deposits at credit institutions		50 544,338	
7. Other financial investments		51 89,530,815	52 10,257,449,825
IV - Deposits with reinsuring companies		53 61,688,989	54 15,581,998,372
D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING, TO THE ADMINISTRATION OF PENSION FUNDS			
I - Investments relating to the performance of Investments funds and market indices		55 338,834,826	
II - Investments derived from pension fund management		56 178,487,897	57 517,322,723
D bis. TECHNICAL RESERVES - REINSURANCE AMOUNT			
I - NON LIFE DIVISION			
1. Unearned premium reserve	58 47,943,387		
2. Claims reserve	59 311,731,204		
3. Reserve for profit sharing and reversals	60 0		
4. Other technical reserves	61 0	62 359,674,591	
II - LIFE DIVISION			
1. Actuarial reserves	63 97,734,262		
2. Reserves for complementary insurances	64 0		
3. Provision for claims to be paid	65 1,993,630		
4. Reserve for profit sharing and reversals	66 0		
5. Other technical reserves	67 0		
6. Technical reserves where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds	68 0	69 99,727,892	70 459,402,483
	to carry forward		16,780,640,890

Amounts in the previous year		
carried forward		276,275,531
216 1,188,691,631		
217 4,990,466		
218 1,500,000	219 1,195,182,097	
	220 633,046,938	
221 7,882,727,407		
222 159,927,675		
223 6,189,216	224 8,048,844,298	
225 0		
226 35,660,443		
227 8,469,726	228 44,130,169	
	229 0	
	230 52,846,003	
	231 148,954,530	232 10,123,004,035
	233 64,655,220	234 15,529,706,062
	235 364,616,203	
	236 139,984,604	237 504,600,807
238 43,339,315		
239 292,484,818		
240 0		
241 0	242 335,824,133	
243 93,180,020		
244 0		
245 2,569,089		
246 0		
247 0		
248 0	249 95,749,109	250 431,573,242
to carry forward		16,742,155,642

BALANCE SHEET

ASSETS

		Amounts in the year	
	carried forward		16,780,640,890
E. RECEIVABLES			
I - Receivables, derived from direct insurance operations, composed of:			
1. Policyholders			
a) for premiums in the year	71 423,556,834		
b) for premiums in previous years	72 5,796,123	73 429,352,957	
2. Insurance brokers	74 582,785,447		
3. Insurance company current accounts	75 104,604,898		
4. Policyholders and others for sums to be recovered	76 39,738,814	77 1,156,482,116	
II - Receivables, derived from direct insurance operations, composed of:			
1. Insurance and reinsurance companies	78 58,592,843		
2. Reinsurance brokers	79 119,217	80 58,712,060	
III - Other receivables		81 761,119,368	82 1,976,313,544
F. OTHER ASSETS			
I - Fixed assets and inventories			
1. Furniture, EDP and internal transport	83 9,059,069		
2. Tangible assets recorded in public registers	84 22,073		
3. Plant and equipment	85 586,275		
4. Stocks and other assets	86 4,120,335	87 13,787,752	
II - Cash and Cash equivalents			
1. Bank and postal deposits	88 333,293,875		
2. Cheques and cash on hand	89 156,503	90 333,450,378	
III - Treasury shares		91 35,546,880	
IV - Other assets			
1. Receivable transitory reinsurance accounts	92 1,929,103		
2. Other assets	93 230,200,382	94 232,129,485	95 614,914,495
G. PREPAID AND ACCRUED INCOME			
1. Interest		96 135,350,984	
2. Rental		97 531	
3. Other prepaid and accrued income		98 2,667,323	99 138,018,838
TOTAL ASSETS			100 19,509,887,767

Amounts in the previous year		
carried forward		16,742,155,642
251	426,603,626	
252	5,811,434	
253	432,415,060	
254	563,072,490	
255	152,845,318	
256	38,197,340	257 1,186,530,208
258	58,445,185	
259	111,048	260 58,556,233
		261 641,937,466
		262 1,887,023,907
263	9,728,222	
264	23,706	
265	888,372	
266	4,120,335	267 14,760,635
268	229,116,609	
269	96,757	270 229,213,366
		271 54,614,400
272	1,323,629	
273	299,036,666	274 300,360,295
		275 598,948,696
		276 142,041,928
		277 531
		278 4,598,104
		279 146,640,563
		280 19,374,768,808

BALANCE SHEET
LIABILITIES & SHAREHOLDERS' EQUITY

		Amounts in the year	
A. SHAREHOLDERS' EQUITY			
I - Share capital subscribed or equivalent fund	101	167,043,712	
II - Share premium reserve	102	209,947,271	
III - Revaluation reserve	103	200,024,934	
IV - Legal reserve	104	35,536,164	
V - Statutory reserves	105	0	
VI - Reserves for treasury shares and of holding companies	106	54,736,050	
VII - Other reserves	107	1,818,777,218	
VIII - Retained earnings/(accumulated losses)	108	0	
IX - Profit/(loss) for the year	109	40,216,418	110 2,526,281,767
B. SUB-ORDINATED LIABILITIES			111 900,000,000
C. TECHNICAL RESERVES			
I - NON-LIFE DIVISION			
1. Unearned premium reserve	112	1,449,319,330	
2. Claims reserve	113	4,699,691,563	
3. Reserve for profit sharing and reversals	114	0	
4. Other technical reserves	115	8,406,627	
5. Equalisation reserves	116	19,492,683	117 6,176,910,203
II - LIFE DIVISION			
1. Actuarial reserves	118	7,414,699,243	
2. Reserves for complementary insurances	119	730,861	
3. Provision for claims to be paid	120	75,046,206	
4. Reserve for profit sharing and reversals	121	2,338,694	
5. Other technical reserves	122	53,904,389	123 7,546,719,393 124 13,723,629,596
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS			
I - reserve relating to the performance of investments funds and market indices	125	338,546,319	
II - Provisions derived from pension fund management	126	178,487,849	127 517,034,168
to carry forward			17,666,945,531

Amounts in the previous year

	281	167,043,712	
	282	209,947,271	
	283	200,024,934	
	284	35,536,164	
	285	0	
	286	77,356,033	
	287	1,841,045,003	
	288	0	
	289	69,591,268	290 2,600,544,385
			291 900,000,000
292 1,413,407,726			
293 4,546,010,020			
294 0			
295 8,938,731			
296 16,959,322	297 5,985,315,799		
298 7,186,159,214			
299 769,099			
300 92,696,824			
301 2,732,628			
302 58,390,432	303 7,340,748,197	304 13,326,063,996	
	305 364,013,210		
	306 139,984,562	307 503,997,772	
to carry forward		17,330,606,153	

BALANCE SHEET
LIABILITIES & SHAREHOLDERS' EQUITY

		Amounts in the year	
	carried forward		17,666,945,531
E. PROVISIONS FOR RISKS AND CHARGES			
1 Provisions for pension and similar	128	3,614,450	
2 Tax provisions	129	115,219,304	
3 Other provisions	130	208,972,396	131 327,806,150
F. DEPOSITS RECEIVED FROM REINSURERS			132 149,647,074
G. PAYABLES AND OTHER LIABILITIES			
I - Payables, derived from direct insurance operations, composed of:			
1. Insurance brokers	133	35,349,751	
2. Insurance company current accounts	134	19,686,868	
3. Policyholders for deposits and premiums	135	73,826	
4. Policyholder guarantee provisions	136	190,296	137 55,300,741
II - Payables, derived from reinsurance operations, composed of:			
1. Insurance and reinsurance companies	138	43,317,106	
2. Reinsurance brokers	139	818,974	140 44,136,080
III. - Bonds			141 0
IV - Payables to banks and financial institutions			142 75,000,000
V - Secured debts			143 0
VI - Loans and other financial Payables			144 434,800,000
VII - Employee leaving indemnity			145 43,582,356
VIII - Other payables			
1. Policyholders' tax due	146	70,926,121	
2. Other taxes due	147	32,462,678	
3. Social security and welfare institutions	148	8,928,889	
4. Other payables	149	409,000,985	150 521,318,673
IX - Other liabilities			
1. Payable transitory reinsurance accounts	151	1,110,468	
2. Commissions on premium collection	152	59,497,073	
3. Other liabilities	153	107,281,885	154 167,889,426 155 1,342,027,276
	to carry forward		19,486,426,031

Amounts in the previous year		
carried forward		17,330,606,153
	308	3,670,650
	309	177,360,752
	310	234,124,178
	311	415,155,580
	312	145,795,380
313	34,378,271	
314	9,564,132	
315	73,826	
316	178,100	317 44,194,329
318	39,519,027	
319	818,974	320 40,338,001
		321 0
		322 250,000,000
		323 0
		324 374,808,475
		325 46,626,702
326	71,539,457	
327	27,838,205	
328	10,015,288	
329	339,005,404	330 448,398,354
331	752,873	
332	67,582,652	
333	179,898,106	334 248,233,631
		335 1,452,599,492
to carry forward		19,344,156,605

BALANCE SHEET
LIABILITIES & SHAREHOLDERS' EQUITY

	Amounts in the year	
carried forward		19,486,426,031
H. ACCRUALS AND DEFERRED INCOME		
1. Interest	156 23,361,324	
2. Rental	157 58,253	
3. Other accruals and deferred income	158 42,159	159 23,461,736
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		160 19,509,887,767

BALANCE SHEET
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

	Amounts in the year	
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS		
I - Guarantees given		
1. Sureties	161 0	
2. Endorsements	162 0	
3. Other non-secured guarantees	163 0	
4. Secured guarantees	164 4,681,438	
II - Guarantees received		
1. Sureties	165 182,193,617	
2. Endorsements	166 0	
3. Other non-secured guarantees	167 1,966,766	
4. Secured guarantees	168 52,900,000	
III. - Guarantees given by third parties on behalf of the company	169 54,374,195	
IV - Commitments	170 281,091,722	
V - Third party assets	171 10,079,356	
VI - Pension fund assets managed on behalf of third parties	172 0	
VII - Securities deposited with third parties	173 13,534,267,859	
VIII - Other memorandum accounts	174 802,281,384	

Amounts in the previous year

carried forward		19,344,156,605
	336	30,495,071
	337	74,973
	338	42,159
	339	30,612,203
	340	19,374,768,808

Amounts in the previous year

	341	0
	342	0
	343	0
	344	4,874,076
	345	180,102,537
	346	0
	347	2,082,254
	348	52,900,000
	349	84,465,468
	350	344,174,704
	351	8,799,320
	352	0
	353	13,117,087,608
	354	679,653,895

Attachment II

Company **FONDIARIA - SAI**

Share capital subscribed E. 167.043.712 Paid in E. 167.043.712

Regstd. office **TURIN**

Legal office **TURIN**

FINANCIAL STATEMENTS

Income statement

Year **2009**

(Amounts in Euro)

INCOME STATEMENT

Amount in the year

I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written	1	3,746,517,099				
b) (-) Premiums ceded	2	157,545,159				
c) Change in the gross amount of the unearned premium reserve	3	35,905,331				
d) Change in reinsurers reserves for unearned premiums	4	5,567,219			5	3,558,633,828
2. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACC. III. 6)					6	130,166,910
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE					7	27,520,409
4. CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE						
a) Claims paid						
aa) Gross amount	8	3,001,556,905				
bb) (-) reinsurers' share	9	87,727,959	10	2,913,828,946		
b) Change in recoveries net of reinsurers' share						
aa) Gross amount	11	61,989,945				
bb) (-) reinsurers' share	12	-1,880,007	13	63,869,952		
c) Change in claims reserve						
aa) Gross amount	14	155,951,451				
bb) (-) reinsurers' share	15	21,084,478	16	134,866,973	17	2,984,825,967
5. CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE					18	-532,104
6. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE					19	
7. MANAGEMENT EXPENSES:						
a) Acquisition commissions	20	551,524,550				
b) Other acquisition costs	21	90,639,076				
c) Change in commissions and other costs of acquisition to be amortised	22					
d) Collection commissions	23	12,931,542				
e) Other administrative expenses	24	157,355,386				
f) (-) Reinsurers commissions and profit participation	25	29,070,734			26	783,379,820
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					27	118,066,400
9. CHANGE IN EQUALISATION RESERVES					28	2,533,361
10. TECHNICAL ACCOUNT RESULT - NON-LIFE DIVISION (Account III. 1)					29	-171,952,297

Amount in previous year	
111	3,798,732,486
112	147,586,467
113	24,952,883
114	4,417,913
115	3,630,611,049
116	193,134,912
117	26,900,044
118	3,044,622,965
119	63,647,341
120	2,980,975,624
121	34,454,126
122	34,454,126
123	34,454,126
124	-256,682,807
125	9,080,029
126	-265,762,836
127	2,680,758,662
128	-1,693,876
129	
130	584,907,991
131	91,489,941
132	
133	12,777,752
134	155,385,017
135	27,588,574
136	816,972,127
137	109,312,332
138	2,447,246
139	242,849,514

INCOME STATEMENT

Amount in the year

II. TECHNICAL ACCOUNT - LIFE DIVISION						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written	30	1,066,958,397				
b) (-) premiums ceded	31	23,613,714	32	1,043,344,683		
2. INVESTMENT INCOME						
a) Income from shares and quotas	33	22,689,052				
(of which: coming from group and other companies)	34	11,363,657)				
b) Income from other investments						
aa) land and buildings	35	3,701,530				
bb) other investments	36	325,683,525	37	329,385,055		
(of which: coming from group companies)	38	2,817,360)				
c) Write-back on investments	39	125,254,696				
d) Gains on investment disposals	40	49,596,932				
(of which: coming from group and other companies)	41		42	526,925,735		
3. INCOME AND UNREALISED GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT						
			43	82,758,645		
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE						
			44	1,042,991		
5. CLAIMS INCURRED NET REINSURANCE						
a) Claims paid						
aa) Gross amount	45	1,102,098,711				
bb) (-) Reinsurers share	46	14,511,791	47	1,087,586,920		
b) Change in reserve for sums to be paid						
aa) Gross amount	48	-17,641,010				
bb) (-) Reinsurers share	49	-575,458	50	-17,065,552	51	1,070,521,368
6. CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES NET OF REINSURANCE						
a) Actuarial reserves:						
aa) Gross amount	52	228,569,207				
bb) (-) Reinsurers share	53	4,307,043	54	224,262,164		
b) Complementary premiums reserve						
aa) Gross amount	55	-38,238				
bb) (-) Reinsurers share	56		57	-38,238		
c) Other technical reserves						
aa) Gross amount	58	-4,879,976				
bb) (-) Reinsurers share	59		60	-4,879,976		
d) Technical reserves where the investment risk is borne by policyholders and relating to administration of pensions						
aa) Gross amount	61	13,036,395				
bb) (-) Reinsurers share	62		63	13,036,395	64	232,380,345

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INCOME STATEMENT

Amount in the year

7. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE			65	
8. MANAGEMENT EXPENSES:				
a) Acquisition commissions	66	15,688,336		
b) Other acquisition costs	67	12,607,389		
c) Change in commissions and other costs of acquisition to be amortised	68	-316,000		
d) Collection commissions	69	4,732,892		
e) Other administrative expenses	70	35,494,293		
f) (-) Reinsurers commissions and profit participation	71	4,827,588	72	64,011,322
9. ASSET AND FINANCIAL CHARGES				
a) Investment management charges and interest expenses	73	18,009,378		
b) Value adjustments on investments	74	24,618,959		
c) Losses on investment disposals	75	10,273,088	76	52,901,425
10. ASSET AND FINANCIAL CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR INVESTMENT RISK, AND ADMINISTRATION OF PENSION FUNDS			77	13,843,219
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE			78	21,130,538
12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED TO NON TECHNICAL ACCOUNT (ACCOUNT III. 4)			79	53,902,547
13. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2)			80	145,381,290
III. NON TECHNICAL ACCOUNT				
1. TECHNICAL ACCOUNT RESULT - NON-LIFE DIVISION (account I.10)			81	-171,952,297
2. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13)			82	145,381,290
3. INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION				
a) Income from shares and quotas	83	87,806,015		
(of which: coming from group and other companies)	84	66,122,858		
b) Income from other investments				
aa) land and buildings	85	46,521,495		
bb) other investments	86	60,798,945	87	107,320,440
(of which: coming from group companies)	88	8,497,106		
c) Write-back on investments	89	25,730,669		
d) Gains on investment disposals	90	119,580,522		
(of which: coming from group and other companies)	91		92	340,437,646

Amount in previous year

			175
	176	12,657,869	
	177	12,482,915	
	178	-535,000	
	179	5,633,858	
	180	36,900,940	
	181	2,866,221	182 65,344,361
	183	71,217,478	
	184	314,600,527	
	185	15,697,399	186 401,515,404
			187 99,977,758
			188 29,855,890
			189
			190 -156,936,485
			191 242,849,514
			192 -156,936,485
	193	188,112,309	
(of which: coming from group and other companies)	194	101,300,583)	
	195	43,648,830	
	196	126,145,346	197 169,794,176
(of which: coming from group companies)	198	6,604,972)	
	199	4,183,364	
	200	170,257,028	
(of which: coming from group and other companies)	201	1,802,048)	202 532,346,877

INCOME STATEMENT

Amount in the year

4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (Account II.12)		93	53,902,547	
5. ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION				
a) Investment management charges and interest expenses	94	42,373,375		
b) Value adjustments on investments	95	78,288,961		
c) Losses on investment disposals	96	33,862,344	97	154,524,680
6. (+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (acc. I. 2)		98	130,166,910	
7. OTHER INCOME		99	241,822,539	
8. OTHER CHARGES		100	324,246,414	
9. RESULT FROM ORDINARY ACTIVITY		101	653,721	
10. EXTRAORDINARY INCOME		102	143,330,731	
11. EXTRAORDINARY CHARGES		103	107,866,775	
12. RESULT FROM EXTRAORDINARY ACTIVITY		104	35,463,956	
13. PROFIT BEFORE TAXES		105	36,117,677	
14. INCOME TAXES FOR THE YEAR		106	-4,098,741	
15. PROFIT FOR THE YEAR		107	40,216,418	

Amount in previous year

		203	
204	50,216,400		
205	127,055,409		
206	79,248,875	207	256,520,684
		208	193,134,912
		209	145,789,614
		210	331,342,400
		211	-16,948,476
		212	120,377,612
		213	68,568,046
		214	51,809,566
		215	34,861,090
		216	-34,730,178
		217	69,591,268

Explanatory Notes

The financial statements as at December 31, 2009:

- are prepared in accordance with the general provisions for insurance company financial statements as modified and supplemented by Leg. Decree No. 209/2005;
- utilise the obligatory format pursuant to ISVAP Reg. No. 22 of 04/04/08;
- adopt the general provisions on the preparation of the financial statements and apply the accounting principles established by article 2 of the above-mentioned Regulation;
- in accordance with article 2434 of the Civil Code consist of the Balance Sheet, Income Statement and present notes thereto; they also include the Directors' Report on Operations in its entirety, reported in the previous pages.

The Balance Sheet and the Income Statement are prepared in accordance with the formats contained in attachment 1 of the stated ISVAP Regulation.

The Notes to the Financial Statements, which provide information and indications on the successive attachment 2, are divided into the following parts:

Part A Accounting principles

Part B Information on the Balance Sheet and Income Statement and relative attachments

Part C Other information

The following statements are attached:

- Cash flow statement;
- Statement of changes in shareholders' equity;
- Statement of assets still in the balance sheet for which revaluations were made in accordance with article 2425, paragraph 3 of the Civil Code (pursuant to article 10 of Law No. 72 of March 19, 1983);
- Schedule of buildings reporting movements in the year;
- Schedule of buildings at 31.12.09.

The financial statements were audited by Deloitte & Touche S.p.A. pursuant to article 155 and thereafter of Legislative Decree No. 58/98, approved by the shareholders meeting of April 28, 2006, which appointed the auditors for the period 2006-2011.

Part A
Accounting principles
of the accounts in the financial statements

SECTION 1 - SUMMARY OF ACCOUNTING POLICIES

The accounting principles adopted, unchanged compared to the previous year, are in accordance with current law and for their interpretation the accounting principles issued by the Italian Accounting Organisation (Organismo Italiano di Contabilità).

Intangible assets

The capitalised commissions paid to the brokers for the acquisition of long-term policies are entirely expensed to the income statement of the year.

The acquisition commissions of the Life Division, relating to the portfolio of the former La Fondiaria S.p.A., and already in the course of amortisation at the beginning of the year, apply the original amortisation plan, equal to the actual duration of the contracts, up to the policy loading and, in any case, not above 10 years.

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.

The “set up and formation costs” and “other deferred costs”, fully considered as long-term use, are recorded at purchase cost and are amortised in accordance with the residual utilisation and, in any case, for a maximum period of five years.

The purchased goodwill is recorded under assets and amortised systematically over a limited period, considered appropriate in relation to the utilisation, taking into account the prospective earnings of the company and, in any case, for a maximum period of twenty years.

Land and buildings

The property, plant and equipment are recorded in the accounts at acquisition or construction costs increased by any incidental charges, improvement expenses, in addition to any revaluation made, also on the allocation of the merger difference, and are recorded net of the accumulated depreciation provision and any write-downs made in previous years.

Depreciation relates to all buildings used for business purposes.

Non-current financial investments

The investments in Italian and foreign bonds classified as “non-current” are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at the lower value between purchase cost, adjusted for any write-downs in previous years, and the permanent value at the reporting date. The equity and debt securities, where relating to the non-current portfolio, are recorded at the value resulting from the application, at the moment of transfer, of the valuation criteria of the sector they are transferred from.

The purchase cost is taken from the cost determined using the weighted average method, adjusted following the inclusion of the issue and trading spread and any adjustments to value, revaluations of original costs and allocations of merger differences.

For the securities issued and acquired without coupon, the original purchase cost is increased pro-rata, by the difference between the purchase cost and the nominal value collectible on maturity.

For the values permanently lower at the reporting date, it is assumed:

- in the case of listed debt financial instruments the purchase price, having verified the capacity and the intention to hold them in the long-term period as stable investments;
- in the case of financial instruments with issuers in default or where there is a significant counterparty risk, those resulting from the quotation on the last day of the year;
- in the case non-listed debt financial instruments, that normally taken with reference to the share price with similar characteristics or based on other objective elements;
- in the case of listed investments, that resulting from the analysis for the purposes of the determination of the recoverable value, based also on the utilisation of commonly-used valuation techniques;
- in the case of non-listed investments, including subsidiaries and associated companies, that determined taking into account pro-rata equity decreases resulting from the most recent accounts.

The reduction in value is restated in subsequent years, if the reasons for the adjustments no longer exist.

Current financial investments

The investments in Italian and foreign bonds classified as “current” are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at purchase cost, adjusted for any write-down in previous years, or the realisable value based on market prices, if lower. The purchase cost is taken from the cost determined with the weighted average method, adjusted for any previous adjustments to value or revaluations of original cost. The original purchase cost is also adjusted, pro-rata, by the issue margins, as well as the differences between purchase cost and nominal value collected on maturity for the securities at implied interest. The reductions in value are not maintained in subsequent years if the reasons for the write-downs no longer exist.

For realisable value, it is assumed:

- in the case of listed investments, the price quoted on the last day of the year;
- in the case of non-listed investments, that determined taking into account pro-rata the equity decreases resulting from the most recent accounts;
- in the case of listed debt financial instruments, government bonds and senior corporate bonds, including structured, the quotation prices on the last day of the year. This criterion was not applied to corporate bonds at risk of default which utilised, where unavailable, the price at the end of the year, the reasonable estimate of the recoverable value.
- in the case of non-listed debt instruments, and for mutual investment fund units, that normally taken with reference to the share price with similar characteristics or based on other objective elements is taken.

Investments where the risk is borne by Life policyholders and investments relating to pension fund management

These investments, referring to index-linked and unit-linked products, as well as the assets from the special Life separated Management “SAI QUOTA” are recorded at fair value pursuant to article 16, paragraph 8 of Legislative Decree 173/1997. Similar criteria are adopted for the recording of the investments deriving from the management of Pension Funds.

Time deposits

The value of securities acquired “spot”, with repurchase obligation by the seller, are recorded under other financial investments and those of securities sold “spot” under Payables and Other Liabilities.

The interest and the differences between the “spot” and “forward” values are recorded respectively under “Income from other investments” and “Investment management charges and interest expense”. For the operations at the end of the year, the income is recognised using the pro-rata method.

Derivative financial instruments

The valuation criteria are differentiated based on the “hedging” or “efficient management” purpose for which the financial operations are undertaken.

The hedging operations, with the purpose of fixing the value of the investments and of other financial instruments from unfavourable changes in interest rates, exchange rates or from market values are measured in accordance with the coherent valuation principle. In particular this results in the recording in the income statement of gains and losses from valuations in line with the correlated gains or losses on the hedged financial instrument.

In the efficient management operations, the derivative contract is valued at market value, recording in the income statement only the valuation loss.

The premiums collected and paid for options on securities and currencies are recorded respectively under Payables and Other Payables and under Investments.

On the maturity of the option, where not exercised, the premium is recorded under Investment Income or Asset and Financial Charges. Vice versa the premiums exercised, in the case of purchase or sale of the underlying assets, adjust the carrying value or the sales price, while they are allocated to Investment Income or Asset and Financial Charges in the case of the financial settlement of the commitment.

The options in force at year-end are valued taking into account the assets in the underlying securities or currency with reference to the recoverable value, in the case of non-current assets, or the respective prices in the case of current assets. In this latter case, where there are no prices, a prudent valuation of their realisable value is made.

TANGIBLE ASSETS

All the assets are stated in the accounts at purchase cost and depreciated based on their residual utilisation; the depreciation rates correspond however to the maximum rates fixed by tax regulations which are considered to reflect the effective depletion of the assets.

Receivables

The receivables from policyholders for premiums are recorded based on the expected realisable value, less any write-downs made on an analytical basis and taking into account the evolution of the receivables relating to each of the classes exercised. Other receivables are recorded at their estimated realisable value.

Sub-ordinated liabilities

The loans issued as part of this account are stated at their nominal value.

Technical reserves for direct business

The general regulations on the technical reserves, described in articles 36 and 37 of Legislative Decree 209/05, establish the principle for which the amount of the technical reserve must always be sufficient for the company to meet, with reasonable foresight, its commitments on insurance contracts, as well as guarantee the obligations assumed and future expenses.

Therefore the following accounting principles apply:

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 No. 16 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, where the expected costs of these risks exceed the reserve for premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the above-mentioned Regulation, applied separately for each class, and, within each class, for each type of risk included. The ratio of claims utilised was valued also taking into account a sufficient period of time in relation to the nature of each class or of individual types of risks included.

Non-Life Claims Reserve

The claims reserve represents the total amount of the funds which, from a prudent valuation made based on objective elements, is necessary to meet the payment of claims open at the year-end, as well as the relative settlement expenses.

The claims reserve was valued in accordance with the provisions of Article 27 and thereafter of the above-stated Regulation, 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 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.

Current generation

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 three 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 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 illnesses or annually with a renewal obligation on expiry and used to compensate the accentuation of risk due to the ageing of the insured person. The reserve was calculated in accordance with the provisions of Chapter IV of ISVAP Regulation No. 16.

Equalisation reserves

The amounts are reserved in order to reduce the volatility in the movements in the claim rate in future years or cover specific risks. With reference to the contracts pursuant to article 1 of regulation No. 705 of September 19, 1996 (risks deriving from natural disasters and nuclear energy related damage) the reserve was created in accordance with the regulations. This also includes the compensation reserve of the Credit class as per article 37, paragraph 7 of Legislative Decree No. 209/05.

Life technical reserves

The technical reserves of the direct insurance relating to the Life Division is calculated analytically for each contract, on the basis of the commitments without deduction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and management expenses) adopted for the calculation of the premiums relating to the contracts in force. In any case, the actuarial reserve is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical reserves.

The 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.

The calculation principles and technical procedures utilised for the determination of the reserves and the certification of their sufficiency results from the Actuarial report, in accordance with Legislative Decree No. 209/05.

Technical reserves where investment risk borne by policyholders and reserves from pension fund management

This category includes the reserves relating to all the products included in article 41, paragraph 1 and 2 of Legislative Decree No. 209/05, in addition to Class VI contracts, whose calculation, analysed by contract, follows the general procedures of the other technical reserves in the Life classes. These reserves represent the maximum approximation possible of the underlying assets.

Technical reserves attributed to reinsurers

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 on proportional cessions, these are calculated in accordance with article 37 of Legislative Decree 209/05 for the gross Unearned Premium.

Inward Reinsurance

For the risks underwritten in reinsurance, the premiums and the costs already communicated by the transferors, with exclusion of inter-group reinsurance and any portfolio managed by the Company, are recorded in the income statement in the following year; this difference in the timing derives from the impossibility to record all the amounts in time for the preparation of the accounts. The technical reserves are included in the financial statements based on the communications from ceding companies. These communications are subject to an internal valuation.

Where past experience shows deficiencies, adjustments are made in order to ensure the sufficiency of the reserves.

Provision for risks and future charges

They are made against risks of a technical-insurance nature, whose amounts are indeterminable at the date of occurrence.

Service bonus provision pursuant to art. 32 of CCNL

The fund was created for all employees that had completed 20 and 30 years of service at the company based on the annual contributions at 31.12.09 and proportional to premiums maturing after 25 and 30 years of service. The provision is used for the premiums issued and re-determined at the end of each year.

Building maintenance provision

The provision includes the costs for the year and previous years not yet incurred as the relative works, for technical and economic reasons, are made at periodic intervals.

The overall revision of the provision is made, on the basis of expert evaluations, in relation to the residential and non-residential buildings.

Provisions are made for buildings which are to be sold or restructured before the completion of the normal maintenance cycle, as well as for the individual condominium units which have uniform maintenance costs over the period.

Payables and other liabilities

Payables are determined at their nominal value.

Employee leaving indemnities provision

This is calculated on the current labour contracts and criteria contained in article 5 of law No. 297 of May 29, 1982 which governs the treatment of leaving indemnities.

The charge deriving from the contractual renewals, due to the retrospective effect, are recorded when these agreements enter into force.

Prepayments and accruals

Prepayments and accruals are calculated in accordance with the accruals principle.

Guarantees, commitments and other memorandum accounts

They are recorded in the accounts at the value of the commitments assumed or the guarantees given or received.

Gross premiums written

In accordance with article 45 of Legislative Decree 173/97, the gross premiums calculated include the amounts matured in the year from insurance contracts.

Other technical charges

These are recorded in the income statement net of reinsurance. For the Non-life division, they include, among others: the write-downs for uncollectible receivables from policyholders for premiums in the year made at the year-end, the write-downs of receivables from policyholders for premiums of previous years together with the cancellations of receivables from policyholders for premiums of previous years. For the Life division, they include, among others: the write-downs for uncollectible receivables from policyholders for first annuity premiums in the year made at the year-end, the write-downs of receivables from policyholders for first annuity premiums of previous years together with the cancellations of receivables from policyholders for first annuity premiums of previous years.

Other technical income

For the Non-Life classes the income includes, among others, the prior year income on receivables from policyholders for premiums of previous years, previously written down or cancelled. For the Life classes this income includes, among others, the prior year income on receivables from policyholders from premiums of first annuity previously written down or cancelled.

Income from debt and equity securities

The interest income matured, the issue margin and the difference between purchase cost and nominal collectible value on maturity is recorded in the income statement based on the annual accrual principle.

The dividends are recorded in the year in which they are paid.

The dividends from subsidiaries are recorded based on the “maturity” principle, or rather the year in which the profits are produced by the subsidiaries and for which the relative distribution resolution was made prior to that of the Parent Company.

The gains and losses deriving from trading on securities in the portfolio of the Company are recorded in the income statement in the year in which the relative sales contracts are settled.

The results deriving from trading of non-current financial instruments on the other hand are recorded on the signing of the relative sale/purchase contract.

Income taxes

The income taxes are determined on the basis of the valuation of the current and deferred tax charge. The direct taxes for the period are calculated based on current tax regulations.

All the temporary differences, both deductible and assessable, refer to the income tax rate in force at the moment in which the differences will reverse.

The deferred tax assets are recorded in the accounts only when reasonably certain of their recovery in relation to the expected assessable income.

Liabilities for deferred taxes are always recorded in the financial statements. The deferred tax liabilities relating to the higher values not fiscally recognised were recorded prudently, for the revaluations of investments made against the allocation of the merger difference originating from the incorporation of Fondiaria Assicurazioni S.p.A. and other Group companies, where it is probable that these higher values will generate higher assessable income.

Deferred tax provisions are not made against net equity taxable reserves in the case of distribution as these distributions are not probable. Similarly, no provision was made for deferred taxes against the suspended taxes reserve related to the share capital.

Deferred tax liabilities were also recorded in previous years following the deductions made on the declaration of income taxes only for tax purposes.

The deferred tax assets and liabilities also include the prior balances, as well as those arising during 2009 relating to the companies participating in the tax regime as per article 115 of Presidential Decree Number 917/1986. In this case, the deferred tax of the company is recorded proportionally to the percentage of the shareholding held.

The income taxes also include any tax saving (or higher charge) deriving from the adoption of the national tax consolidation as per article 117 of DPR 917/1986 for the part relating to the Company based on the agreements with each of the subsidiaries participating as well as any tax loss incurred within the limits of immediate compensation by the net income transferred by the other participating companies.

Income taxes include substitute income taxes on income against options already exercised during the year and to be exercised relating to the year.

The deferred taxes are recorded under income taxes and in the balance sheet under “Other assets” or “Tax provisions”.

Foreign currency transactions

The accounting of the operations in foreign currencies is made through the utilisation of multi currency accounting. The balances in foreign currencies are therefore stated in the accounts and converted to Euro applying the exchange rates at the balance sheet date. The relative effects are recorded in the income statement accounts “Other Income”, if positive or “Other Charges”, if negative.

The historic exchange rates are maintained only for the investments considered long term, provided that the exchange rate does not reflect a permanent loss in value.

Breakdown of the settlement expenses of claims not directly allocated to the ministerial classes

Based on the management accounts, a breakdown was made on the settlement expenses between “Motor” and other “Non-Life Classes”.

The division on each class is made in proportion to the average arithmetical percentage of the number of claims settled and of the relative amounts, this latter excluding any particular serious events.

All the amounts in the attachments are shown in thousands of Euro. The data in the notes are in Euro with indication whether the amounts are in thousands or millions of Euro.

Part B
Information
on the Balance Sheet
and Income Statement

BALANCE SHEET – ASSETS

The information on the accounts of the Balance Sheet, the amounts of the previous year and the movements are provided below.

Where the accounts of the previous year are not comparable with that of the current year, necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are included in the comments to the individual accounts.

SECTION 1

INTANGIBLE ASSETS – (Account B)

The intangible assets, entirely considered as long-term, amount to Euro 221,917 thousand (Euro 276,276 thousand at 31/12/2008) and are shown net of amortisation.

The intangible fixed assets are systematically amortised in relation to their residual utilisation. During the year, no situations arose resulting in a permanent loss in value.

The movement in the year is summarised in attachment 4, to which reference should be made.

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Acquisition commissions to be amortised			
Life Division	49	365	(316)
Non-Life Division	-	-	-
Formation and start-up costs	4,050	7,913	(3,863)
Goodwill	217,685	266,342	(48,657)
Other deferred costs	133	1,656	(1,523)
Total	221,917	276,276	(54,359)

Acquisition commissions to be amortised

This account refers entirely to the portfolio La Fondiaria S.p.A. and applies the original amortisation plan, equal to the effective duration of the contracts. The duration of the amortisation is contained in the limits of the policy loading and in any case not above ten years.

The long term commissions arising in the year, both in the Life and Non-Life classes, are prudently recorded, for the entire amount, in the income statement.

Formation and start-up costs

“Set up and formation costs” exclusively include the charges incurred for the obtaining of the subordinated loan and are amortised over 5 years;

Goodwill

The account “Goodwill” is composed of:

- Euro 184,395 thousand from the deficit on the cancellation emerging from the merger by incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A., during 2002, net of the quota allocated to buildings and investments. These costs are amortised over a period of 20 years;
- for Euro 23,240 thousand from the goodwill of the incorporated Fondiaria Assicurazioni and the relative conferment of the business in 1990 and amortised over 20 years;
- for Euro 9,355 thousand relating to the incorporation of Fondiaria Assicurazioni in 1995 and amortised over 16 years;
- for Euro 695 thousand to the transfer, in 2001, of the portfolio of the subsidiary BIM Vita and of the company Profilo Life. This portfolio is amortised over a period of 10 years.

Other deferred costs

“Other deferred costs” are broken down as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
- Studies and research expenses	-	1,286	(1,286)
- Licences and software programme rights	34	239	(205)
- Trademarks	11	14	(3)
- Leasehold improvements (assessment centres and agencies)	88	117	(29)
Total	133	1,656	(1,523)

The decrease of Euro 1,286 thousand relating to the expenses for studies and research derives from the costs capitalised in previous years.

At December 31, 2009 there are no longer charges capitalised in that the new costs incurred refer to the subsidiary Fondiaria-SAI Servizi S.c.r.l. Group.

All of these long-term costs are recorded under assets in consideration of their long-term utilisation. The licenses for IT products and the leasehold improvements are amortised respectively over three and five years.

At December 31, 2009, the trademarks recorded in the accounts relate to “Principi di Piemonte” for Euro 8 thousand and “Finanza & Previdenza” for Euro 3 thousand. These costs are amortised over 10 years.

SECTION 2

INVESTMENTS - (Account C)

Land and buildings

All the land and buildings of the Company are considered as for permanent use.

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Property used for business activities	48,466	172,210	(123,744)
Property used by third parties	1,144,649	996,995	147,654
Others buildings	18,675	4,683	13,992
Other property rights	5,266	2,629	2,637
Assets in progress and payments on account	2,830	2,803	27
Total gross	1,219,886	1,179,320	40,566
Accumulated depreciation	(56,128)	(123,451)	67,323
Net total	1,163,758	1,055,869	107,889
Current value	1,554,013	1,564,952	(10,939)

The account “Property used by third parties” includes the buildings for services and residential use.

The account “Other buildings” includes the Agriculture Land at Montepulciano and land located in Florence (Via S. Leonardo 38-40-42), in Sanremo, in Modena (V. Buonarroti) and in Rome (Tor Carbone). The increase in 2009 was due to the purchase related to the land located at Bruzzano as well as land at Camogli and at Santa Margherita Ligure purchased following the merger by incorporation of the subsidiary Portofino Vetta.

The account “Other rights” includes some parking spaces at Florence and the new purchase relating to building rights at Viquarterio, in the municipality of Pieve Emanuele.

There are no leased assets nor have any finance lease acquisitions taken place.

The increase of Euro 41 million in investments in land and buildings, net of accumulated depreciation, compared to 31/12/2008, arises from:

(in Euro millions)	31/12/2009	31/12/2008	Changes
- Purchases	269	7	262
- Capital improvements	24	27	(3)
- Fixed assets in progress	-	-	-
- Sales	(252)	(47)	(205)
Total	41	(13)	54

The increase in purchases principally related to the acquisition of some buildings and land following the merger by incorporation of the Company Mantegna (Euro 64 million), Meridiano Quinto (Euro 51 million), Meridiano Risparmio (Euro 124 million) and Portofino Vetta (Euro 13 million), already fully controlled.

The increase in sales is almost exclusively due to the conferment of various buildings owned to the Rho Fund, among which the buildings located in Florence, Piazza della Libertà, 6 (Euro 73 million), the buildings located in Milan, Via Senigallia (Euro 120 million) and in Turin, Lungo Dora Firenze 71 (Euro 29 million).

The gains realised in the year on sales amounted to Euro 116 million, gross of selling expenses of Euro 3 million.

The improvement expenses principally relate to work undertaken on the buildings located at Turin – Corso Galilei 12/14 (Euro 6 million), in Giardini Naxos Taormina (Euro 4 million), in Florence - Viale Matteotti, 14/16/18 (Euro 2 million) and in Florence – Viale Matteotti 52 (Euro 0.9 million) and Via Ricasoli, 48 (Euro 1 million) and in Rome – Via Govoni, 24/43 (Euro 2 million).

In accordance with article 18 of Legislative Decree 173/97 and ISVAP Regulation No. 22, the Company determined, through an independent expert's evaluation, the current value of the land and building owned. 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 established methodologies.

The overall current value of the buildings is Euro 390 million above the book value. The gross gains amount to Euro 400 million while the losses amount to Euro 10 million. An attachment to the notes reports for each building owned and cumulatively for the condominium units, the amount of the current value. The lower value between carrying value and current value was not considered a permanent loss in value.

Attachment 4 shows the changes in the year.

Investments in group companies and in other companies

(in Euro thousands)	31/12/2009	31/12/2008	Changes
- Shares and holdings in companies	4,075,200	4,251,067	(175,867)
- Corporate bonds	20,949	3,820	17,129
- Corporate loans	2,952	31,291	(28,338)
Total	4,099,101	4,286,178	(187,076)

Class C. II. of the Balance Sheet includes marketable securities, represented by the investment in the parent company Premafin Finanziaria S.p.A. - for a book value of Euro 19,189 thousand (Euro 22,836 thousand at 31/12/2008). The residual refers to long-term assets.

Shares and holdings in companies

The investments shown in account C.II.1 of the Balance sheet amount to Euro 4,075,200 thousand.

The composition of the account is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
- Holding companies	19,189	22,742	(3,553)
- Subsidiaries	3,922,845	4,095,552	(172,707)
- Associated companies	46,553	48,053	(1,500)
- Other	86,613	84,720	1,893
Total	4,075,200	4,251,067	(175,867)

The figure is shown net of write-downs totalling Euro 58,876 thousand as illustrated below:

Company

(in Euro thousands)

Investments in parent company	3,552
- Premafin Finanziaria S.p.A.	3,552
Investments in subsidiary companies	53,814
- Capitalia Assicurazioni	21,650
- Atahotels	8,714
- Auto Presto & Bene	6,500
- Sai Mercati Mobiliari	5,100
- Fondiaria-SAI Group Services	3,700
- Saiagricola	3,000
- Casa di Cura Villanova	2,850
- Sai Asset Management	1,300
- Eurosai	1,000
Investments in associated companies	1,500
- Fondiaria-SAI Servizi Tecnologici	1,500
Investments in other group companies	10
- Downall Italia S.r.l.	10
TOTAL	58,876

The write-down of Capitalia Assicurazioni followed the non achievement, in 2009, of the objectives underlying the valuation made on acquisition. The determination of this write-down was attributable to the impairment test utilised for the preparation of the consolidated financial statements and to which reference should be made.

For Atahotels reference should be made to the Directors' Report. The write-down of the other companies contribute to the loss in the year.

The carrying value of the listed companies in the account C.II.1 of the Balance Sheet is higher than market value by Euro 660,616 thousand, calculated on the basis of the prices at the end of December 2009; this difference refers to the market losses relating to the subsidiary Milano Assicurazioni S.p.A.. It was considered that this difference was not a permanent loss in value.

In particular the recoverable value of Milano Assicurazioni was identified on the basis of a “Sum of the Parts” analytical type approach which values separately the Non-Life and Life insurance business and considers the surplus assets of the real estate activity.

In particular, the value of the Non-Life business is based on assumptions on the forecast results for the 2009-2011 period as per the Fondiaria-SAI Group industrial plan for the same period.

The other information relating to the investments in the account C.II.1 of the Balance Sheet is shown in attachments 5-6-7 of the Present Notes.

The decrease relating to the subsidiaries is principally due to the book value of the incorporated subsidiaries:

- MANTEGNA S.r.l. for Euro 70,929 thousand;
- MERIDIANO QUINTO ORD for Euro 52,432 thousand;
- MERIDIANO RISPARMIO for Euro 162,840 thousand;
- PORTOFINO VETTA for Euro 12,409 thousand and therefore a total of Euro 298,610 million.

The incorporation of these companies did not result in significant differences compared to the net equity values.

The other information relating to the investments in the account C.II.1 of the Balance Sheet is shown in attachments 5-6-7 of the Present Notes.

Pursuant to article 16 point 4 of Legislative Decree No. 173/97 the table below shows the investments in subsidiaries and associated companies classified as “non-current”, whose carrying value is above the pro-quota net equity of the investment: the differences summarised below, are described both in the present financial statements and in the explanatory notes to the consolidated financial statements.

(in Euro thousands)	% holding	Book values	Net Equity pro rata	Change
Subsidiary or Associated Companies				
BANCA GESFID S.A.	100.00	68,409	62,171	(6,238)
CAPITALIA ASSICURAZIONI S.p.A.	51.00	26,113	6,221	(19,892)
DDOR NOVI SAD	99.99	267,337	31,724	(235,613)
FONDIARIA-SAI NEDERLAND B.V.	100.00	108,988	78,610	(30,378)
MILANO ASSICURAZIONI S.p.A.	60.58	1,280,102	1,197,706	(82,396)
NUOVE INIZIATIVE TOSCANE S.r.l.	96.88	214,038	111,362	(102,676)
POPOLARE VITA S.p.A.	24.39	560,942	73,246	(487,696)
SAIAGRICOLA S.p.A.	92.00	65,672	59,749	(5,923)
SAINTERNATIONAL S.A.	99.99	160,092	150,029	(10,063)

- **Popolare Vita**

As already described last year, following the merger of Novara Vita (this latter held 50% by Sai Holding - 100% subsidiary), with Popolare Vita, the investment in this latter, due to the share swap, held by Fondiaria-SAI amounted to 24.39% and by Sai Holding to 25.61%. The carrying value of the investment was Euro 560,942 thousand in Fondiaria-SAI and Euro 117,143 thousand in Sai Holding.

In order to evaluate any permanent losses in value on the investment, the recoverable value was calculated which takes into account, as contained contractually, the allocation of the terminal value of the holding in its entirety and not taking into account different Group holdings. From the analysis undertaken, no permanent loss in value arose, and the difference is due to the goodwill (for Euro 461.3 million), while the residual value refers to the In force value of the portfolio, both paid on acquisition.

- **Milano Assicurazioni**

The difference relating to the investment held in Milano Assicurazioni arises from the public offer made in the previous year in addition to the proportional decrease in equity in 2009 related to the distribution of dividends from retained earnings of approx. Euro 39.3 million.

This difference continues not to reflect a permanent loss in value as largely offset by non realised property gains and without even considering the obvious positive impact deriving from the insurance business.

- **Nuove Iniziative Toscane**

In relation to Nuove Iniziative Toscane, the difference is largely related to non-realised gains on property of the company. Of this difference, Euro 92.5 million was allocated to the investment on the incorporation of La Fondiaria.

The additional differences are attributable to: the residual Voba value (Value of business acquired) paid on the purchase together with the higher fair value of assets and liabilities compared to the book value (Banca Gesfid), in addition to the goodwill paid (Capitalia) and the value of business acquired (DDor). The residual difference relating to Fondiaria-SAI Nederland were largely reabsorbed with unrealised gains on investments held in Lawrence RE, while that relating to Saiagricolo is justified by the higher implicit value of the land. Finally, the difference relating to Sainternational is due to the valuation of the listed investments held by the company to the stock market prices at year-end, and as such are influenced by market volatility.

Corporate Bonds

The fixed income securities shown in the account C.II.2 amount to Euro 20,949 thousand (Euro 3,820 thousand at 31/12/2008). They refer to issues of subsidiary companies and other group companies not listed on regulated markets.

The increase is principally due to the subscription of the participating loan (whose remuneration is anchored to the results of the company) issued to the company Ex Var classified under other group companies for Euro 15,655 thousand and bonds issued by the subsidiary BancaSai for Euro 1,474 thousand.

Corporate Loans

The “Loans to group companies and other holdings” were as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Subsidiaries	2,452	16,752	(14,300)
Others	500	14,538	(14,038)
Total	2,952	31,290	(28,338)

Loans issued to subsidiary companies relate to:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Milano Assicurazioni S.p.A.	-	10,000	(10,000)
Immobiliare Lombarda S.p.A.	-	4,800	(4,800)
Villanova S.r.l.	1,952	1,952	-
Saiagricola S.p.A.	500	-	500
Total	2,452	16,752	(14,300)

The loan relating to Milano Assicurazioni S.p.A. was repaid in December 2009, with prior ISVAP authorisation. This refers to the subordinated loan provided originally to the subsidiary Sasa, incorporated into Milano Assicurazioni in 2008.

The loan relating to Immobiliare Lombarda S.p.A. was repaid in October 2009.

The loan relating to Villanova S.r.l. was amalgamated into one tranche without maturity and repayable in several amounts without notice: this provides for an interest rate at Euribor at three months increased by a spread of 1.40%.

In February 2009, a loan of Euro 500 thousand was provided to the subsidiary Saiagricolo for temporary financial needs: this provides for the payment of interest at an average Euribor monthly rate in the period between the month of provision of the loan and the month of maturity or the eventual advanced repayment and increased by a spread of 1.40%.

The loans issued to other Group companies are as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Ex VAR s.c.s.	-	14,038	(14,038)
GPA S.p.A Group.	500	500	-
Total	500	14,538	(14,038)

The cancelation of the loan provided to Ex Var following the redetermination of the financial commitment in the company, implemented through the transformation of the original loan into a participating loan, classified as a debt security, is represented in the accounts under the bonds issued by the companies of the Group, to which reference should be made.

The loan relating to the GPA Group does not have a fixed maturity as it is a bridge loan while awaiting the completion of the plan for the entry of new shareholders.

When the holding no longer needs the loan, Fondiaria-SAI will have the choice of repayment or conversion into share capital. The interest on the loan is Euribor at one month increased by 1.00%.

The changes are reported in attachment 5.

Other financial investments

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Shares and quotas	1,137,781	1,195,182	(57,401)
Investment fund units	727,958	633,047	94,911
Bonds and other fixed-income securities	8,265,201	8,048,844	216,357
Loans	36,435	44,130	(7,695)
Deposits at credit institutions	544	52,846	(52,302)
Other financial investments	89,531	148,955	(59,424)
Total	10,257,450	10,123,004	134,446

Shares and quotas included in Other financial investments

The account is composed as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Listed shares	1,130,102	1,188,692	(58,590)
Non-listed shares	7,679	6,490	1,189
Total	1,137,781	1,195,182	(57,401)

The investments recorded a loss on disposals of Euro 25,868 thousand (Euro 187 million in 2008) entirely relating to listed companies.

The write backs in value amount to Euro 31,645 thousand and relate entirely to listed subsidiaries.

The carrying value of the listed companies is higher than the market value by Euro 128,010 thousand resulting from the market prices and the exchange rates at the year-end.

The most significant operations relating to the account C.III.1 were as follows:

- MELIORBANCA: sale of 7,700,000 shares for the offer on the company launched by B.P.E.R. at Euro 3.2 per share with value date of March 3, 2009.
- MONTE DEI PASCHI DI SIENA: sale of 6,892,508 shares realising a loss of Euro 9,182 thousand, offset by the gain of Euro 11,473 thousand on the corresponding hedging options.

- PIRELLI & C. ORD. : sale of 87,600,000 shares realising a loss of Euro 27,198 thousand, offset by the gain of Euro 38.457 thousand on the corresponding hedging options.
- UNICREDIT ORD.: sale of 1,871,205 shares realising a gain of Euro 3,414 thousand.

During the year, spot and forward purchases on listed shares were made in conjunction with the dividend coupon; these operations resulted in financial operations of Euro 14,938 thousand represented by the dividends received and losses realised of Euro 14,025 thousand. This particular activity, limited to the period of dividend distributions, was used as an alternative use to similar operations directly made on the money markets.

The shares subject to the above-mentioned operations were the following:

Security	Number of shares
Alleanza	1,000,000
Atlantia	4,700,000
Banche Popolari Unite	4,200,000
Buzzi	1,175,000
Eni S.p.A.	9,350,000
Finmeccanica	1,300,000
Geox	175,000
Maire Tecnimont	350,000
Mediaset	1,200,000
Parmalat	14,000,000
Prysmian	2,000,000
Snam Rete Gas	9,200,000

Investment fund units

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Investment fund units	727,958	633,047	94,911
Total	727,958	633,047	94,911

The account is composed as follows:

	31/12/2009	31/12/2008	Changes
Property Funds			
Tikal Fund	241,840	215,456	26,384
Public Building Fund	108,286	109,336	(1,050)
Rho Immobiliare Fund	72,225	0	72,225
Omicron Plus Immobiliare Fund	20,000	0	20,000
Pan-European Property Fund	16,639	19,519	(2,880)
Eracle Fund	14,250	19,250	(5,000)
Other	38,536	35,519	3,017
Total Property Funds	511,776	399,080	112,696
Security Funds			
Gestielle Cash Fund	73,000	70,000	3,000
Sai Liquidity Fund	17,025	6,839	10,186
Sai Bond Fund	11,772	11,953	(181)
Other	114,385	145,175	(30,790)
Total Internal Funds	216,182	233,967	(17,785)
Total	727,958	633,047	94,911

The increase in mutual investment funds of Euro 94,911 thousand principally due to the acquisition of further units of the Tikal Fund for Euro 22,898 thousand follows the merger by incorporation of Meridiano Risparmio and the incorporation of the Rho Fund for Euro 72,225 thousand through the conferment of part of the real estate held by Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A.

The losses recorded on the alignment amounted to Euro 9,386 thousand, while the write back in value amounted to Euro 8,372 thousand.

Bonds and other fixed-income securities

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Listed	8,084,457	7,882,727	201,730
Non-listed	117,107	159,928	(42,821)
Convertible bonds	63,637	6,189	57,448
Total	8,265,201	8,048,844	216,357

In 2009, for prudential reasons, investments in government bonds were favoured, increasing therefore the listed fixed income bonds by Euro 201,730 thousand compared to the previous year.

The increase in convertible bonds of Euro 57,448 thousand relates principally to the undertaking of subordinated loan called Bony Lux Cashes Unicredit for Euro 30,000 thousand and the conversion by Banca Popolare di Milano for Euro 23,862 thousand.

The write-downs to market value in the income statement amounted to Euro 7,400 thousand, while the write-backs amounted to Euro 110,969 thousand.

The listed securities are recorded in the accounts for a total value lower than the market value of Euro 217,974 thousand determined based on the prices at the end of December and year-end exchange rates.

The losses on market value of the non-current portfolio were not considered permanent losses, given the quality of the issuing counterparties.

The most significant amounts by issuer are shown below:

Issuer - (Euro thousand)	31/12/2009	31/12/2008
ITALIAN STATE	4,801,991	4,934,148
GREEK STATE	376,202	336,039
GERMAN STATE	162,908	50,553
ENEL	120,708	117,117
INTESA SANPAOLO	104,256	103,721
UNICREDIT	74,356	48,091
FRENCH STATE	74,239	139,665
PORTUGUESE STATE	71,168	47,758
JP MORGAN CHASE & CO	70,358	76,447
VEOLIA ENVIRONNEMENT	67,838	40,581
AUSTRIAN STATE	59,961	62,283
SANTANDER ISSUANCES	57,925	33,855
E.ON INTERN.	57,792	36,880
BELGIAN STATE	57,426	14,890
STANDARD CHARTERED BANK	57,159	30,024
FRANCE TELECOM	52,476	44,285
DEUTSCHE TELEKOM	51,377	47,901
HSBC CAPITAL FUNDING	50,812	-
ENI	48,914	31,806
EDF Electricité de France	45,187	21,940
BRITISH TELECOMMUNICATIONS	44,500	44,793
GENERALI	43,673	36,721
SPANISH STATE	38,535	31,997
BANCO POPOLARE	38,395	76,427
KPN	38,311	19,311
COMMERZBANK	36,543	29,061
SIEMENS	36,308	40,583
TELEFONICA EMISIONES SA	35,294	23,746
CEZ	34,798	27,841
BNP PARIBAS	34,415	35,988
GOLDMAN SACHS	34,189	26,623
BEAR STEARNS	33,200	33,192
BAT HOLDINGS	32,672	19,172

Issuer - (Euro thousand)	31/12/2009	31/12/2008
IRISH STATE	32,255	-
ZURICH FINANCE	30,487	29,460
UNIONE DI BANCHE ITALIANE	29,311	-
CARREFOUR	27,222	26,534
LAFARGE SA	26,964	24,115
MERRILL LYNCH & CO	26,711	-
Others issuers	1,148,364	1,305,296
Total	8,265,201	8,048,844

During 2009, within the Government Securities in the Euro Zone with AAA rating, it was decided to increase the exposure to German securities, considered a secure approach in a highly volatile period and with a reduction in French bonds.

Within the bonds with ratings lower than AAA, the exposure was increased on Greek securities; the Greek government securities classified in the “long-term” segment of Euro 103,988 thousand report a market loss of Euro 21,401 thousand, while those classified within the “current” segment of Euro 272,214 thousand recorded net losses of Euro 2,591 thousand.

In relation to the issues of private companies, it was decided to increase the total exposure, based on a careful analysis of the quality of the individual issuers.

At December 31, 2009, the following positions were in the portfolio relating to securities with subordination clauses, for a total carrying value of Euro 621 million (Euro 605 million at December 31, 2008).

(in Euro thousands)

Section	Issuer	Carrying value	Nominal value	Settlement date	Subordination level	Interest rate	Advance reimbursements
C.III.3	ABN AMRO BANK	1,634	2,500	perpetual	Tier 1	4.3100%	10.03.16
C.III.3	ALLIANZ FINANCE	21,256	28,500	perpetual	Upper Tier 2	4.3750%	17.02.17
C.III.3	ALPHA CREDIT GROUP	8,372	11,000	01.02.17	Lower Tier 2	Euribor 3m+40	01.02.12
C.III.3	ASSURANCE GEN. DE FRANCE	2,776	3,500	perpetual	Tier 1	4.6250%	10.06.15
C.III.3	AVIVA	4,215	5,000	02.10.23	Lower Tier 2	5.2500%	02.10.13
C.III.3	AVIVA	3,513	5,000	perpetual	Tier 1	4.7291%	28.11.14
C.III.3	AXA	15,316	20,500	perpetual	Tier 1	5.7770%	06.07.16
C.III.3	BANCA CARIGE	3,622	4,000	07.06.16	Lower Tier 2	Euribor 3m+42	07.06.11
C.III.3	BANCA INTERMOBILIARE	977	968	29.07.15	Lower Tier 2	1.5000%	29.07.10
C.III.3	BANCA LOMBARDA	7,500	7,500	perpetual	Tier 1	8.1700%	10.03.10
C.III.3	BANCA POPOLARE EMILIA ROMAGNA	175	200	15.02.17	Lower Tier 2	Euribor 3m+35	15.05.12
C.III.3	BANCO BILBAO VIZCAYA ARG.	1,751	2,000	20.10.19	Lower Tier 2	4.3750%	20.10.14
C.III.3	BANCO BILBAO VIZCAYA ARG. INTL.	2,593	3,500	perpetual	Tier 1	4.9520%	20.09.16
C.III.3	BANCO BILBAO VIZCAYA ARG.CAPITAL	1,122	1,200	24.10.16	Lower Tier 2	Euribor 3m+30	24.10.11
C.III.3	BANCO POPOLARE	13,967	15,000	15.06.16	Lower Tier 2	Euribor 3m+40	15.06.11
C.III.3	BANCO POPOLARE	454	500	16.06.16	Lower Tier 2	Euribor 3m+40	15.06.11
C.III.3	BANCO POPOLARE	15,000	15,000	09.09.16	Lower Tier 2	5.70%	no
C.III.3	BANK OF NEW YORK LUX	4,044	10,000	30.12.99	Tier 1	Euribor 3m+425	16.04.10
C.III.3	BANK OF NEW YORK LUX	30,000	30,000	15.12.50	Tier 1	Euribor 3m+450	23.02.16
C.III.3	BARCLAYS BANK	7,905	14,000	perpetual	Tier 1	4.7500%	15.03.20
C.III.3	BARCLAYS BANK	8,107	8,500	23.01.18	Lower Tier 2	6.0000%	no
C.III.3	BNP PARIBAS	4,933	5,000	07.09.17	Lower Tier 2	5.4310%	no
C.III.3	BNP PARIBAS	8,172	8,750	perpetual	Tier 1	8.6670%	11.09.13
C.III.3	BNP PARIBAS	2,832	3,000	22.01.19	Lower Tier 2	4.3750%	22.01.14
C.III.3	BNP PARIBAS	4,091	4,500	perpetual	Tier 1	5.8680%	16.01.13

(in Euro thousands)

Section	Issuer	Carrying value	Nominal value	Settlement date	Subordination level	Interest rate	Advance reimbursements
C.III.3	BNP PARIBAS	3,390	3,600	perpetual	Tier 1	6.3420%	24.01.12
C.III.3	CGNU	7,781	8,500	14.11.21	Lower Tier 2	5.7500%	14.11.11
C.III.3	COMMERZBANK	7,364	8,000	13.06.16	Lower Tier 2	4.1250%	13.09.11
C.III.3	COMMERZBANK	9,330	10,000	29.11.17	Lower Tier 2	5.6250%	29.11.12
C.III.3	COMMERZBANK CAP FUND	6,682	10,500	perpetual	Tier 1	5.0120%	12.04.16
C.III.3	CREDIT AGRICOLE	1,891	2,500	perpetual	Tier 1	4.1300%	09.11.15
C.III.3	CREDITO VALTELLINESE	492	500	14.03.15	Lower Tier 2	Euribor 3m+47.5	14.03.10
C.III.3	DANSKE BANK	6,919	9,000	perpetual	Tier 1	4.8750%	15.05.17
C.III.3	DANSKE BANK	821	1,000	16.03.18	Upper Tier 2	4.1000%	16.03.15
C.III.3	DANSKE BANK	1,869	2,000	20.03.16	Lower Tier 2	6.0000%	20.03.13
C.III.3	DANSKE BANK	3,429	3,600	26.03.15	Lower Tier 2	5.8750%	26.03.12
C.III.3	DEUTSCHE BANK	1,458	1,500	31.01.13	Lower Tier 2	5.1250%	no
C.III.3	DEUTSCHE BANK CAPITAL FUNDING	4,114	5,000	perpetual	Tier 1	5.3300%	19.09.13
C.III.3	DONG ENERGY	10,753	12,500	perpetual	Tier 1	5.5000%	29.06.15
C.III.3	ERSTE FINANCE	778	1,300	perpetual	Tier 1	5.2500%	23.09.10
C.III.3	FORTIS BANK	2,670	3,500	perpetual	Tier 1	4.6250%	27.10.14
C.III.3	GENERAL ELECTRIC CAP CORP	22,005	30,000	15.06.67	Upper Tier 2	5.5000%	15.09.17
C.III.3	GENERALI	2,500	2,500	20.01.22	Lower Tier 2	6.9000%	20.07.12
C.III.3	GENERALI FINANCE	3,893	5,000	perpetual	Tier 1	5.4790%	08.02.17
C.III.3	GENERALI FINANCE	34,322	43,000	perpetual	Tier 1	5.3170%	16.06.16
C.III.3	GROUPAMA	16,037	22,500	perpetual	Tier 1	6.2980%	22.10.17
C.III.3	HSBC	7,221	7,500	18.03.16	Lower Tier 2	4.2500%	18.03.11
C.III.3	HSBC CAPITAL FUNDING	25,818	30,000	perpetual	Tier 1	5.3687%	24.03.14
C.III.3	HSBC HOLDINGS	9,985	10,000	19.03.18	Lower Tier 2	6.2500%	no
C.III.3	HT1 FUNDING	3,743	6,000	perpetual	Tier 1	6.3520%	30.06.17
C.III.3	HVB FUNDING TRUST VIII	2,070	2,500	perpetual	Tier 1	7.0550%	28.03.12
C.III.3	ING BANK	8,586	9,500	29.05.23	Lower Tier 2	6.1250%	29.05.18
C.III.3	ING BANK	2,682	3,000	15.03.19	Lower Tier 2	4.6250%	15.03.14
C.III.3	INTESA SANPAOLO	14,759	17,500	perpetual	Tier 1	8.0470%	20.06.18
C.III.3	INTESA SANPAOLO	29,164	30,000	28.05.18	Lower Tier 2	5.7500%	28.05.13
C.III.3	INTESA SANPAOLO	6,218	7,000	20.02.18	Lower Tier 2	Euribor 3m+25	20.02.13
C.III.3	INTESA SANPAOLO	4,789	5,070	28.06.16	Lower Tier 2	Euribor 3m+30	28.06.11
C.III.3	JP MORGAN CHASE	1,811	2,000	29.05.17	Lower Tier 2	4.6250%	29.05.12
C.III.3	MEDIOBANCA	741	800	11.10.16	Lower Tier 2	Euribor 3m+30	11.10.11
C.III.3	MONTE PASCHI	962	1,000	24.06.15	Lower Tier 2	4.5000%	24.09.10
C.III.3	MONTE PASCHI	449	500	30.11.17	Lower Tier 2	Euribor 3m+40	30.11.12
C.III.3	MONTE PASCHI	4,291	5,000	31.05.16	Upper Tier 2	4.8750%	no
C.III.3	MUFG CAPITAL	5,753	8,000	perpetual	Tier 1	5.2710%	25.01.17
C.III.3	PIRAEUS GROUP FINANCE	2,430	3,000	20.07.16	Lower Tier 2	Euribor 3m+55	20.07.11
C.III.3	PROSECURE FUNDING	3,532	5,000	30.06.16	Upper Tier 2	4.6680%	no
C.III.3	R.B.S. CAPITAL TRUST	2,362	5,000	perpetual	Tier 1	6.4670%	30.06.12
C.III.3	ROYAL BANK OF SCOTLAND	3,065	4,000	22.06.21	Lower Tier 2	4.6250%	22.09.16
C.III.3	ROYAL BANK OF SCOTLAND	2,500	4,000	perpetual	Upper Tier 2	5.1250%	03.07.14
C.III.3	ROYAL BANK OF SCOTLAND	4,643	5,000	09.04.18	Lower Tier 2	6.9340%	no
C.III.3	SANTANDER ISSUANCE	1,881	2,000	03.03.16	Lower Tier 2	Euribor 3m+20	03.03.11
C.III.3	SANTANDER ISSUANCE	8,503	9,350	23.03.17	Lower Tier 2	Euribor 3m+25	23.03.12
C.III.3	SANTANDER ISSUANCE	27,942	29,000	24.10.17	Lower Tier 2	5.4350%	24.10.12
C.III.3	SANTANDER PERPETUAL	8,118	10,000	perpetual	Upper Tier 2	4.3750%	10.12.14
C.III.3	SIEMENS	17,790	22,000	14.09.66	Tier 1	5.2500%	14.09.16
C.III.3	SL FINANCE	2,731	2,500	12.07.22	Lower Tier 2	6.3750%	12.07.12
C.III.3	SNS BANK NEDERLAND	2,648	2,500	perpetual	Tier 1	5.7500%	22.07.13
C.III.3	SOCIETE GENERALE	730	1,000	perpetual	Tier 1	4.1960%	26.01.15
C.III.3	SOCIETE GENERALE	3,548	4,000	07.06.17	Lower Tier 2	Euribor 3m+17.5	07.06.12
C.III.3	SOCIETE GENERALE CAPITAL TRUST III	2,438	3,000	perpetual	Tier 1	5.4190%	10.11.13
C.III.3	STANDARD CHARTERED	17,072	19,000	03.02.17	Lower Tier 2	3.6250%	03.02.12
C.III.3	STANDARD CHARTERED	13,426	15,000	26.09.17	Lower Tier 2	5.8750%	no
C.III.3	UNICREDIT	16,410	18,000	05.06.18	Upper Tier 2	6.7000%	no
C.III.3	UNICREDIT	2,315	2,500	20.09.16	Lower Tier 2	Euribor 3m+30	20.09.11
C.III.3	UNICREDIT	9,816	10,500	26.09.17	Lower Tier 2	5.7500%	no
C.III.3	UNICREDIT	3,646	5,000	perpetual	Tier 1	4.0280%	27.10.15

C.III.3	VITTORIA ASSICURAZIONI	18	17	01.01.16	Lower Tier 2	5.5000%	01.01.11
C.III.3	ZURICH FINANCE	11,793	12,500	02.10.23	Lower Tier 2	5.7500%	02.10.13

Loans

The breakdown of this account is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Loans with collateral	-	-	-
Loans on policies	32,363	35,660	(3,297)
Other loans	4,072	8,470	(4,398)
Total	36,435	44,130	(7,695)

The “Loans on policies” of life insurance decreased by Euro 3,297 thousand compared to 2008 due to the new loans of Euro 9,130 thousand and repayments of Euro 12,427 thousand.

The account “Other loans” is comprised principally of loans to employees against which no guarantees were provided.

Deposits at credit institutions

They decreased by Euro 52,302 thousand from Euro 52,846 thousand in 2008 to Euro 544 thousand; The amount includes bank deposits subject to more than 15 days notice period.

Attachment 10 reports changes in year of loans and deposits at credit institutions.

Other financial investments

The account amounted to Euro 89,531 thousand (Euro 148,955 thousand in 2008).

The decrease of Euro 59,424 thousand on the previous year is principally due the settlement of time deposits.

Deposits with reinsuring companies

They decreased by Euro 2,966 thousand from Euro 64,655 at 31/12/2008 to Euro 61,689 at 31/12/2009: of this Euro 32,655 thousand refers to Milano Assicurazioni.

HEDGING OPERATIONS

In accordance with article 7 point 3 of ISVAP measure No. 297 of July 19, 1996, during the year the Company signed derivative financial contracts. This activity was undertaken in accordance with the Board of Directors' resolution of March 23, 2005 in relation to the utilisation of the derivative financial and structured instruments utilising control and monitoring instruments, including preventive instruments, existing within the organisation. These instruments are suitable to verify the alignment between the operations undertaken and the strategies agreed, and the efficiency of the hedging operations in accordance with the limits assumed. In addition for each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution in compliance with international accounting standards.

Positions open

The positions open on derivative instruments at the end of the year related to:

- Hedging operations on listed securities through the constitution of a combined option portfolio (put purchase - call sale). The quantity of shares in portfolio subject to hedging amounted to 8,575,294 Mediobanca shares and 85,971,231 Pirelli & Co. ordinary shares. This strategy covered a large part of the latent market gains on the listed equity market, which on expiry settles the difference and the delivery of the underlying security.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 200,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.97% paying Euribor 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 3,816 thousand recorded under investment charges. At 31.12.09, the contract had a valuation loss of Euro 10,277 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.99% paying Euribor 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 1,928 thousand recorded under investment charges. At 31.12.09, the contract had a valuation loss of Euro 5,206 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this latter I.R.S. contract, the subordinated loan of 2002 is entirely covered for the entire Euro 400,000,000. With this contract the counterparty received the fixed rate of 3.93% paying Euribor at 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 1,868 thousand recorded under investment charges. At 31.12.09, the contract had a valuation loss of Euro 5,003 thousand.
- Interest Rate Swap with expiry July 14, 2016 made with H.V.B. for a nominal amount of Euro 150,000,000 to hedge the interest risk on the subordinated loan agreed in 2006; with this contract the counterparty receives fixed interest of 3.18% paying Euribor 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 1,661 thousand recorded under investment charges. At 31.12.09, the contract had a valuation loss of Euro 496 thousand.

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- Interest Rate Swap with expiry December 30, 2015 made with R.B.S. for a nominal amount of Euro 100,000,000 to hedge the interest risk on the subordinated loan agreed in 2005; with this contract the counterparty receives fixed interest of 3.08% paying Euribor 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 862 thousand recorded under investment charges. At 31.12.09, the contract had a valuation loss of Euro 324 thousand.
 - Interest Rate Swap with expiry July 14, 2018 made with R.B.S. for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of a hybrid loan of perpetual duration agreed in 2008; with this contract the counterparty receives fixed interest of 3.309% paying Euribor 6 months. The difference between the fixed and variable relating to 2009 amounted to Euro 613 thousand recorded under investment charges. At 31.12.09, the contract had a valuation gain of Euro 851 thousand.
 - 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.
 - Credit Default Swap on a nominal amount of Euro 15,000,000 with BNP Paribas, annual cost 100 bps, expiry on June 20, 2011 to hedge the issuer risk of Banco Popolare. The premiums paid and expensed in 2009 amounted to Euro 152 thousand. At 31/12/2009 the valuation loss was Euro 77 thousand.
 - Credit Default Swap on a nominal amount of Euro 5,000,000 with Morgan Stanley, annual cost 306 bps, expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2009 amounted to Euro 289 thousand. At 31/12/2009 the valuation loss was Euro 67 thousand.
 - Credit Default Swap on a nominal amount of Euro 10,000,000 with Morgan Stanley, annual cost 300 bps, expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2009 amounted to Euro 304 thousand. At 31/12/2009 the valuation loss was Euro 116 thousand.
 - Credit Default Swap on a nominal amount of Euro 10,000,000 with Morgan Stanley, annual cost 285 bps, expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2009 amounted to Euro 155 thousand. At 31/12/2009 the valuation loss was Euro 73 thousand.
 - Credit Default Swap on a nominal amount of Euro 4,400,000 with BNP Paribas, annual cost 123 bps, expiry on March 20, 2014 to hedge the issuer credit risk of Merrill Lynch. The contract provides for an upfront premium of Euro 31 thousand corresponding to the difference between the market spread (123 bps) and the deal spread (100 bps); this premium will be amortised over the duration of the contract. The premiums paid and expensed in 2009 amounted to Euro 11 thousand. At 31/12/2009 the valuation loss was Euro 40 thousand.
 - Investment charges also includes Euro 278 thousand relating to the quota of premiums on C.D.S. at December 31, 2009 and Euro 287 thousand reversed from the previous year.
 - The amount at December 31, 2009 of the options related to international equity baskets or indices was Euro 65 thousand (at December 31, 2008 Euro 613 thousand); the decrease compared to the previous year is principally due to the reclassification under receivables of the options which were signed with Lehman Brothers as counterparty, related to index-linked products. The gains realised in the year on these type of options amounted to Euro 14 thousand - the losses realised amounted to Euro 74 thousand.

On the valuations at 31/12/2009, among the non hedged derivative instrument operations, there are no significant loss positions; they were therefore included in the risks and charges provision.

Operations closed

Among the non-hedging derivative instruments the following positions were closed:

(in Euro thousands)	Gains realised	Capital and Financial Income	Losses realised	Capital and Financial Charges
FORWARD VARIANCE SWAP	-	1,399	-	(787)
CREDIT DEFAULT SWAP	511	-	(144)	(206)
PUT PURCHASES on Eurostoxx50 Index	-	-	(16,226)	-
PUT PURCHASES on shares	425	-	(7,846)	-
CALL SALES on shares	7,181	-	(1,460)	-
Income statement	8,117	1,399	(25,676)	(993)

- Forward Variance Swap on the Eurostoxx50 index. Overall the contracts acquired and brought to maturity resulted in income of Euro 1,320 thousand recorded under financial and asset management income, and those closed in advance resulted in income of Euro 79 thousand, also recorded under asset and management income.
- Forward Variance Swap on the Eurostoxx50 index. Overall, the contracts closed and brought to maturity resulted in a payment of Euro 787 thousand recorded under assets and financial charges.
- Credit Default Swap hedging the issuer risk of Citigroup; against the advanced closure Euro 260 thousand was paid by JP Morgan of which Euro 285 thousand recorded under gains to be realised and Euro 25 thousand deferred premium, recorded under asset charges. The premiums paid in the year amounted to Euro 28 thousand, also recorded under asset charges.
- Credit Default Swap hedging the issuer risk of Merrill Lynch; against the advanced closure Euro 216 thousand was paid by H.V.B. of which Euro 226 thousand recorded under gains to be realised and Euro 10 thousand deferred premium, recorded under asset charges. The premiums paid in the year amounted to Euro 82 thousand, recorded under asset charges.
- Credit Default Swap hedging the issuer risk of Casino Guichard Perrachon; against the advanced closure Euro 156 thousand was paid to Royal Bank of Scotland, of which Euro 144 thousand recorded under losses to be realised and Euro 12 thousand deferred premium, recorded under asset charges. The premiums paid in 2009 amounted to Euro 49 thousand.
- Purchase put on Eurostoxx50 index with expiry date of July 17, 2009, divided as follows: purchase 36,300 options, strike 1,768.16 counterparty Morgan Stanley, premium paid Euro 3,984 thousand; purchase 27,300 options, strike 1780.15 counterparty Banque Paribas, premium paid Euro 2,996 thousand; purchase 26,700 options, strike 1,836.86 counterparty Credit Suisse, premium paid Euro 2,984 thousand; purchase 17,700 options, strike 1,854.50 counterparty Goldman Sachs, premium paid Euro 2,008 thousand; purchase 13,200 options, strike 1,900.00 counterparty Goldman Sachs, premium paid Euro 1,498 thousand; purchase 24,300 options, strike 1,901 counterparty JP Morgan, premium paid Euro 2,756 thousand. The premiums were abandoned on maturity and therefore recorded under losses to be realised for a total of Euro 16,226 thousand.

- Put purchase on Unicredit ordinary shares with expiry date July 17, 2009; the premium paid amounted to Euro 939 thousand, the advanced closure resulted in a receipt of Euro 377 thousand. Overall the operation resulted in a cost of Euro 562 thousand recorded under losses to be realised.
- Put purchase on shares, those exercised on expiry with a negative differential recorded under losses realised for Euro 1,498 thousand; those exercised on expiry with a positive difference were recorded under profits to be realised for Euro 425 thousand; those abandoned by Fondiaria-SAI were recorded under losses realised for Euro 5,786 thousand; those closed in advance by Fondiaria-SAI did not result in any profit or loss.
- Call sale on shares, those exercised with physical delivery of the underlying shares recorded as an increase in sales revenues of Euro 55 thousand; those exercised on expiry with a negative differential were recorded under losses realised for Euro 1,454 thousand; those exercised on maturity with a positive difference were recorded under profits to be realised for Euro 2,683 thousand; those abandoned by the counterparty were recorded under profits to be realised for Euro 4,316 thousand; those closed in advance by Fondiaria-SAI resulted in a gain of Euro 182 thousand also recorded under profits to be realised and a loss of Euro 6 thousand recorded under charges to be realised.
- Among the hedge operations on equity securities (put purchases - call sales) the following positions were closed:

	Number	Net realised gains	Differences between premiums	Net extraordinary charges	Decreases in book value
(in Euro thousands)					
MONTE DEI PASCHI					
underlying assets	6,892,508	-	-	(9,181)	-
options	6,892,508	11,039	434	-	-
MEDIOBANCA					
underlying assets	1,690,000	-	-	(500)	(236)
options	4,736,232	17,819	(913)	-	-
PIRELLI					
underlying assets	84,600,000	-	-	(27,429)	-
options	84,600,000	36,094	678	-	-
Impact on carrying value of the underlying	-	-	-	-	(236)
Result from sale of underlying	-	-	-	(37,110)	-
Result from closure of the options	-	66,616	199	-	-

- Monte di Paschi di Siena – total reversal of the hedging through the closure in the first quarter of 2009 of 6,892,508 options which resulted in a gain of Euro 11,039 thousand, as the average strike was higher than the market price. At the same time as the closure of the options, the sale of 6,892,508 shares realising a loss of Euro 9,181 thousand recorded under extraordinary charges as the underlying shares were recorded in the non-current segment. During the year the positive differentials between receipts and payments amounted to Euro 434 thousand and were recorded under gains realised.

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- Mediobanca – partial reversal of the hedging through the closure in the first quarter of 2009 of 1,690,000 options which resulted in a gain of Euro 17,819 thousand, as the average strike was higher than the market price. At the same time as the closure of the options, the sale of 1,690,000 shares realising a loss of Euro 653 thousand recorded under extraordinary charges and a gain of Euro 153 thousand recorded under extraordinary income as the underlying shares were recorded in the non-current segment. A further partial closure of in the fourth quarter of 2009 of 3,046,232 options which resulted in a receipt of Euro 584 thousand recorded as a decrease in the carrying value of the Mediobanca shares and a payment of Euro 348 thousand recorded as an increase of the carrying value of the Mediobanca shares. It was considered appropriate not to sell the underlying shares. During the year, the negative differentials between receipts and payments was Euro 1,005 thousand and was recorded as losses realised while the positive differential between the premiums collected and the premiums paid amounted to Euro 92 thousand and were recorded under gains realised.
 - Pirelli & C. ord. – closure of 84,600,000 options which resulted in a gain of Euro 37,758 thousand as the average strike price was higher than the market price and charges of Euro 1,664 thousand recorded under losses realised. At the same time as the closure of the options, the sale of 84,600,000 shares realising a loss of Euro 27,429 thousand recorded under extraordinary charges as the underlying shares were recorded in the non-current segment. During the year, the negative differentials between receipts and payments was Euro 21 thousand and was recorded as losses realised while the positive differential between the premiums collected and the premiums paid amounted to Euro 699 thousand and were recorded under gains realised.

Non-current investments

ISVAP measure No. 893 G of June 18, 1998, issued provisions in relation to the classification and valuation of the security portfolio of insurance companies, in particular in relation to the identification of the principal characteristics, in qualitative and quantitative terms, of the current and non current investment segment.

The assets destined, as per article 15 of Legislative Decree 173/97, to be held by the company for stable investments are attributed to the segment “Non-current investments”.

They relate to classes B “Intangible assets”, C.I “Land and buildings” and “Financial Instruments” of classes C.II and C.III. The Board of Directors’ resolution of March 26, 2004 redefined the guidelines in order to stabilise the structure of the security portfolio to contain the level of fixed assets and risks deriving from their composition in line with the planning of the management of the portfolio and the time period of the commitments assumed with the policyholders.

In particular, the resolution requires that the securities relating to the *Non-current investments* are those held in the company for the purposes of “stable investment”, a requisite which must be established on the moment of the allocation of the security to the segment.

A further condition for a non current security is that it must have at least a BBB- rating or equivalent.

The new guidelines were applied to the assignments to the sector after January 1, 2004.

During the year transfers of bond securities were made from the “current” segment to the “non-current” segment for Euro 497,724 thousand; these refer to subordinated corporate bond securities allocated to the separate management of the Life Division with an effective gross yield above 5%.

This transfer had no effect on the income statement as undertaken at the beginning of the year.

Due to the effect of the allocation, in the present year, for these financial instruments in the non-current segment a related trading margin of Euro 9,048 thousand, where present, on the first advanced repayment date, was recorded in the income statement.

The non-current assets represented by securities and investments at 31/12/2009 amounted to Euro 8,318,798 thousand, corresponding to approx. 58% of the securities portfolio of the company (classes C.II and C.III) divided as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Investments and funds	4,900,657	5,158,233	(257,576)
Fixed-income securities	3,418,141	3,384,739	33,402
TOTAL	8,318,798	8,542,972	(224,174)

The comparison between the book value of listed securities included in the non current asset segment and their market value was determined based on the prices at year-end, showing net losses of Euro 640,518 thousand.

Of these Euro 723,079 thousand are net losses relating to investments (of which Euro 660 million relating to the subsidiary Milano Assicurazioni) while Euro 82,561 thousand are net gains relating to debt financial instruments, as follows: Euro 53,196 thousand relating to bond securities valued based on quotations and exchange rates at December 31, 2009 and Euro 29,365 thousand relating to corporate bonds determined through alternative valuation models.

In particular, included among the non current investments are the following investments:

Company	Book value (in Euro thousands)	Number of shares
Investments in subsidiary companies	3,922,845	-
Investments in associated companies	46,553	-
Other companies:		
<u>Listed</u>		
Mediobanca	182,147	27,054,271
Intesa San Paolo	181,491	44,184,083
Generali	167,826	6,664,264
Pirelli & C. ord	103,316	231,355,374
Gemina ord.	61,337	61,336,588
Monte dei Paschi di Siena	52,243	22,091,690
Unicredit	46,033	10,259,367
Rcs Mediagroup	25,525	16,430,498
Banca Intermobiliare	18,991	2,683,400
Total listed companies	838,909	-
<u>Non-listed</u>		
CAI Compagnia Aerea Italiana	50,000	29,589,882
European Institute of Oncology	17,406	10,186,526
Other non-listed	24,944	-
Total non-listed companies	92,350	-
Total other companies	931,259	-
TOTAL	4,900,657	-

Overall non-current assets recorded losses on sale in the income statement for Euro 76,015 thousand, relating to investments in non-listed subsidiary companies for Euro 53,814 thousand, investments in associated companies Euro 1,500 thousand, investments in other group companies Euro 10 thousand and investments in listed companies of Euro 20,691 thousand. This latter amount refers entirely to Gemina whose value was determined based on internal analysis, made utilising common methodologies, in order to determine the recoverable value of the investment.

The valuation method utilised for the determination of the economic value was the so-called “sum of parts” method which justified a unitary recording value of the investment of Euro 1.

In relation to the investments held in Unicredito, Generali, Monte dei Paschi, RCS and Banca Intermobiliare the losses compared to the market value were not considered permanent losses in value. This conclusions is based on internal estimates carried out through the methods normally utilised by operators and validated by independent experts.

The analysis undertaken in order to determine the recoverable value of the above-mentioned investments are made from a medium-long term period viewpoint, which does not appear in line with current Stock Market movements. Finally we recall the investment in Intesa - SanPaolo constitutes the underlying of the bond loan (so-called hard mandatory) repayable exclusively in shares of this issuer, launched in 2004 with expiry in 2010. The carrying value therefore approximates the nominal value of the debt.

Obligatory restatement of values were also recorded of Euro 2,084 thousand, almost entirely relating to bond securities for Euro 2,040 thousand.

The change in the year of the non-current investments included in the accounts C.III.1, C.II.2, C.III.3 and C.III.7 are shown in attachments 8 and 9.

The movements of financial instruments in the year were as follows:

(in Euro thousands)

Total at 31.12.08	8,542,972
- mergers and acquisitions	201,425
- capital operations	176,257
- discounting	17,078
- transfers to permanent portfolio	497,724
- sales and mergers	(1,042,727)
- value adjustments	(73,931)
Total at 31.12.09	8,318,798

SECTION 3

INVESTMENTS WHERE RISK IS BORNE BY LIFE POLICYHOLDERS AND PENSION FUND MANAGEMENT – (Account D)

They amount to Euro 517,323 thousand and refer for Euro 338,835 thousand to Investments in class D.I. and for Euro 178,488 thousand to Investments in class D.II. (at 31/12/2008 Euro 504,601 thousand, of which Euro 364,616 thousand referring to class D.I.).

In accordance with Isvap circular No. 360/D of January 21, 1999 transfers were made from class D to class C totalling Euro 795 thousand due to advanced redemptions and payments on contracts. During the year transfers were made from Class C to Class D for Euro 173 thousand due to the issue of new contracts whose services are already covered by securities already held in portfolio.

Attachment 11 shows, separately for each product type of class D.I., the composition of the investments.

The investments deriving from the management of the open Pension Funds are shown in Attachment 12. The composition by nature and by segment is shown below, while for further details reference should be made to the specific statement attached to the accounts.

SAI Open Pension Fund

(in Euro thousands)	Previ-bond Sector	Previ-gest Sector	Previ-mix Sector	Previ-capital Sector	Previ-europa Sector	Previ-global Sector
Management lines						
Shares and quotas	-	892	10,931	242	3,152	905
Bonds and fixed-income securities	5,836	6,547	10,355	1,307	468	168
Other assets	395	940	715	139	454	162
	6,231	8,379	22,001	1,688	4,074	1,235

Fondiarria Previdente Pension fund

(in Euro thousands)	Equity sector	Balanced sector	Bond sector	Money sector	Guaranteed sector
Management lines					
Shares and quotas	33,102	13,911			430
Bonds and fixed-income securities	4,400	13,130	14,441	3,882	4,517
Other assets	3,532	1,014	738	95	249
	41,034	28,055	15,179	3,977	5,196

Conto Previdenza Pension Fund

(in Euro thousands)	Equity sector	Balanced sector	Bond sector	Guaranteed sector	Premium ELI sector
Management lines					
Shares and quotas	7,599	6,772		1,334	37
Bonds and fixed-income securities	664	6,524	6,087	10,046	351
Other assets	674	494	328	466	63
	8,937	13,790	6,415	11,846	451

SECTION 4

TECHNICAL RESERVES – REINSURANCE AMOUNT – (Account D bis)

They recorded a total increase of Euro 27,829 thousand, as illustrated in the table below:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
NON-LIFE DIVISION			
Unearned premium reserve	47,943	43,339	4,604
Claims reserve	311,731	292,485	19,246
TOTAL	359,674	335,824	23,850
LIFE DIVISION			
Actuarial reserves	97,734	93,180	4,554
Reserve for sums to pay	1,994	2,569	(575)
TOTAL	99,728	95,749	3,979
TOTAL	459,402	431,573	27,829

The premium reserves of the non life classes of the reinsurers are analysed for option agreements and excess claims, while for the proportional agreements the same criteria is utilised for the determination of the direct business premium reserve.

Other technical reserves of the Non Life and Life classes of reinsurers were not recorded in the accounts.

SECTION 5

RECEIVABLES - (Account E)

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Receivables from direct insurance operations	1,156,482	1,186,530	(30,048)
Receivables from reinsurance operations	58,712	58,556	156
Other receivables	761,119	641,937	119,182
	1,976,313	1,887,023	89,290

Receivables from direct insurance operations

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Receivables from policyholders for premiums	429,353	432,415	(3,062)
Insurance brokers	582,785	563,073	19,712
Insurance company current accounts	104,605	152,845	(48,240)
Policyholders and others for sums to be recovered	39,739	38,197	1,542
	1,156,482	1,186,530	(30,048)

Against the total gross amount of Euro 466,544 thousand of receivables from policyholders for premiums (of which Euro 429,104 thousand relating to premiums for the year and Euro 37,440 thousand relating to premiums for previous years), at 31/12/2009 a doubtful debt provision for possible non collection from policyholders for Euro 37,191 thousand was recorded (Euro 5,547 thousand for premiums relating to the current year and Euro 31,644 thousand for premiums relating to previous years).

The breakdown of the Doubtful Debt Provision for possible cancellations and non compliance by the policyholders by class is shown below.

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Accident	2,170	2,109	61
Health	2,205	2,893	(688)
Land vehicles	2,377	1,517	860
Aviation	7	-	7
Maritime	437	93	344
Goods in transit	755	201	544
Fire	3,918	4,629	(711)
Other property damage	2,836	3,222	(386)
Motor TPL	6,119	4,950	1,169
Aviation TPL	10	4	6
Maritime TPL	22	1	21
General TPL	3,859	3,424	435
Credit	20	4	16
Bonds	12,052	10,825	1,227
Pecuniary losses	170	67	103
Legal expenses	27	-	27
Assistance	52	-	52
TOTAL NON-LIFE DIVISION	37,036	33,939	3,097
Life insurance	155	154	1
TOTAL LIFE DIVISION	155	154	1
TOTAL	37,191	34,093	3,098

The provision amounted to Euro 11,467 thousand and decreased by Euro 8,369 thousand due to the losses recorded in the year, already subject to previous provisions. The methods utilised to determine the provisions are based on flat-rate criteria, separated by Class, which take account, in addition to the ageing of the receivables in portfolio, also of the historical losses on receivables.

The receivables from insurance brokers were largely received in January. Against the total gross amount of Euro 599,847 thousand, a prudent provision was made of Euro 17,062 thousand for possible losses on agents and former agents.

The current accounts include the parts related to coinsurance, the Direct Compensation Convention, the payments of claims on behalf of foreign insurance companies and the Road Victim Fund, as well as the receivables for services.

Against the gross amount of Euro 104,760 thousand, a Doubtful Debt Provision was made of Euro 155 thousand.

Receivables from reinsurance operations

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Insurance and reinsurance companies	58,593	58,445	148
Reinsurance brokers	119	111	8
	58,712	58,556	156

The gross value of the receivables deriving from reinsurance operations, amounting to Euro 67,593 thousand, is adjusted prudently by the amount of Euro 9,000 thousand recorded in the Doubtful Debt Provision against the estimate of possible losses from some counterparties.

Other receivables

The most significant other accounts within “Other Receivables” before the relative doubtful debt provision are shown below:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Tax receivables	424,172	413,990	10,182
Group IRES income tax receivables	41,387	43,673	(2,286)
Receivables from subsidiaries	252,980	103,680	149,300
Other receivables	49,743	87,976	(38,233)
Customers and rental	11,923	11,484	439
Doubtful debt provision	(19,086)	(18,866)	(220)
Total	761,119	641,937	119,182

The “Other Receivables” amount to Euro 761,119 thousand (Euro 641,937 thousand in 2008) prudently adjusted for an amount of Euro 19,086 thousand for a Doubtful Debt Provision against possible losses deriving from non collectability of some trade amounts due.

“Other Receivables” include receivables from tax authorities for withholding taxes, payments on account on the actuarial reserves paid in accordance with Legislative Decree 209/2002, the payment on account for the Non-Life insurance taxes pursuant to Legislative Decree 282/2004 and reimbursements requested and related interest totalling Euro 424,172 thousand.

Of these, Euro 188,596 thousand relates to Group Ires income tax credit from the excess in the 2008 balance, while Euro 5,802 thousand refers to the receivables from the tax authorities transferred during the year to the Company which, as consolidating companies, will settle and pay the Group income tax, in accordance with the consolidated tax regime as per article 117 and subsequent of Pres. Decree 917/1986.

Among reimbursements requested Euro 9,985 thousand refers to the a request made on behalf of all of the Companies within the tax consolidation regime, relating to higher income taxes paid following the forfeit Irap deductions of 10% for the tax years 2004 to 2007, pursuant to article 6 of Legislative Decree 185/2008. At the end of the year, all the reimbursement credits were received in relation to the agreement made with the Tuscan Regional Tax Office relating to the year 2007 totalling Euro 55,464 thousand.

Also in accordance with this tax regime, “Other receivables” includes amounts from subsidiaries in the Group tax consolidation of Euro 41,387 thousand relating to the income tax for the year of these companies transferring the assessable income.

The counter-entry of this amount is recorded in tax provisions, net of the payables to consolidated companies which recorded tax losses in the year and up to the amount of tax savings related to these losses.

The inter-group settlement of the creditor and debtor positions illustrated above will be made on the date for the payment of the income tax due for the year 2009.

The increase in receivables from subsidiaries compared to the previous year is principally due to the recording of the receivable from the consortium Fondiaria-SAI Servizi Group of Euro 133,495 thousand, related to the recharge of general Group costs. The balance also includes the receivable for dividends totalling Euro 95,137 thousand of which Euro 33,821 thousand from Milano Assicurazioni, Euro 30,000 thousand from Sai Holding, Euro 13,000 from Saifin Saifinaziaria, Euro 11,000 from Fondiaria Nederland and Euro 7,316 thousand from Popolare Vita.

Details of the receivables recorded in accounts C and D of the assets by maturity and nature.

The table below was prepared in relation to the previous accounts illustrated under assets and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(in Euro thousands)	Receivables from policyholders for premiums	Other receivables from direct insurance operations	Receivables relating to reinsurance balance	Other receivables and Loans <<	Total
Within 1 year	429,352	583,823	120,402	732,292	1,865,869
Between 1 and 5 years	-	57,316	-	28,500	85,816
Over 5 years	-	85,990	-	36,762	122,752
TOTAL	429,352	727,129	120,402	797,554	2,074,437

The receivables due between one and five years consist of Euro 24,811 thousand of receivables from the tax authorities, Euro 8,689 thousand employee loans and Euro 57,316 thousand receivables from agents.

The receivables due over five years refer for Euro 85,990 thousand to receivables from agents and Euro 32,362 thousand to loans provided on policies and for Euro 4,400 thousand to receivables from the tax authorities.

SECTION 6

OTHER ASSETS – (Account F)

The breakdown is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Fixed assets and inventories	13,788	14,761	(973)
Cash and cash equivalents	333,450	229,214	104,236
Treasury shares	35,547	54,614	(19,067)
Other assets	232,129	300,360	(68,231)
TOTAL	614,914	598,949	15,965

Fixed assets and inventories

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Furniture, EDP and internal transport	9,059	9,728	(669)
Tangible assets recorded in public registers	22	24	(2)
Plant and equipment	587	889	(302)
Stocks and other assets	4,120	4,120	-
TOTAL	13,788	14,761	(973)

The balance is depreciated as follows:

(values in %)	2009	2008
Furniture, EDP and internal transport	54.21	79.76
Tangible assets recorded in public registers	68.47	63.91
Plant and equipment	71.11	94.97

These amounts are considered non-current and the movements in the year were as follows:

(in Euro thousands)	2009	2008
Purchases	1,301	2,741
Sales	(45,340)	-
Accumulated depreciation	43,066	(1,818)
	(973)	923

The sales refer to disposals of plant, furniture and office equipment to the consortium Fondiaria-SAI Servizi S.c.r.l. Group, in order to provide the company with adequate equipment in order to undertake its activities. Similarly, following the above-mentioned sales, the depreciation provision decreased by Euro 43,066 thousand, net of the increase for the depreciation in the year of Euro 1,630 thousand and, at December 31, 2009, amounted to Euro 12,262 thousand (Euro 55,328 thousand at December 31, 2008).

Cash and cash equivalents

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Bank and postal deposits	333,294	229,117	104,177
Cheques and cash on hand	156	97	59
TOTAL	333,450	229,214	104,236

The bank and postal deposits include the liquidity available not restricted for a period above 15 days.

In the year, the total amount matured was Euro 3,982 thousand.

Bank deposits amount to Euro 227,826 thousand, relating to 32 current accounts opened at the subsidiary BancaSai S.p.A.

Treasury shares

In 2009, the company did not carry out any share buy-back operations.

Therefore at 31/12/2009 a total of 3,200,000 Fondiaria-SAI S.p.A. ordinary shares were held for a carrying value of Euro 35,547 thousand.

At 31.12.09, no savings shares were held in portfolio.

Other assets

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Receivable transitory reinsurance accounts	1,929	1,323	606
Other assets	230,200	299,037	(68,837)
	232,129	300,360	(68,231)

The transitory asset accounts include the negative income values of a technical nature for the direct business and ceded in reinsurance, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The “Other assets” include the “transit account” between the Life and Non-Life management which has a receivable in the Life management of Euro 5,836 thousand.

The other assets also include “deferred tax assets”, calculated applying to the nominal values of the temporary deductible differences to the income tax rates which will be in force when these temporary differences “reverse”.

The amount recorded at year-end amounted to Euro 169,965 thousand and derives from reversals totalling Euro 45,714 thousand and assets arising in the year of Euro 49,111 thousand.

Among the reversals are Euro 35,794 thousand of higher taxes recorded in the income statement in the year, while Euro 9,920 thousand refers to the prepaid taxes against the reversal of gains recorded in the tax assessments compared to those estimated in the accounts at the end of the previous year.

This counter entry of this latter amount is therefore the current tax provision.

On the other hand, among the tax assets arising, Euro 4,479 thousand refers to extraordinary income as relating to adjustments of fiscal values of some buildings conferred to the Tikal R.E. real estate fund in 2004 and which will reverse on the sale or liquidation of the shares received by the Company.

The other assets include the estimated amount of the payment due as taxes on the actuarial reserves of the Life classes as per Legislative Decree 209/2002 equal to Euro 18,719 thousand.

The principal "Other assets" are as follows:

(in Euro thousands)	31/12/2009	31/12/2008
Non-Life/Life transit account	5,836	35,164
Deferred tax assets	169,965	166,568
Indemnities paid not applied	11,867	3,255
Actuarial reserve tax as per Leg. Decree No. 209/02	18,719	18,226
Regional offices transit accounts	9,563	17,454

SECTION 7

PREPAYMENTS AND ACCRUED INCOME – (Account G)

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Interest	135,351	142,042	(6,691)
Rental	1	1	-
Other accruals and deferred income	2,667	4,598	(1,931)
	138,019	146,641	(8,622)

The composition of prepayments and accrued income are as follows:

(in Euro thousands)	Accrued income	Prepayments	Total
Interest	135,351	-	135,351
Rental	-	1	1
Other prepayment and accrued income	1,309	1,358	2,667
	136,660	1,359	138,019

There are no long term prepayments or accrued income.

The accruals for interest relate entirely to debt securities in portfolio.

BALANCE SHEET – LIABILITIES & EQUITY

SECTION 8

SHAREHOLDERS' EQUITY - (Account A)

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Share capital	167,044	167,044	-
Share premium reserve	209,947	209,947	-
Revaluation reserve	200,025	200,025	-
Legal reserve	35,536	35,536	-
Reserves for treasury shares and shares of holding companies	54,736	77,356	(22,620)
Other reserves	1,818,777	1,841,045	(22,268)
	2,486,065	2,530,953	(44,888)

The share capital, subscribed and fully paid-in, comprises 124,482,490 ordinary shares and 42,561,222 saving shares, of a nominal value of Euro 1 each. The share capital was unchanged from December 31, 2008.

The share capital and the capital reserves are attributed to the two insurance managements in the following manner (in units of Euro):

	Life Division	Non-Life Division	Total
Share Capital comprising ordinary shares	41,711,687	82,770,803	124,482,490
Share capital comprising saving shares	16,537,230	26,023,992	42,561,222
<i>Share capital</i>	58,248,917	108,794,795	167,043,712
<i>Capital reserves</i>	588,666,831	1,730,354,806	2,319,021,637
TOTAL	646,915,748	1,839,149,601	2,486,065,349

The detail of the revaluation reserve are as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Special reserve as per art. 26 Law No. 413/91	96,837	96,837	-
Revaluation reserve on securities	58,029	58,029	-
Revaluation reserve as per Law 19/3/1982 No. 72	38,215	38,215	-
Reserve as per art. 10 Law No. 904/77	6,944	6,944	-
	200,025	200,025	-

The revaluation reserves have not changed in the year.

The revaluation reserve on securities was created on a voluntary basis.

The reserve from treasury shares and share of the parent company, amounting to Euro 54,736 thousand, is composed of Euro 35,547 thousand reserve not available for treasury shares pursuant to article 2357 of the Civil Code, a value representative of the cost of the treasury shares held in portfolio of the Company at 31/12/2009 (Euro 54,614 thousand in 2008), while the residual amount of Euro 19,189 thousand is equal to the cost of the shares of the parent company held in portfolio by the Company at the same date (Euro 22,742 thousand in 2008) and in compliance with article 2359 of the Civil Code.

The non distributable reserve for treasury shares decreased by Euro 19,068 thousand exclusively due to the adjustment recorded at the end of the year on the shares. Similarly, the decrease of Euro 3,552 thousand of the reserve of shares of the parent company is due to the adjustment recorded at the end of the year on the shares.

The other reserves are broken down as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Extraordinary reserve	808,810	718,879	89,931
Reserve for purchase of treasury shares	7,500	65,698	(58,198)
Reserve for holding company's shares	750	2,000	(1,250)
Share premium reserve for sale of non exercised option rights	4,294	4,294	-
Dividend adjustment reserve	2,852	2,852	-
Merger surplus reserve	422	422	-
Reserve as per Law 742/1986	113,214	113,214	-
Share swap merger surplus	880,935	933,686	(52,751)
	1,818,777	1,841,045	(22,268)

The extraordinary reserve increased by Euro 89,931 thousand following the operations described below:

- increase of Euro 55,175 thousand due to the transfer of the share swap merger surplus reserve to cover the losses in the Life Division relating to the year 2008;
- increase of Euro 28,056 thousand due to the assignment resolved by the Shareholders' Meeting of April 24, 2009;
- decrease of Euro 75,368 thousand due to the utilisation resolved by the Shareholders' Meeting of April 24, 2009 for the distribution of dividends;
- increase of Euro 19,068 thousand, with transfer from the non distributable treasury share reserve, due to the adjustment recorded on treasury shares at the year-end;
- increase of Euro 3,552 thousand, with transfer from the non distributable reserve with shares of the parent company, due to the adjustment recorded on the shares of the parent company at the year-end;
- decrease of Euro 7,500 with transfer to the reserve to purchase treasury shares in accordance with the Shareholders' Meeting resolution of April 24, 2009;
- decrease of Euro 750 thousand with transfer to the reserve to purchase holding company shares in accordance with the Shareholders' Meeting resolution of April 24, 2009;
- the reserve was simultaneously accredited for the total amount of Euro 67,698 thousand as the above-mentioned shareholders' meeting revoked the previous resolutions relating to the purchase of treasury shares (Euro 65,698 thousand) and of the parent company (Euro 2,000 thousand).

The reserve for treasury shares to be purchased decreased by Euro 58,198 thousand following the above-mentioned provision of Euro 7,500 thousand approved on April 23, 2008 and the simultaneous write-down of the balance of Euro 65,698 thousand.

The reserve to purchase shares of the parent company decreased by Euro 1,250 thousand following the above-mentioned provision of Euro 750 thousand approved on April 24, 2009 and the simultaneous write-down of the balance of Euro 2,000 thousand.

The merger surplus reserve, generated following the incorporation of La Fondiaria Assicurazioni S.p.A. in 2002 decreased by Euro 55,175 thousand following the above-mentioned distribution of profits and increased by Euro 2,424 thousand following the incorporation of Meridiano Risparmio in 2009 entirely relating to retained profits not distributed.

In accordance with article 109, Letter 4 b of the pre-existing Pres. Decree No. 917/1986, currently repealed, it is declared that the available reserves recorded in the accounts are well above the total of the negative income components and that, net of the correlated deferred tax liability provision accrued in previous years, amount to Euro 56,137 thousand.

Finally it is reported, also in accordance with the provisions of article 2427 of the Civil Code, that the share capital is composed as follows:

Share capital subscribed, paid-in and filed at 31.12.09	Ordinary shares 124.482.490	Savings shares 42.561.222	Total 167.043.712
Capital deliberated for stock options plans		14,949,000	14,949,000

In relation to the stock option plans, reference should be made to the paragraph in the Directors' Report.

Analysis of net equity in accordance with Article 2427, number 7 bis of the Civil Code

(in Euro thousands)

Nature/description	Amount	Possibility of Utilisation rights	Quota distributable	Quota distributable 2008
Share Capital	167,044	-	-	-
Capital reserves:	1,157,403	-	1,157,403	1,157,403
Share premium reserve	209,947	A, B, C	209,947	209,947
Revaluation reserve	200,025	A, B, C	200,025	200,025
Share swap merger surplus reserve	626,649	A, B, C	626,649	626,649
Reserve as per Law 742/1986	113,214	A, B, C	113,214	113,214
Merger surplus reserve	422	A, B, C	422	422
Share premium reserve for sale of option rights not exercised	4,294	A, B, C	4,294	4,294
Dividend adjustment reserve	2,852	A, B, C	2,852	2,852
Profit reserves:	1,161,618	-	1,073,474	1,095,741
Legal reserve	35,536	A, B, C	2,127	2,127
Extraordinary reserve	808,810	A, B, C	808,810	718,879
Share swap merger surplus reserve	254,286	A, B, C	254,287	307,037
Reserve for treasury shares	35,547	-	-	-
Reserve for holding company's shares	19,189	-	-	-
Reserve for purchase of treasury shares	7,500	A, B, C	7,500	65,698
Reserve for purchase of holding company's shares	750	A, B, C	750	2,000
Total	2,486,065		2,230,877	2,253,144
Quota not distributable (1)			4,183	9,568
Quota distributable			2,226,694	2,243,577

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

(1): represents the non distributable quota to cover the non amortised charges in accordance with article 16, paragraph 11 of the Legislative Decree 173/1997.

SUBORDINATED LIABILITIES - (Account B)

This account amounts to Euro 900,000 thousand and is unchanged compared to the previous year.

This account includes the value of the four subordinated loans agreed with Mediobanca, issued respectively in 2002, 2005, 2006 and 2008: the first three with twenty year expiry while the final is in perpetuity. The table below shows the details of the subordinated liabilities recorded, in accordance with ISVAP Regulation No. 22.

(in Euro thousands)

31/12/2009	31/12/2008	Changes	Expiry	Variable rate	Spread
400,000	400,000	-	23.07.23	Euribor 6 m Act/360	180 bps
100,000	100,000	-	30.12.25	Euribor 6 m Act/360	180 bps
150,000	150,000	-	14.07.26	Euribor 6 m Act/360	180 bps
250,000	250,000	-	perpetual	Euribor 6 m Act/360	350 bps
900.000	900.000	-			

The solvency margin as per articles 44 and 45 of Legislative Decree No. 209 of September 7, 2005 is covered as follows:

- the subordinated loan of a notional value of Euro 400 million and Euro 250 million respectively, are included in the available margin of the Company for 50% of the lower value between the available margin and the requested margin;
- the subordinated loan of a notional value of Euro 100,000 thousand and Euro 150,000 respectively, are included in the available margin of the Company for 25% of the lower value between the available margin and the requested margin.

SECTION 10

TECHNICAL RESERVES – (Account C)

The account increased, before the quota of the reinsurers, by Euro 397,565 thousand, of which Euro 205,971 thousand for the Life classes with an increase of Euro 191,594 thousand for the Non-Life classes, as shown in the table below:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
NON-LIFE DIVISION			
- Unearned premium reserve	1,449,319	1,413,408	35,911
- Reserve for profit sharing and reversals	-	-	-
- Claims reserve	4,699,691	4,546,010	153,681
- Other technical reserves	8,407	8,939	(532)
- Equalisation reserves	19,493	16,959	2,534
TOTAL	6,176,910	5,985,316	191,594
LIFE DIVISION			
- Actuarial reserves	7,414,699	7,186,159	228,540
- Unearned premium reserves for additional insurance	731	769	(38)
- Reserves for sums to be paid	75,046	92,697	(17,651)
- Reserve for profit sharing and reversals	2,339	2,733	(394)
- Other technical reserves	53,904	58,390	(4,486)
TOTAL	7,546,719	7,340,748	205,971
TOTAL	13,723,629	13,326,064	397,565

Non-Life Division

The premium reserve of the direct Italian business is represented by the reserve for premium fractions of the reserve for risks in course for Euro 4,307 thousand.

These additions principally refer to the General TPL Class for which we report that the premium/claim ratio in the current year is not in line with previous years. It was therefore considered correct to determine the charge for expected claims considering a sufficient retrospective time period in accordance with article 11, paragraph 2, of ISVAP Regulation No.16.

With reference to the Classes in which it is not necessary to accrue the reserve for risks in course, the criteria utilised in the evaluation process (based on the empiric method contained in Isvap Regulation No. 16) reported an expected amount of claims lower than the related reserve for net premium fractions and to the relative net instalment due.

In relation to Fire Class, we report that although with a claim/premium ratio in the current year of above 100%, it was not considered necessary to record an additional reserve risk.

Costs in the current year were in fact strongly affected by two serious claims related to the L'Aquila earthquake on April 6, 2009. This event significantly increased costs in the year, however for the characteristics of the class it was considered that the claims ratio for the year was not a significant factor in representing expected claims.

The cost of the year, net of the two claims for the earthquake, resulted in a balanced claim/premium ratio and more significant for the calculation of the expected future claims.

The following table shows the breakdown by class of the two components of the premium reserve:

Class (in Euro thousands)	Direct business		Total	Indirect business	
	Premium fraction	Risks in course		Premium fraction	Total
Accident	95,985	-	95,985	-	-
Health	63,058	-	63,058	-	-
Land vehicles	169,389	-	169,389	-	-
Railway	-	-	-	-	-
Aviation	225	-	225	-	-
Maritime	2,004	22	2,026	1	1
Goods in transit	2,484	-	2,484	-	-
Fire and natural elements	157,906	-	157,906	531	531
Other property damage	113,171	-	113,171	27	27
Motor TPL	635,599	-	635,599	9	9
Aviation TPL	133	51	184	-	-
Maritime TPL	1,432	-	1,432	-	-
General TPL	134,627	4,131	138,758	377	377
Credit	279	103	382	25	25
Bonds	53,296	-	53,296	637	637
Pecuniary losses	4,709	-	4,709	-	-
Legal expenses	2,767	-	2,767	-	-
Assistance	6,342	-	6,342	-	-
Total	1,443,406	4,307	1,447,713	1,607	1,607

In relation to the Bond Class, the reserve for premium fraction was supplemented in accordance with Isvap Measure No. 1978 of 2001, for a total amount of Euro 25,038 thousand (Euro 24,036 thousand in 2008).

The other technical reserves of the Non-Life classes only include the ageing reserve as per article 25 of Legislative Decree No. 175/98, equal to Euro 8,407 thousand (Euro 8,939 thousand in 2008) and calculated using analytical method on the insurance contracts against the health, whose contractual structure provides for an additional risk insured based on the age of the policyholder.

The equalisation reserves are entirely comprised of the reserve for natural calamity as per Ministerial Decree No. 705 of November 19, 1996.

The reserve amounts to Euro 19,493 thousand and is divided as follows among the classes in the accounts:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Accident	256	256	-
Land vehicles	5,924	4,941	983
Aviation	97	93	4
Maritime	308	291	17
Goods in transit	817	797	20
Fire and natural elements	11,311	9,840	1,471
Other property damage	632	604	28
Motor TPL	20	20	-
Aviation TPL	4	4	-
General TPL	13	13	-
Pecuniary losses	111	100	11
Total	19,493	16,959	2,534

The claims reserves of the non-life classes include, in addition to the indemnity reserve, also the settlement reserve and the late claim reserves.

The components of the premiums reserve and the claims reserve are illustrated in attachment 13.

Life Division

The actuarial reserve was determined at December 31, 2009 in accordance with the following most significant base techniques:

- Composed annual interest rate determined based on the different contractual clauses taking into account minimum guaranteed of 4%, 3%, 2.5% and 2% in accordance with the issue period of the cover:
- demographic assumptions principally based on the Italian mortality statistic tables 1951, 1961, 1971 and 1981, 1992 and 2002 as well as 1971 projected and selected, RG48 and RG48 selected, IPS55 for deferred commitments and IPS55 for immediate commitments.

They include also the additional reserve on the financial risk equal to Euro 40,375 thousand, as indicated in ISVAP Regulation No. 21 of 28/03/2008.

The various components of the technical reserve are shown in attachment 14.

The details by class of the “Other technical reserves” are shown below of the Life Division, which principally comprises the provision for future expenses.

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Class I	39,389	42,835	(3,446)
Class III	3,212	4,612	(1,400)
Class IV	56	50	6
Class V	11,247	10,893	354
Class VI	-	-	-
Total	53,904	58,390	(4,486)

SECTION 11

CHANGE IN TECHNICAL RESERVES WHERE INVESTMENT RISK BORNE BY POLICYHOLDERS AND FROM PENSION FUND MANAGEMENT - (Account D)

These amount to Euro 517,034 and increased by Euro 13,036 thousand. They are representative of the commitments deriving from the insurance of the Life Division whose returns are determined based on the investments on which the policyholder bears the risk or based on an index, as well as the commitments deriving from the management of the pension funds.

The breakdown of the reserve by type of product in portfolio:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
- related to the value of an investment fund	126,850	117,102	9,748
- related to the value of an equity index or other benchmark.	211,696	246,911	(35,213)
- open pension funds	178,488	139,985	38,503
TOTAL	517,034	503,998	13,036

With regard to the open Pension Funds, the figure above is broken down as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
SAI Open Pension Fund:			
- Previ-bond	6,231	4,728	1,503
- Previ-gest	8,379	6,639	1,740
- Previ-mix	22,001	18,765	3,236
- Previ-europa	4,074	1,985	2,089
- Previ-global	1,235	666	568
- Previ-capital	1,688	1,075	613
Previdente Open Pension Fund:			
- equity line	41,034	30,978	10,056
- balanced line	28,055	23,461	4,594
- bond line	15,179	13,005	2,174
- cash line	3,977	3,873	104
- guaranteed cash line	5,196	4,182	1,014
Previdenza Open Pension Fund:			
- equity line	8,937	5,382	3,555
- balanced line	13,790	10,303	3,487
- bond line	6,415	5,760	655
- guaranteed cash line	11,846	9,121	2,725
- premium ELI line	451	62	389
TOTAL	178,488	139,985	38,503

SECTION 12

PROVISIONS FOR RISKS AND CHARGES – (Account E)

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Pensions and similar obligations	3,615	3,671	(56)
Tax provisions	115,219	177,361	(62,142)
Other provisions	208,972	234,124	(25,152)
TOTAL	327,806	415,156	(87,350)

Attachment 15 shows the changes in the year.

The provisions for pensions and similar obligations includes the pensions by the company in previous years as a supplement to the employee leaving indemnity.

The other provisions are broken down as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Provision for risks and charges	195,302	219,180	(23,878)
Provision as per art. 7 Law 738/78	5,154	5,154	-
Service bonus as art. 30 CCNL	4,031	3,523	508
Building maintenance provision	4,485	6,267	(1,782)
TOTAL	208,972	234,124	(25,152)

a) Provision for risks and charges

The provision decreased compared to the previous year by Euro 23,878 thousand consequent of the provisions of Euro 8,955 thousand and utilisation of Euro 32,833 thousand.

The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Parent Company is party. The accrual also includes future employee expenses, such as those related to vacation days matured but not taken.

The provision includes, prudently, the estimated charges, where incurred, against the disputes for the so called “Opa” offer which the Company, together with other parties, is defending due to the actions taken by some shareholders of the incorporated company Fondiaria Assicurazioni. The Company considered it appropriate not to make any provision, as some sentences of the Milan Appeals Court and the Florence Court have rejected the claims for damages.

For further information, reference should be made to the section on Litigation in the Directors’ Report.

The Provision also includes the tax saving which originated in the Company following the contribution of the tax losses of some subsidiaries within the national tax consolidation which, prudently were not recorded in the accounts related to the tax advantage due to the limited time period of the recovery of these losses.

The Provision also includes expected charges related to the recapitalisation of Group companies against significant restructuring charges which will be incurred in the coming years.

The movement in the provision during the year is reported in the appropriate section in the income statement on other income and charges.

b) Service bonus provision pursuant to art. 32 of CCNL

The provision increased by Euro 508 thousand due to the provision in the year of Euro 1,509 thousand and utilisations of Euro 551 thousand for premiums matured in favour of employees.

c) Building maintenance fund

The decrease of Euro 1,782 thousand is consequent of the provision for the year of Euro 4,273 thousand and utilisation of Euro 6,055 thousand for the maintenance of buildings and plant.

COMPOSITION OF THE SUB-ACCOUNT – E 2) – “PROVISIONS FOR TAXES”

The provision for taxes includes the provision for corporation income taxes (Ires income taxes and Irap regional taxes) for the year. The account also includes the substitute taxes of the Ires income taxes and the Irap regional tax estimated at the end of the year.

The current income taxes are recorded as a provision as the amounts are still not certain and which will be payable to the tax authorities following the individual and consolidated tax declarations to be made.

The provisions for taxes also includes the liability for deferred taxes deriving from the temporary differences arriving in the year and previous years, net of those reversed in the year, the income taxes accrued on the allocation of the merger deficit against the gains, not recognised fiscally, allocated to the buildings and investments and the income taxes accrued in previous years against amortisation and adjustments to values only for fiscal purposes.

The composition of the balance is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Provision for current taxation	66,657	92,433	(25,776)
Provision for deferred tax liabilities	48,563	84,928	(36,365)
TOTAL	115,220	177,361	(62,141)

The changes in the year were as follows:

(in Euro thousands)	2009	2008	Changes
<u>Provision for current taxation:</u>			
Utilisation and other decreases	(54,640)	(227,403)	172,763
Provisions	28,864	40,623	(11,759)
<u>Provision for deferred tax liabilities:</u>			
Utilisation and other decreases	(37,333)	(12,240)	(25,093)
Provisions	968	9,985	(9,017)
TOTAL	(62,141)	(189,035)	126,894

In relation to the provision for current income taxes, the decrease refers for Euro 43,230 thousand to the utilisation of the Group income tax provision for the year 2008 and Euro 9,476 thousand for the Irap regional tax utilisation due by the Company for the same year.

The residual decrease, amounting to Euro 1,934 thousand, refers to the utilisation of the current taxes, relating to the consolidating companies, (Ires income taxes and Irap regional taxes) accrued in excess of the previous year against changes in the amount paid in the declaration compared to the estimates made.

The utilisations for payments of the income tax of the subsidiaries which, together with the consolidating Fondiaria-SAI, opted for the Group taxation, is recorded as a counter-entry in the reduction of the receivables and payments on account transferred to the Group or already paid in the same tax period, in line with that indicated in the income tax declaration and in the Group declaration for the same tax period.

The increase in the provision is due for Euro 1,000 thousand to the estimate of the Irap regional tax of the Company for the current year and Euro 27,060 thousand relating to substitute taxes estimated on gains made on property sold to the Rho fund for which the companies intend to utilise the substitute tax legislation.

No Group Ires income tax provision was recorded as the sum of the results - profits and losses - of the companies belonging to the national tax consolidation net of the consolidation adjustments was a net loss.

In relation to the deferred taxes, the changes compared to the beginning balances are due to the increase for taxes arising in the year for Euro 968 thousand principally relating to the taxes recorded following the recording of the deficit not fiscally deductible relating to the incorporation of some real estate companies in the year and recorded to increase the value of buildings acquired.

These changes together with the decrease for the taxes reversed of Euro 25,708 thousand and the deferred taxes referring to the previous years of Euro 11,625 thousand are commented upon in the account "Income taxes" to which reference should be made.

DEPOSITS RECEIVED FROM REINSURERS – (Account F)

The account amounted to Euro 149,647 thousand and increased by Euro 3,852 thousand (Euro 145,795 thousand in 2008).

SECTION 13

PAYABLES AND OTHER LIABILITIES – (Account G)

The breakdown is as follows:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Payables from direct insurance operations	55,301	44,194	11,107
Payables from reinsurance operations	44,136	40,338	3,798
Payables to banks and financial institutions	75,000	250,000	(175,000)
Various loans and other financial payables	434,800	374,808	59,992
Employee leaving indemnities provision	43,582	46,627	(3,045)
Other payables	521,319	448,398	72,921
Other liabilities	167,889	248,234	(80,345)
TOTAL	1,342,027	1,452,599	(110,572)

Payables from direct insurance operations

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Insurance brokers	35,350	34,378	972
Insurance company current accounts	19,687	9,564	10,123
Policyholders for deposits and premiums	74	74	-
Policyholder guarantee provisions	190	178	12
TOTAL	55,301	44,194	11,107

The guarantee provisions include Euro 154 thousand of payables to the Victims Fund and Euro 36 thousand to the Homes Solidarity Provision.

Payables from reinsurance operations

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Insurance and reinsurance companies	43,317	39,519	3,798
Reinsurance brokers	819	819	-
TOTAL	44,136	40,338	3,798

Payables to banks and other lenders

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Payables to banks and financial institutions	75,000	250,000	(175,000)
TOTAL	75,000	250,000	(175,000)

The decrease on 2008 is due to two senior loan repayments made to Mediobanca. The first of Euro 100 million in July and the second of Euro 75 million in December.

Various loans and other financial payables

The other loans amounted to Euro 434.8 million (Euro 374.8 million at 31/12/2008) and related to:

(in Euro millions)	Amount	Expiry	Payment method	Interest rate
SAIFIN SAIFINANZIARIA S.p.A.	157.0	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
SAINTERNATIONAL S.A.	180.4	Five working days at Rome before September 29, 2010	One single expiry, with conversions of the convertible bonds issued by Sainternational	5.90% annual
SAINTERNATIONAL S.A.	5.0	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
SIM ETOILE S.A.	15.0	Without maturity	One payment or single tranches with notice of at least 3 working days before the value date	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
SAI HOLDING ITALIA S.p.A.	7.3	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
FONDIARIA NEDERLAND B.V.	70.1	Without maturity	One payment or single tranche	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.

Employee leaving indemnities provision

The account amounted to Euro 43,582 thousand (Euro 46,627 thousand in 2008).

The change is due to provisions and other increases for Euro 9,155 thousand (Euro 10,909 thousand in 2008) and the relative utilisation of the provision for Euro 12,199 thousand (Euro 15,105 thousand in 2008), which includes the quota matured in 2009 allocated to the special INPS fund or to the Complementary Pension.

Other payables

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Policyholders' tax due	70,926	71,540	(614)
Other taxes due	32,463	27,838	4,625
Social security and welfare institutions	8,929	10,015	(1,086)
Other payables	409,001	339,005	69,996
TOTAL	521,319	448,398	72,921

The "Policyholder" tax due" includes Euro 19,628 thousand for Social Security Contributions.

The other tax payables include Euro 18,719 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).

Various payables include, among others, the following accounts:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Payables for tax credits transferred to the Group	154,085	150,605	3,480
Other payables to subsidiaries	73,015	73,336	(321)
Loans on securities	-	10,233	(10,233)
Settlements not collected by policyholders	12,453	-	12,453
Suppliers	148,298	16,357	131,941
Guarantee deposits	2,736	3,910	(1,174)
Employees	1,078	1,966	(888)

The payables for tax credits transferred to the Group includes the amount of the receivables from the tax authorities for withholdings, payments on account, excess and other receivables transferred by the consolidated companies to the consolidating due to the Group tax regime as per article 117 and subsequent of Pres. Decree No. 917/1986.

Trade payables, including rent and other expenses totalling Euro 148,298 thousand, include payables to Fondiaria-SAI Servizi Group for the settlement of the consortium contribution due, following the centralisation of all the Group services within the consortium, amounting to Euro 136,688 thousand.

The details of the payables by maturity and nature are as follows

The table below was prepared in relation to the previous accounts illustrated under liabilities and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(in Euro thousands)	Payables from direct insurance operations and reinsurance	Deposits received from reinsurers	Payables with collateral	Various loans and other financial payables	Employee Leaving Indemnity and other payables	Total
Within 1 year	99,437	149,647	-	509,800	564,901	1,323,785
Between 1 and 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	99,437	149,647	-	509,800	564,901	1,323,785

Other liabilities

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Payable transitory reinsurance accounts	1,110	753	357
Commissions on premium collection	59,497	67,583	(8,086)
Other liabilities	107,282	179,898	(72,616)
Total	167,889	248,234	(80,345)

The transitory liability accounts from reinsurance include the positive income values of a technical nature for the indirect business, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The breakdown of the principal “Other liabilities” is shown below:

(in Euro thousands)	31/12/2009	31/12/2008
Non-Life/Life transit account	5,836	35,164
Other accruals	47,380	57,766
Regional offices transit accounts	4,159	9,555
Payables to reinsurers	9,988	10,270

The account G.IX.2 “Other liabilities” include Euro 1 rounding as per attachment 9 of ISVAP Regulation No. 22 of April 4, 2008.

SECTION 14

ACCRUALS AND DEFERRED INCOME – (Account H)

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Interest	23,362	30,495	(7,133)
Rental	58	75	(17)
Other accruals and deferred income	42	42	-
Total	23,462	30,612	(7,150)

Relating to the year 2009, the breakdown of the accruals and deferred income is as follows:

(in Euro thousands)	Accruals	Deferred income	Total
Interest	23,362	-	23,362
Rental	-	58	58
Other accruals and deferred income	13	29	42
	23,375	87	23,462

The deferred income for interest refers for Euro 2,741 thousand to the quota allocated for the year of the explicit financial charge on the loan provided by Saintinternational S.A. to Fondiaria-SAI in September 2004 for Euro 2,741 thousand and for Euro 13,892 thousand to the subordinated loan and deferred income on derivatives of Euro 6,729 thousand.

SECTION 17

Guarantees, Commitments and other Memorandum Accounts

The account amounts to Euro 14,923,836 thousand (Euro 14,474,140 in 2008).

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Guarantees given	4,681	4,874	(193)
Guarantees received	237,061	235,085	1,976
Guarantees provided by third parties on behalf of the company	54,374	84,465	(30,091)
Commitments	281,092	344,175	(63,083)
Third party assets	10,079	8,799	1,280
Securities deposited with third parties	13,534,268	13,117,088	417,180
Other memorandum accounts	802,281	679,654	122,627
Total	14,923,836	14,474,140	449,696

The guarantees given include:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Other non-secured guarantees	-	-	-
Secured guarantees	4,681	4,874	(193)
	4,681	4,874	(193)

The secured guarantees refer to assets constituted as guarantees in deposit of inward reinsurance operations prevalently in foreign currencies.

The guarantees received include:

(in Euro thousands)	31/12/2009	31/12/2008	Changes
Sureties	182,194	180,103	2,091
Other non-secured guarantees	1,967	2,082	(115)
Secured guarantees	52,900	52,900	-
	237,061	235,085	1,976

Among the guarantees received are sureties of Euro 77,080 thousand (Euro 73,037 thousand in 2008) from policies guaranteeing commitments undertaken with agents.

The sureties given amount to Euro 3,181 thousand, while those received from third parties amounted to Euro 1,136 thousand.

Included among the guarantees are securitisation policies provided as pledges amounting to Euro 50 million covering any damage relating to previous management, which Fondiaria-SAI may sustain due to the effect of the purchase of Liguria Assicurazioni. There are also guarantees from the previous shareholder of Liguria Assicurazioni, on the outcome of the revision process of the price of the Company acquired.

The residual Euro 2,900 thousand relates to a voluntary mortgage of Euro 2,900 thousand on some buildings to guarantee operations related to the construction sector.

The guarantees given by third parties amounted to Euro 54,374 thousand, principally comprising those created by the surety based on the Convention between Insurers for the Direct Compensation (CARD) amounting to Euro 43,550 thousand, to which Fondiaria-SAI subscribed on 27/11/2006.

The commitments principally include Euro 180,400 thousand recorded against Intesa SanPaolo equity securities, forward sold to Saintinternational S.A. for the convertible bond loan (Mandatory). The account includes forward investments of Euro 89,471 thousand; the account also includes Euro 9,243 thousand recorded against the cash settlement to be paid on the hedging operations on equity securities, made through combined options (put purchase- call sale).

Third party assets include deposits for maximum coverage, on claims, as well as the Fondiaria-SAI ordinary and saving shares owned by employees (these latter held by the Company).

The securities deposited at third parties include the carrying value of the securities owned by the company. The principal depositaries are credit institutions for Euro 11,371,471 thousand, subsidiary companies for Euro 1,527,296 thousand, associated companies for Euro 46,553 thousand, other investments for Euro 100,696 thousand and other depositary entities for Euro 488,251 thousand.

The Other Memorandum Accounts which amount to Euro 802,281 thousand principally relates to the underlying notional derivative financial operations and specifically: Euro 25,000 thousand relating to Credit Default Swap contracts on Serbian country risk, Euro 15,000 thousand relating to Credit Default Swaps on Banco Popolare subordinated; Euro 4,400 thousand referring to Credit Default Swap contracts on Merrill Lynch. Euro 400,000 thousand relating to Interest Rate Swap contracts with Mediobanca, Euro 150,000 thousand relating to Interest Rate Swap contracts with H.V.B. and Euro 200,000 thousand referring to Interest Rate Swap contracts with R.B.S. Euro 5,091 thousand refers to a cash settlement to be received against hedge operations on equity securities, made through combined options (put purchase – call sale).

INCOME STATEMENT

The income statement for the year compared to the previous years accounts are commented upon below.

Where the accounts for the previous year are not compatible with those of the current year the necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are in any case included in the comments to the individual accounts.

SECTION 18

INFORMATION CONCERNING THE NON-LIFE TECHNICAL ACCOUNT

EARNED PREMIUMS NET OF REINSURANCE – (ACCOUNT I.1)

(in Euro thousands)	2009	2008	Changes
Direct premiums	3,735,997	3,787,362	(51,365)
Indirect premiums	10,520	11,370	(850)
Gross premiums written	3,746,517	3,798,732	(52,215)
Premiums ceded to reinsurers	(157,545)	(147,586)	(9,959)
Change in gross amount of premium reserve	(35,905)	(24,953)	(10,952)
Change in reinsurers reserve	5,567	4,418	1,149
Total Non-Life premiums written	3,558,634	3,630,611	(71,977)

The account “gross premiums written”, in accordance with ISVAP regulation No. 735 of 01/12/1998 does not include the cancellation of securities issued in previous years, which were recorded in the account “Other technical charges”.

The account “changes in the gross amount of premium reserve” includes Euro 32,058 thousand relating to the negative change in the reserve for premium fractions which were commented upon under Liabilities of the Balance Sheet. The decrease for the reserve for risks in course amounts to Euro 3,847 thousand.

QUOTA OF THE INVESTMENT INCOME TRANSFERRED FROM THE NON TECHNICAL ACCOUNT – (ACCOUNT I.2)

The amount transferred amounted to Euro 130,167 thousand and was calculated in accordance with ISVAP measure No. 1140-G.

OTHER TECHNICAL INCOME, NET OF REINSURANCE – (ACCOUNT I.3)

(in Euro thousands)	2009	2008	Changes
Other technical income before reinsurance	18,246	21,197	(2,951)
Other technical income ceded	9,275	5,703	3,572
	27,521	26,900	621

The other technical income amounts to Euro 27,521 thousand and includes Euro 9,235 thousand of commission recoveries on the cancellation of premiums issued in previous years and Euro 10,401 thousand relating to the utilisation of the doubtful debt provision for premiums.

CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE – (ACCOUNT I.4)

(in Euro thousands)	2009	2008	Changes
Gross amounts paid	(3,001,557)	(3,044,623)	43,066
Reinsurers' share	87,728	63,647	24,081
Change in gross recoveries	61,990	34,454	27,536
Reinsurers' share	1,880	-	1,880
Change in outstanding claims reserve	(155,951)	256,683	(412,634)
Reinsurers' share	21,084	9,080	12,004
	(2,984,826)	(2,680,759)	(304,067)

The gross amounts paid include:

(in Euro thousands)	2009	2008	Changes
Claims paid on current year policies	(1,147,564)	(1,105,392)	(42,172)
Claims paid on previous year policies	(1,552,000)	(1,633,275)	81,275
Contribution to the Road Victims' Fund	(46,458)	(48,973)	2,515
Direct and settlement expenses	(255,535)	(256,983)	1,448
	(3,001,557)	(3,044,623)	43,066

The change of the gross recoveries includes Euro 10,722 thousand of recoveries in the year and Euro 51,268 thousand for reconciliation on previous years. The increase over the preceding year is due to higher recoveries made by the Motor TPL class.

The changes in the gross amount of the claims reserve are as follows:

(in Euro thousands)	2009	2008	Changes
Reserve at beginning of the year	4,546,009	4,801,784	(255,775)
Exchange rate effect	(527)	675	(1,202)
Reserve for the year	(1,755,348)	(1,440,328)	(315,020)
Reserve for previous years	(2,944,343)	(3,105,681)	161,338
Movements in portfolio	(1,742)	233	(1,975)
	(155,951)	256,683	(412,634)

In relation to the direct business, the reserve at the beginning of the year, recorded a reversal of approx. Euro 61 million, as shown in the table below:

(in Euro thousands)	2009	2008
Existing claims reserve at beginning of year	4,433,886	4,673,291
Indemnities paid during the year, net of recoveries	1,647,706	1,753,078
Claims reserve at the end of the year	2,847,026	2,993,899
Change	(60,846)	(73,686)

Within the reconciliation of the claims of previous years the most significant deficiencies relate to the Motor TPL and the MLF TPL classes (Euro 25,017 thousand), the Fire Class (Euro 15,807 thousand) and the Injury Class (Euro 18,831 thousand).

On the determination of such insufficiency in the Fire and Injury Classes a rigorous reserve policy was put in place on claims open and an increase in the provision for the late claims reserve made.

The Injury Class was affected by deterioration of the technical result. This aspect, together with higher reserves resulted in the above-mentioned insufficiency.

CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT I.5)

(in Euro thousands)	2009	2008	Changes
Reserve for old age	(532)	(1,694)	1,162

The decrease, amounting to Euro 1,162 thousand, is attributable to the ageing reserve as per article 25 of Legislative Decree 175/1995, determined in accordance with the analytical criteria contained in article 25, paragraph 3 of this decree.

OPERATING EXPENSES – (ACCOUNT I.7)

(in Euro thousands)	2009	2008	Changes
Acquisition commissions	(551,525)	(584,908)	33,383
Other acquisition expenses	(90,639)	(91,490)	851
Change in commissions and other acq. expenses to amort.	-	-	-
Collection commissions	(12,932)	(12,778)	(154)
Other administration expenses	(157,355)	(155,385)	(1,970)
Commissions and profit participation received from reinsurers	29,071	27,589	1,482
	(783,380)	(816,972)	33,592

The purchase commissions also include acquisitions on long-term contracts.

Acquisitions commissions include the sales agency costs in accordance with article 51 of Legislative Decree 173/97.

The other acquisition expenses are largely due to the operating structures in place in the country.

The other administration expenses include depreciation on fixed assets of Euro 372 thousand (Euro 609 thousand in 2008), as well as the amounts defined as per article 53 of Legislative Decree 173/97.

The reinsurer profit participation amounts to Euro 2,630 thousand.

OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT I.8)

(in Euro thousands)	2009	2008	Changes
Other gross technical charges	112,567	107,225	5,342
Other technical charges ceded to reinsurers	5,499	2,087	3,412
	118,066	109,312	8,754

The account amounts to Euro 118,066 thousand and includes Euro 8,369 thousand of cancellations of premiums as non-collectible and Euro 80,694 thousand of cancellations of premiums for technical errors. This latter aspect, which decreased on the previous year, was again affected by the abolition of the tacit extension regime of the Motor TPL contracts, as well as the obligation for the insurance company to deliver to the insured party a declaration of the risk at the end of each year.

EQUALISATION RESERVES – PROVISIONS AND WITHDRAWALS – (ACCOUNT I.9)

The net change amounts to Euro 2,533 thousand.

The breakdown by class is shown below:

(in Euro thousands)	2009	2008
Reserve for natural disaster risks (direct business)		
Accident	-	-
Land vehicles	982	929
Aviation	5	3
Maritime	17	14
Goods in transit	19	32
Fire	1,471	1,420
Other property damage	28	36
Motor TPL	-	-
Aviation TPL	-	-
General TPL	-	-
Pecuniary losses	11	13
	2,533	2,447
Reserve off-set with Credit Class	-	-
	2,533	2,447

Attachment 19 shows a summary by class of the technical account in the Non-Life Division.

SECTION 19

INFORMATION CONCERNING THE LIFE TECHNICAL ACCOUNT

PREMIUMS WRITTEN NET OF REINSURANCE – (ACCOUNT II.1)

(in Euro thousands)	2009	2008	Changes
Direct premiums	1,061,766	1,131,224	(69,458)
Indirect premiums	5,192	5,834	(642)
Gross premiums written	1,066,958	1,137,058	(70,100)
Premiums ceded to reinsurers	(23,613)	(16,779)	(6,834)
Premiums written in year, net of reinsurance	1,043,345	1,120,279	(76,934)

The breakdown of the direct and indirect premiums together with the reinsurance balance is shown in attachment 20.

The account “gross premiums written” does not include, in accordance with ISVAP regulation No. 735 of 01/12/1997, the technical cancellation of first annuity premiums and single premiums issued in previous years, which were recorded in the account “Other technical charges”.

INVESTMENT INCOME – (ACCOUNT II.2)

In accordance with article 54 of Legislative Decree 173/97, all the financial asset income and charges related with investments in the Life division are recorded in the relative technical account.

(in Euro thousands)	2009	2008	Changes
Income from shares	22,689	61,685	(38,996)
Income from other investments	329,385	390,971	(61,586)
Write-backs on investment values	125,255	11,508	113,747
Profit realised on investments	49,597	28,704	20,893
	526,926	492,868	34,058

The income from shares and quotas include Euro 5,615 thousand relating to dividends from the subsidiary Milano Assicurazioni and Euro 3,658 thousand relating to the dividend from the subsidiary Popolare Vita.

The breakdown of the income from investments is shown in attachment 21, which also reports the corresponding data of the non-technical accounts related to the investments in the Non-Life Classes.

INCOME AND GAINS NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.3)

Income from class D I

(in Euro thousands)	2009	2008	Changes
Gross income	15,250	16,650	(1,400)
Profits realised on investments	740	432	308
Unrealised gains	38,786	6,382	32,404
TOTAL	54,776	23,464	31,312

The non-realised gains refer for Euro 11,101 thousand to Unit-linked policies and for Euro 27,685 thousand to Index-Linked products. Among these gains are Euro 5,442 thousand relating to the Index Match Race product and Euro 5,257 thousand to the Index Global Race product.

Income from class D II

(in Euro thousands)	2009	2008	Changes
Gross income	4,844	7,698	(2,854)
Profits realised on investments	7,405	3,924	3,481
Unrealised gains	15,733	2,242	13,491
TOTAL	27,982	13,864	14,118

The class D.II. income refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Aperto Fondiaria Previdente” and the “Fondo Pensione Aperto Conto Previdenza”.
The details of the income from class D is shown in attachment 22.

OTHER TECHNICAL INCOME NET OF REINSURANCE - (ACCOUNT II.4)

(in Euro thousands)	2009	2008	Changes
Other technical income before reinsurance	1,043	9,929	(8,886)
TOTAL	1,043	9,929	(8,886)

This refers for Euro 452 thousand to the reversal of the write-downs of premiums in previous years.

CLAIMS INCURRED NET OF REINSURANCE – (ACCOUNT II.5)

(in Euro thousands)	2009	2008	Changes
Gross sum paid	(1,102,099)	(1,777,568)	675,469
Reinsurers' share	14,512	10,630	3,882
Gross change in reserve for sums to be paid	17,641	40,083	(22,442)
Reinsurers' share	(575)	(944)	369
TOTAL	(1,070,521)	(1,727,799)	657,278

The gross sums paid are as follows:

(in Euro thousands)	2009	2008	Changes
- for claims	32,671	36,587	(3,916)
- for matured policies	530,345	566,325	(35,980)
- for redemptions	526,074	1,164,316	(638,242)
- for life annuities	6,833	4,390	2,443
- for reinsured risks	6,176	5,950	226
TOTAL	1,102,099	1,777,568	(675,469)

CHANGES IN THE ACTUARIAL AND OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT II.6)

(in Euro thousands)	2009	2008	Changes
Change in the gross amount of the actuarial reserve	(228,569)	393,454	(622,023)
Reinsurers' share	4,307	4,941	(634)
Change in the gross amount of the additional premium reserve	38	27	11
Reinsurers' share	-	-	-
Change in the gross amount of the technical reserves	4,880	1,803	3,077
Reinsurers' share	-	-	-
Change in the gross amount of the class D technical reserves	(13,036)	106,926	(119,962)
Reinsurers' share	-	-	-
TOTAL	(232,380)	507,151	(739,531)

The change in the technical reserves relates, principally, to the change of the actuarial reserves for pure premiums of contracts in portfolio, mainly related to the separated management, which have either matured or were redeemed during the year.

PROFIT SHARING AND REVERSALS RECOGNISED TO POLICYHOLDERS OR OTHER BENEFICIARIES – (ACCOUNT 11.7)

During the year reversals or profit participations recognised to policyholders or other beneficiaries were recorded.

OPERATING EXPENSES – (ACCOUNT II.8)

(in Euro thousands)	2009	2008	Changes
Acquisition commissions	(15,689)	(12,658)	(3,031)
Other acquisition expenses	(12,607)	(12,483)	(124)
Change in commissions and expenses to be amortised	(316)	(535)	219
Collection commissions	(4,733)	(5,633)	900
Other administration expenses	(35,494)	(36,901)	1,407
Commissions and profit part. from reinsurers	4,828	2,866	1,962
TOTAL	(64,011)	(65,344)	1,333

The acquisition commissions include acquisition charges on long-term contracts of Euro 3,280 thousand (Euro 2,968 thousand in 2008). The change in commissions and acquisition expenses to be amortised is due essentially to the expensing in the income statement of the prepaid commissions relating to contracts signed by the former La Fondiaria S.p.A.

The other acquisition expenses include, in addition to the expenses relating to the general structure of the Operating Department, the costs relating to the Marketing Department and the IT expenses attributable to the new contracts acquired.

The reinsurer profit participation amounts to Euro 3,960 thousand.

ASSET AND FINANCIAL CHARGES – (ACCOUNT II.9)

(in Euro thousands)	2009	2008	Changes
Management expenses on investments and interest expense	(18,009)	(71,217)	53,208
Write-downs on investment values	(24,619)	(314,601)	289,982
Losses realised on sale of investments	(10,273)	(15,697)	5,424
TOTAL	(52,901)	(401,515)	348,614

Attachment 23 reports the composition of asset and financial charges of Life management.

The change in the investment management charges is due to the absence of charges related to the issue discount of a Morgan Stanley bond, expired at the end of 2008. We recall that the charges of this issue were offset by related coupon income.

The investment management charges include income taxes of Euro 295 thousand, of which Euro 247 thousand due on Property Taxes.

The adjustments to investment values include depreciation on fixed assets of Euro 224 thousand and write-downs to financial instruments as follows:

(in Euro thousands)	2009	2008	Changes
CIII shares	(5,957)	(127,432)	121,475
Group company shares	(11,535)	(2,587)	(8,948)
Mutual investment funds	(916)	(8,392)	7,476
Government bonds	(2,623)	(14,705)	12,082
Corporate bonds	(3,351)	(160,965)	157,614
Other financial assets	(13)	(77)	64
TOTAL	(24,395)	(314,158)	289,763

ASSET AND FINANCIAL CHARGES AND LOSSES NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.10)

Class D I charges

(in Euro thousands)	2009	2008	Changes
Investment management charges	(842)	(1,613)	771
Losses realised on sale of investments	(2,885)	(4,021)	1,136
Losses not realised	(2,004)	(58,778)	56,774
TOTAL	(5,731)	(64,412)	58,681

The amount of the losses not realised refers for Euro 8 thousand to Unit-Linked products, Euro 1,996 thousand to Index-Linked products and other products as per article 30 of Legislative Decree 174/95.

Class D II charges

(in Euro thousands)	2009	2008	Changes
Investment management charges	(4,586)	(2,154)	(2,432)
Losses realised on sale of investments	(3,201)	(11,096)	7,895
Losses not realised	(325)	(22,316)	21,991
TOTAL	(8,112)	(35,566)	27,454

The class D.II. charges refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Fondiaria Previdente” and the “Fondo Pensione Conto Previdenza”.

Attachment 24 shows a breakdown of these charges.

OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT II.11)

(in Euro thousands)	2009	2008	Changes
Other gross technical charges	(21,131)	(29,856)	8,725
Other technical charges ceded to reinsurers	-	-	-
TOTAL	(21,131)	(29,856)	8,725

The other technical charges refer to losses on unrecoverable receivables and cancellations for technical error by the issuer.

QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON TECHNICAL ACCOUNT (ACCOUNT IL12)

The amount transferred amounted to Euro 53,902 thousand and was calculated in accordance with Isvap measure No. 1140-G.

SECTION 20

DEVELOPMENT OF THE CLASS TECHNICAL ACCOUNTS

In accordance with ISVAP Regulation No. 17 of March 11, 2008 the Company adopted, with Board of Directors' resolution of June 18, 2008, the following criteria for the division of common costs and revenues between Life and Non-Life management:

- the technical-insurance costs and revenues are allocated directly to the individual managements on origin;
- for the other non technical costs and revenues such as asset and financial income and charges, depreciation, provisions as well as other extraordinary and ordinary income and charges, the allocation to one of the managements is made from origination based on the direct correlation which relates the asset elements from which they derive;
- for the other non technical costs and revenues, such as personnel not allocated and other administration expenses not directly allocated, the division between the two managements is based on an analytical accounting basis which, recorded based on cost centres, permits the allocation to one of the management centres. On the other hand, common income and costs are divided according to the drivers which takes into account specific weight of each class of the overall business.

Separately for each of the two managements: in the Non-Life Classes the common amounts to several Classes are represented by management expenses and by the quota of the profit of the investments transferred from the non technical account; in the Life Classes, the common accounts to several Classes are represented by the management expenses and the income from investments net of the quota transferred to the non technical account.

The following criteria for the breakdown of these common accounts are as follows:

- other acquisition expenses: include the costs of the Commercial Networks and the Assistance Unit together with the costs for the IT structure, utilised for the acquisition of the contracts. The allocation, in the majority of the cases, is made based on premiums, appropriately adjusted. Where possible, however, the direct allocation is made according to the nature of the expenses;
- claims expenses: they relate to expense cost centres of the Settlement Network and therefore the Claims Management and the cost for the IT claims procedures. The allocation of the expenses not directly attributable to the individual Classes is made based on the average number and amount of the claims settled by staff;
- other administration expenses: all the other costs not included in the two previous categories comprise the other administration expenses and principally relate to overhead costs included in the holding costs. The criteria utilised for the division is based on, in the majority of the cases, premiums appropriately adjusted, while for some expenses, promptly indentified, a different criteria was utilised due to the specifics of the activity undertaken;

- for the portion of the profits of the investments, reference should be made to article 22 of ISVAP Regulation No. 22.

Attachment 25 provides a summary of technical accounts by each Non-Life Class of the Italian portfolio.
Attachment 27 provides a summary of technical accounts by each Life Class of the Italian portfolio.

Further claims information on the technical accounts of the Non-Life and Life Classes, with reference to the Italian and foreign portfolios, are shown in attachments 26, 28 and 29.

SECTION 21

INFORMATION CONCERNING THE TECHNICAL ACCOUNT

INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION – (ACCOUNT III.3)

(in Euro thousands)	2009	2008	Changes
Income from shares	87,806	188,112	(100,306)
Income from other investments	107,320	169,794	(62,474)
Write-backs on investment values	25,731	4,183	21,548
Profit realised on investments	119,580	170,257	(50,677)
TOTAL	340,437	532,346	(191,909)

Attachment 21 shows, together with the income from Life management, the details of investment income.
The income from shares and quotas include Euro 28,207 thousand relating to dividends from the subsidiary Milano Assicurazioni and Euro 13,000 thousand of the subsidiary Saifin-Saifinanziaria and Euro 11,000 of the subsidiary Italiberia.

QUOTA OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE DIVISION TECHNICAL ACCOUNT (ACCOUNT III.4)

Reference should be made to the comments in the related section of the Life Class technical account.

ASSET AND FINANCE CHARGES FOR NON-LIFE INSURANCE BUSINESS – (ACCOUNT III.5)

(in Euro thousands)	2009	2008	Changes
Management expenses on investments and interest expense	(42,373)	(50,216)	7,843
Write-downs on investment values	(78,289)	(127,055)	48,766
Losses realised on sale of investments	(33,862)	(79,249)	45,387
TOTAL	(154,524)	(256,520)	101,996

The investment management charges include income taxes of Euro 5,018 thousand, of which Euro 4,253 thousand due on Property Taxes.

The adjustments to investment values include depreciation on fixed assets of Euro 1,140 thousand and adjustments to financial instruments as follows:

(in Euro thousands)	2008	2009	Changes
CIII shares	(19,912)	(59,224)	39,312
Group company shares	(47,341)	(24,891)	(22,450)
Mutual investment funds	(8,470)	(13,910)	5,440
Government bonds	(214)	(14,079)	13,865
Corporate bonds	(1,212)	(9,868)	8,656
TOTAL	(77,149)	(121,972)	44,823

Attachment 23 shows the asset and financial charges also in relation to Life management.

QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (ACCOUNT III.6)

The amount transferred amounted to Euro 130,167 thousand and was calculated in accordance with the above-mentioned Regulation No. 22.

OTHER INCOME (ACCOUNT III.7)

The account amounts to Euro 241,823 thousand (Euro 145,790 in 2008) and is broken down as follows:

(in Euro thousands)	2009	2008	Changes
Recovery of expenses and administrative cost	149,061	72,499	76,562
Interest on restricted bank current accounts	3,964	13,778	(9,814)
Interest on insurance company accounts	653	1,133	(480)
Interest on other receivables	8,890	5,116	3,774
Utilisation of doubtful debt provision	12,580	7,612	4,968
Utilisation of provision for risks and charges	39,496	13,781	25,715
Other income	25,903	31,372	(5,469)
Exchange differences	1,276	499	777
TOTAL	241,823	145,790	96,033

The recovery of third party expenses and administration charges, which are offset against other charges, principally relate to the recharges to companies of the Group against the division, based on standard criteria, of the general functional costs. The increase, amounting to Euro 76,562 thousand, is principally attributable to the restructuring relating to the provision of intergroup services, which resulted in a higher transfer of assets to the consortium company by the Group.

The interests on non restricted bank accounts includes interest of Euro 876 thousand on bank accounts held by Banca Sai, interest for Euro 3,007 thousand on current accounts of other banks and Euro 81 thousand relating to interest on time deposit operations.

The interest from other receivables principally relates to interest on tax receivables for Euro 944 thousand and interest for the management of the Road Victims' Provision claims for Euro 4,268 thousand and interest from agents of Euro 3,523 thousand.

The utilisation of the doubtful debt provision is due to the losses recorded in the year relating to amounts which were provisioned and to other estimates not collectible other than those relating to premiums issued.

The utilisation of the provisions for risks and charges includes the buildings maintenance provision for Euro 6,056 thousand, the employee service bonds provision as per article 32 of the CCNL of Euro 551 thousand and Euro 56 thousand from the commitments deriving from the trade union agreement of April 14, 1972 for pension integrations.

There were also utilisations of Euro 32,833 thousand from the provision for risks and charges, among others, against charges incurred, already accrued in previous years, in relation to employees for vacation days not taken, as well as against charges incurred following the settlement of disputes or the elimination of risks in this regard.

Other income, amounting to Euro 25,903 thousand (Euro 31,372 thousand at 31/12/2008) principally refers to services provided to companies of the Group.

These amounts are in addition to those of a mere recovery of costs and relate to the recovery from third parties of expenses and administration charges.

The account other income also includes Euro 1,922 thousand relating to the final portion of the financial cash flows discounted relating to the settlement agreement at the beginning of 2007 with the Tax Office in order to accelerate the receipt of some tax reimbursements.

OTHER CHARGES (ACCOUNT III.8)

The account amounts to Euro 324,246 thousand (Euro 331,342 thousand in 2008) and includes:

(in Euro thousands)	2009	2008	Changes
Administrative costs/expenses incurred for third parties	(149,061)	(72,499)	(76,562)
Interest expense on insurance company accounts	(1,651)	(1,417)	(234)
Provision for doubtful debts	(19,241)	(8,156)	(11,085)
Provision for risks and charges	(14,288)	(64,893)	50,605
Losses on receivables	(3,100)	(7,707)	4,607
Amortisation on other intangible assets	(5,385)	(12,679)	7,294
Goodwill amortisation	(48,657)	(48,657)	-
Interest on loans	(22,133)	(41,759)	19,626
Interest on sub-ordinated liabilities	(39,700)	(53,688)	13,988
Exchange differences	(238)	(4,743)	4,505
Other	(20,792)	(15,144)	(5,648)
TOTAL	(324,246)	(331,342)	7,096

The administration charges and expenses on behalf of third parties, which are also recorded under other income, within recoveries exclusively relate to the recharge to companies of the Group against the division, based on standard criteria, of the general Group overhead costs.

The provision for doubtful debts relates to the provision from agencies and brokers, from co-insurance companies and other debtors, other than those deriving from policyholders for amounts considered doubtful.

The provision for risks and charges refers for Euro 8,955 thousand to provisions for future risks and charges. The provision also includes charges that the company must incur, of a certain nature and amount, for which the date of payment is still uncertain.

The residual refers for Euro 4,274 thousand to the provision of the building maintenance fund and for Euro 1,059 thousand to provisions for service premium fund as per article 32 of the CCNL.

In relation to the amortisation of goodwill in the year, reference should be made to the account Intangible Assets. The amortisation of the other intangible assets, amounting to Euro 5,385 thousand, relate for Euro 205 thousand to software, for Euro 1,286 thousand to study and research expenses, for Euro 3,550 thousand to costs for the placement of the subordinated loans and for Euro 313 thousand to costs related to the opening of the senior loan. Finally, Euro 29 thousand refers to leasehold improvements and Euro 2 thousand to trademarks.

The interest on loans principally includes Euro 10,660 thousand relating to the loan granted by the subsidiary Sainternational, Euro 4,057 thousand for interest on loans granted by the subsidiaries Saifin and Fondiaria Nederland and Euro 179 thousand relating to the payable to Sai Holding and Euro 367 thousand for interest on the loan granted by Sim Etoile.

Euro 6,500 thousand relates to interest on the senior loan contract of Euro 250 million agreed on January 11, 2008 with Mediobanca and partially repaid in the year.

The interest on subordinated liabilities refers entirely to four loans from Mediobanca.

The residual charges principally refer to costs incurred against revenues for services carried out by some companies of the Group for Euro 9,121 thousand, to the amount due to Finitalia on loans for receivables granted to insurance policy counterparties for Euro 3,851 thousand and costs for other taxes of Euro 379 thousand.

EXTRAORDINARY INCOME – (ACCOUNT III.10)

The account amounts to Euro 143,331 thousand (Euro 120,378 thousand in 2008) and is composed as follows:

(in Euro thousands)	2009	2008	Changes
Gain on property sales	116,156	42,760	73,396
Gain from sale of investments in non-current securities	12,209	65,652	(53,443)
Other extraordinary income	12,966	11,966	3,000
TOTAL	143,331	120,378	22,953

The gains on building sales principally refer to the conferment in December of eleven buildings to the Rho Fund. The operation recognised the gains of some of the real estate utilised directly by Fondiaria-SAI S.p.A. and illustrated in detail in the Directors' Report.

The largest gains were generated from the buildings located in Florence, Piazza della Libertà 6 and buildings located in Milan, Via Senigallia.

The account "Gain from the sale of investments in non-current securities" includes income to be realised of Euro 12,056 thousand relating to bonds, while Euro 153 thousand refers to the equity segment.

The other extraordinary income includes prior year income for Euro 6,830 thousand. The residual principally relates to deferred tax assets recorded on previous years of Euro 4,479 thousand, in addition to adjustments on tax provisions, current and deferred, totalling Euro 3,641 thousand.

EXTRAORDINARY CHARGES – (ACCOUNT III.11)

The account amounts to Euro 107,867 thousand (Euro 68,568 thousand at 31.12.08) and is composed as follows:

(in Euro thousands)	2009	2008	Changes
Expenses relating to the sale of buildings	(3,468)	(870)	(2,598)
Losses on property sales	-	(231)	231
Losses from sale of investments in non-current securities	(41,957)	(42,548)	591
Valuation losses on treasury shares	(19,068)	(9,687)	(9,381)
Other extraordinary charges	(43,374)	(15,232)	(28,142)
TOTAL	(107,867)	(68,568)	(39,299)

The losses from the sale of investments in non-current securities related for Euro 4,694 thousand to bonds and Euro 37,263 thousand to equities. In particular, this refers to losses realised on equities hedged whose amount are largely offset by gains realised on the correlated options.

The other extraordinary charges include prior year charges of Euro 21,767 thousand, of which Euro 4,922 thousand due to sanctions from ISVAP. The account also includes charges for the Tax Assessment relating to the years 2004-2006 of Euro 20,476 thousand. The account includes expenses for repayments to policyholders against excess premiums paid following the noted Anti-trust judgement for Euro 1,012 thousand.

The account III.11 "Extraordinary charges" includes Euro 4 rounding as per attachment 9 of ISVAP Regulation No.22 of April 4, 2008.

INCOME TAXES - (ACCOUNT III.14)

The account is positive for Euro 4,099 thousand (positive for Euro 34,730 in 2008) and is broken down as follows:

(in Euro thousands)	2009	2008	Changes
<u>Current income tax</u>			
Ires income taxes before changes from tax consolidation	-	-	-
Estimated income/(charge) from tax consolidation	4,864	2,380	2,484
Ires income taxes	4,864	2,380	2,484
Irap regional tax	(1,000)	(4,500)	3,500
Total current income taxes	3,864	(2,120)	5,984
<u>Deferred tax charge</u>			
Ires income taxes	33,052	38,284	(5,232)
Irap regional tax	1,453	(1,434)	2,887
Total net deferred taxes	34,505	36,850	(2,345)
<u>Other taxes on income</u>			
Substitute Ires/Irap taxes	(34,270)	-	(34,270)
Total other income taxes	(34,270)	-	(34,270)
Total taxes for the year	4,099	34,730	(30,631)

The current income taxes refer to the estimated Ires income taxes and Irap regional taxes for the current year, calculated in accordance with the current tax regulations and applied on the respective assessable basis for the nominal amounts of 27.5% of Ires income taxes and 4.82% for Irap regional taxes.

The current tax is recorded as a provision and not as a tax payable, as at the year-end the income tax declaration of the company was not yet prepared.

In relation to the Ires income tax, for the year 2009 the Group taxation was continued pursuant to article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the Ires income tax on behalf of the subsidiary companies within the tax consolidation.

However, the Ires income tax in the income statement only refers to the amount attributable to the Company based on its result, positive or negative, net of the positive and negative tax items deriving from the consolidation adjustments. On the other hand, the deferred taxes include the entire tax charge estimated on the Group. The income tax provision includes the entire charge estimated by the Group.

Current income taxes amount to income of Euro 4,864 thousand as the net effect between the remuneration of the estimated fiscal losses which the Company contributes to the national fiscal consolidation and the related charges to the restitution of the fiscal savings to the subsidiaries which contributed assessable income absorbing previous losses contributed by the consolidating Fondiaria-SAI.

These charges refer for Euro 1,703 thousand to the subsidiary BancaSai, of which Euro 1,392 thousand against advantages definitively acquired, and Euro 3,662 thousand to the subsidiary Immobiliare Lombarda.

On the other hand, the gross advantages estimated amount to Euro 10,229 thousand, of which Euro 5,651 thousand refers to the fiscal saving related to the estimated losses transferred to the company by the other consolidated companies.

In relation to this, it is reported that the provisional allocation of these economic advantages to the Company are illustrated in the movements of the specific risk provisions recorded in the accounts, as are the utilisations against the restitution to the consolidated companies of the same advantages.

In addition it is reported that, in accordance with national accounting standard O.I.C. No.25, in relation to the correct recording of the advantages from the fiscal consolidation, the amount recorded as income refers only to the fiscal saving related to the losses effectively off-settable within the income of the group while, for the excess, the relative deferred tax assets were recorded.

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate of 27.5% is as follows:

(in Euro thousands)	2009	2008	Changes
Profit before taxes	36,118	34,861	1,257
Taxes on theoretical income (excluding regional tax)	9,932	9,587	346
Tax effect from changes in permanent differences	(36,333)	(50,573)	14,240
Other differences	(11,515)	322	(11,837)
Taxes on income (excluding regional tax)	(37,916)	(40,664)	2,749
Irap regional tax	(453)	5,934	(6,387)
Other taxes	34,270	-	34,270
Total income taxes for the year	(4,099)	(34,730)	30,632

For a better understanding of the reconciliation between theoretical taxes and recorded taxes, no account was taken of the Irap regional tax as the assessable base is substantially different, and therefore not comparable. No substitute tax provision has been made.

The permanent differences, whose net effect results in a reduction in income taxes for the year of Euro 36,333 thousand refers to exempt income of approx. Euro 352,573 thousand and non deductible costs of Euro 220,453 thousand. The exempt income refers largely to dividends for the year and the tax gains realised on hedging derivatives on shares recorded under non-current assets pursuant to article 86 of Presidential Decree 917/1986 (so-called PEX).

Also included are the gains realised following the conferment of the buildings to the RHO Fund for which the Company wishes to avail of the application of the substitute tax for Ires income tax and Irap regional tax in accordance with article 1, paragraph 260 of Law 296/2006.

On the other hand, the non deductible costs includes the fiscal losses realised and valuations relating to the same exempt equity securities, those relating to the shares recorded in the current segment as per article 109, paragraph 3-bis of Presidential Decree 917/1986, in addition to taxes and amortisation not deductible.

The positive effect of other permanent changes of Euro 11,515 thousand arises from the combined effect between the utilisation of deferred tax liabilities, for Euro 12,907 thousand, provisioned in previous years on higher amortisation on goodwill only for fiscal purposes recorded following the exercise of the realignment pursuant to article 1, paragraph 48, of Law 244/2007 (2008 Finance Act) and Euro 1,392 thousand relating to charges from the fiscal consolidation relating to the transfer of fiscal savings on losses definitively acquired.

Substitute taxes refer for Euro 7,209 thousand to the already mentioned realignment of the differences between statutory and fiscal goodwill through the payment of a substitute tax of 16%. The exercise of this option resulted in a positive effect on the income statement for the year of Euro 11,615 thousand, due to the simultaneous utilisation of deferred taxes for Ires income tax and Irap regional tax previously accrued.

The residual of Euro 27,060 thousand relates to the substitute tax of 20% on the property gains realised following the conferment to the RHO fund which the Company wishes to apply, where economic and financial advantages are confirmed, through the option to be exercised in the next declaration of income taxes.

Compared to the year 2008, there is a significant decrease in exempt income due to the lower amount of dividends in the year and lower realisation from exempt equity securities. These changes are only partially offset by the already stated intention to separately tax the gains on real estate.

The combined effect of current and deferred taxes, positive for Euro 4,099 thousand, renders the tax rate in the financial statements as not significant, similar to the previous year.

In relation to Irap, the estimated tax contributes to the improvement of the result of the year for Euro 453 thousand, compared to charges of Euro 5,934 thousand in the previous year.

This relates on the one hand to a significant contraction in the technical accounts, non-life and life, which following the reform of the assessable tax base with Law 244/2007 (Finance Law 2008) reduced the relative tax charge.

On the other hand, a lower percentage of personnel costs were recorded which are non deductible for taxation purposes, following the recharges made for personnel on secondment with in particular the subsidiary Fondiaria-SAI Servizi Group net of the deductions relating to the so-called “tax amnesty”.

The movements in deferred taxes are as follows:

(in Euro thousands)	2009	2008	Changes
Deferred tax charges arising	(41)	(9,985)	9,944
Deferred tax charges cancelled	25,708	10,517	15,191
Deferred tax income arising	44,632	63,703	(19,071)
Deferred tax income cancelled	(35,794)	(27,385)	(8,409)
TOTAL	34.505	36.850	(2.345)

In accordance with article 2427 of the Civil Code, point 14, the following table shows the temporary differences giving rise to the deferred tax assets and liabilities. This was calculated applying to these temporary differences the nominal rates in force when the amounts will reverse, already approved at the date of the preparation of the present accounts, in accordance with national accounting standard No. 25, issued by O.I.C.

In relation to the Irap regional income tax, following the above-mentioned changes to the assessable base the movements in the deferred tax liabilities are exclusively related to the reversal of the temporary timing differences, assessable or deductible, recorded in previous years.

(in Euro thousands)	2009		2008	
Deferred tax asset	Temp. Diffs.	Temp. Diffs.	Temp. Diffs.	Temp. Diffs.
Long-term Non-Life commissions payable	-	36,071	9,920	9,920
Write-down receivables from policyholders for premiums	22,406	6,162	12,933	3,557
Changes in Non-Life Claims Reserves	70,805	19,471	-	-
Write-down of other receivables	19,241	5,291	8,156	2,243
Property maintenance provision	4,274	1,175	6,076	1,671
Losses not realised on shares	9,889	2,719	155,979	42,894
Provision for risks and charges	8,191	2,253	11,286	3,104
Other temporary changes	27,494	7,561	1,146	314
TOTAL	162,300	44,632	231,647	63,703

Movements during the year in deferred tax assets are as follows:

(in Euro thousands)	2009	Changes in 2009		2009
Deferred tax asset	opening balance	with balance sheet impact	with income statement impact	closing balance
Long-term Non-Life commissions payable	16,616	(9,920)	(6,696)	-
Write-down receivables from policyholders for premiums	43,583	-	3,205	46,788
Changes in Non-Life Claims Reserves	3,183	-	19,224	22,407
Write-down of other receivables	9,075	-	1,831	10,906
Property maintenance provision	1,714	-	(490)	1,224
Losses not realised on shares	51,208	-	(15,380)	35,828
Provision for risks and charges	38,234	-	220	38,454
Other temporary changes	2,955	-	11,403	14,358
TOTAL	166,568	(9,920)	13,317	169,965

(in Euro thousands)	2009		2008	
Deferred tax liabilities	Difference	Income tax	Difference	Income tax
Deferred gains	-	-	36,309	9,985
Gains not realised on shares	149	41	-	-
Only fiscal depreciation	-	-	-	-
Other temporary changes	-	-	-	-
TOTAL	149	41	36,309	9,985

Movements during the year in deferred tax assets are as follows:

(in Euro thousands)	2009	Changes 2009		2009
Deferred tax liabilities	opening balance	with balance sheet impact	with income statement impact	closing balance
Deferred gains	12,542	(9,985)	(1,757)	800
Gains not realised on shares	1,802	-	(674)	1,128
Only fiscal depreciation	43,206	-	(19,988)	23,218
Other temporary changes	2,362	(1,640)	-	722
Allocation of merger deficit	25,015	927	(3,248)	22,694
TOTAL	84,927	(10,698)	(25,667)	48,562

The recording of deferred tax assets and liabilities through equity results in the adjustment to taxes recorded in previous years which have resulted in higher or lower current taxes with correlated movement in the deferred tax provision.

Deferred tax assets include Euro 4,479 thousand referring to extraordinary income following adjustments of fiscal values of some buildings conferred to the Tikal R.E. real estate fund in 2004 and which will reverse on the sale or liquidation of the shares received by the Company.

With reference to the temporary timing differences arising in the year, the recording of deferred tax assets for Euro 44,632 thousand is principally due to the component of the changes in the claims reserve deductible in subsequent years and write downs on receivables from policyholders for premiums. The other temporary changes include for Euro 7,476 thousand taxes accrued against estimated fiscal losses transferred to the fiscal consolidation for the part which exceed the immediate offset with positive net revenues transferred by the other companies.

On the other hand the reversal of the taxes accrued in previous years amounts to Euro 35,794 thousand (Euro 27,385 thousand in 2008). This amount is due for Euro 18,100 thousand to the reversal of the valuation losses recorded in the previous years following the realisation or recovery in values made in the year and for Euro 6,696 thousand to the deductions of the portion of the long-term commissions in the Non-Life Division reversed in previous years.

Deferred tax liabilities arising in the year are effectively non existent.

This results from the choice, already commented upon, to opt for the separate taxation of the real estate gains realised and not to defer the non-current securities against a fiscal loss. From 2008 it is no longer permitted to record depreciation and adjustments only for tax purposes which results in the related temporary timing differences.

In relation to the reversal of the deferred tax liabilities recorded in previous years they amount to Euro 25,708 thousand. The significant increase in the income taxes reversed in the year is due for Euro 14,823 thousand to the previously mentioned reversal of amortisation of the goodwill solely for tax purposes in the accounts in addition to Euro 5,165 thousand relating to the reversal of the alignment between statutory and fiscal values of the buildings disposed of in the year.

Among the accounts excluded from the deferred tax are the provisions for risks and charges in previous years against those estimates for which it is considered appropriate, prudently, not to record deferred tax assets in consideration of the uncertainty on the timing and on the variability of the estimates made.

Similarly the write-downs and the related write-backs on investments held in accordance with article 87 of Pres. Decree No. 917/1986 were excluded which, although technically reversible for the part of the gain which becomes taxable following the changes to the Pex law, they may not currently be recorded for a correct valuation.

SECTION 22

OTHER INFORMATION ON THE INCOME STATEMENT

Attachment 30 shows the transactions with group companies and attachment 31 shows the direct premiums written.

The table of costs relating to personnel, directors, and statutory auditors are reported in attachment 12.

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

Pursuant to article 78 of CONSOB Resolution No. 11971 of May 14, 1999 and in accordance with the criteria of attachment 3C, the remuneration of directors, statutory auditors and general managers, of whatever nature and form, also from subsidiary companies, is shown below:

(Amounts in Euro)

NAME	DESCRIPTION OF OFFICE			REMUNERATION				
							Other remuneration (3)	
	Office held (1)	Period of office	Expiry of office	Emoluments for office	Non-monetary benefits (2)	Bonuses and other incentives	Emoluments for offices held in subsidiary companies	Other
Ligresti Jonella	Chairman - Director EC	1/1-31/12/2009	AGM 2011 Accounts	*2,352,821	3,533		146,319	
Ligresti Giulia Maria	Vice Chairman Director EC	1/1-31/12/2009	AGM.2011 Accounts	*262,300	3,533		568,961	
Pini Massimo	Vice Chairman Director EC	1/1-31/12/2009	AGM 2011 Accounts	*285,743	32,888		290,792	
Talarico Antonio	Vice Chairman Director EC	1/1-31/12/2009	AGM.2011 Accounts	*278,502	23,822		1,185,131	(a)
Marchionni Fausto	CEO General Manager – Director - EC –RC	1/1-31/12/2009	AGM 2011 Accounts	*1,610,000	4,808		520,895	(b)
Broggini Andrea	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			0	
Cerutti Mariella	Director	1/1-24/4/2009		15,479			0	
Comoli Maurizio	Director ICC	1/1-31/12/2009 24/1-31/12/2009	AGM 2011 Accounts	65,545			0	(c)
Corsi Francesco	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			0	(d)
D'Urso Carlo	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			0	(e)
La Russa Vincenzo	Director EC	1/1-31/12/2009	AGM 2011 Accounts	100,736			3,181	(f)
Ligresti Gioacchino Paolo	Director EC	1/1-31/12/2009	AGM 2011 Accounts	100,736			2,724,133	
Lo Vecchio Lia	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			12,600	(g)
Marocco Valentina	Director	24/4-31/12/2009	AGM 2011 Accounts	35,257			0	
Mei Enzo	Director I.C.C. - RC	1/1-31/12/2009	AGM 2011 Accounts	80,736			0	
Morbidelli Giuseppe	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			0	(h)
Rucellai Cosimo	Director	1/1-31/12/2009	AGM 2011 Accounts	50,736			135,625	
Spiniello Salvatore	Director I.C.C.	1/1-31/12/2009	AGM 2011 Accounts	70,736			40,466	(i)
Toselli Ezio	Director I.C.C.	1/1-24/4/2009		21,671			0	
Viglianisi Sergio	Director	24/4-31/12/2009	AGM .2011 Accounts	35,257			3,181	

Zannoni Oscar (deceased on September 23, 2009)	Director RC	1/1-23/9/2009	44,006	0
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(Amounts in Euro)

NAME	DESCRIPTION OF OFFICE			REMUNERATION				
							Other remuneration (3)	
	Office held (1)	Period of office	Expiry of office	Emoluments for office	Non-monetary benefits (2)	Bonuses and other incentives	Emoluments held for office in subsidiary companies	Other
Marino Benito Giovanni	Chairman							
	Board of Statutory	1/1-31/12/2009	AGM .2011	137,500			110.529	
D'Ambrosio Antonino	Auditors		Accounts					
	Statutory Auditor	24/4-31/12/2009	AGM .2011	62,137			23.000	
	Standing member		Accounts					
Mantovani Giancarlo	Statutory Auditor	1/1-24/4/2009		28,463			65.500	
	Standing member							
Spadacini Marco	Statutory Auditor	1/1-31/12/2009	AGM .2011	92,500			0	
	Standing member		Accounts					
Malerba Alessandro	Statutory Auditor	1/1-31/12/2009	AGM .2011	0			0	
	Alternate member		Accounts					
Mosconi Maria Luisa	Statutory Auditor	1/1-31/12/2009	AGM .2011	0			175.601	
	Alternate member		Accounts					
Porfido Rossella	Statutory Auditor	1/1-31/12/2009	AGM .2011	0			60.632	
	Alternate member		Accounts					
KEY EXECUTIVES (1)		1/1-31/12/2009			11.115			(b) 2,504,236

TABLE KEY:

(1) In relation to the column "Office held" the letters "EC" indicate members of the Executive Committee, the letters "I.C.C." indicate members of the Internal Control Committee and the letters "RC" indicate members of the Remuneration Committee.

(2) With reference to the column "Non monetary benefits" the estimated value is reported.

(3) The column "Other remuneration" indicates the office for which the amounts were paid.

* Remuneration for the offices of the Chairman Jonella Ligresti, of the Vice Chairman Giulia Ligresti, Massimo Pini and Mr. Antonio Talarico, Chief Executive Officer Mr. Fausto Marchionni include the remuneration for the offices of Director and Member of the Executive Committee, as approved by the Board of Directors of Fondiaria-SAI on June 17, 2009.

a) Employee remuneration for the subsidiary Immobiliare Lombarda.

b) Employee remuneration for Fondiaria-SAI S.p.A.

c) Professional services provided by Studio Comoli Battuello & Associati to Fondiaria-SAI S.p.A.: Euro 33,458 - Professional services provided to subsidiary companies: Euro 17,024.

d) Professional services provided by the Studio leg.Associato Corsi-Iozzelli-D'Angelo-Gori to Fondiaria-SAI S.p.A.: Euro 12,500.

e) Professional services provided by Studio Associato D'Urso Gatti & Associati to Fondiaria-SAI: Euro 1,124,593 - Professional services provided to subsidiary companies: Euro 596,532.

f) Professional services provided to Fondiaria-SAI S.p.A.: Euro 201,961 - Professional services provided to subsidiary companies: Euro 106,095.

g) Employee remuneration in the subsidiary Atahotels S.p.A.

h) Professional services provided to Fondiaria-SAI S.p.A. by Studio Legale Associato Morbidelli Bruni Righi Traina: Euro 24,226.

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- i) Professional services provided to Fondiaria-SAI S.p.A. Euro 135,000 - Professional services provided to subsidiary companies: Euro 275,000.
 - l) The emoluments relate to key executives at an aggregate level.

Obligation to publish the audit fees and other services provided by audit firm

The Consolidated Finance Act reform contained in law No. 262 of 28/12/2005, supplemented by Legislative Decree No. 303 of December 29, 2006 modified the regulations on the incompatibility of the audit firm and introduced new provisions in relation to the disclosure of audit fees pursuant to article 160, paragraph 1-bis.

Article 149 of the Consob Issuers' regulations implemented article 160, paragraph 1-bis of the Consolidated Finance Act and establishes the format for the disclosure of the audit remuneration which the audit company and parties belonging to its network received, separately, for audit or other services and indicating the type or category or service.

The fees received for the various services by the audit firm Deloitte & Touche S.p.A. from Fondiaria-SAI S.p.A. are listed below:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Fondiaria-SAI	1,397.3
	-	-	-
b) certification work	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 work	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 C

Other information

CASH FLOW STATEMENT AS AT 31.12.09

(in Euro thousands)	31/12/2009	31/12/2008
Profit before taxes	36,118	34,861
Non-cash adjustments	241,835	(32,880)
Change in Non-life unearned premium reserve	31,308	21,734
Change in claims reserve and other Non-life technical reserves	136,436	(259,045)
Change in actuarial reserves and other Life technical reserves	215,029	(532,984)
Change in deferred acquisition costs	316	535
Change in provisions	(25,208)	51,112
Non-cash income/charges from financial instruments, property investments and holdings	(78,339)	397,244
Other changes (Gains, Losses, Release on provisions, bad debts, provisions, amortisation, extraordinary tax income/charge, transfer reserves to income statement)	(37,707)	288,523
Change in payables and receivables from operating activities	(162,286)	(113,589)
Change in payables and receivables from direct insurance operations and reinsurance	(73,694)	(152,704)
Change in other payables and receivables	(88,592)	39,115
Income taxes paid	(12,058)	(227,829)
Net liquidity generated/absorbed from cash items relating to investing and financing activities	46,044	13,931
Investments where risk is borne by Life policyholders and pension fund management	46,044	13,931
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	149,653	(325,506)
Net liquidity generated/absorbed from property investments	117,997	56,007
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	(179,717)	(534,645)
Net cash generated/absorbed from loans and receivables	28,813	(2,982)
Net cash generated/absorbed from investments in debt, equity and unit funds	61,149	866,097
Net cash generated/absorbed from intangible and tangible fixed assets	(621)	(10,366)
Net cash generated/absorbed from other investing activities	106,574	(148,828)
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	134,195	225,283
Net cash generated/absorbed from Group equity instruments	-	2,074
Net cash generated/absorbed from treasury shares	-	(68,632)
Dividends distributed	(116,904)	(194,629)
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-	250,000
Net cash generated/absorbed from other financial liabilities	(115,009)	232,969
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	(231,913)	221,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	282,059	160,501
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	51,935	121,559
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	333,994	282,059

SOLVENCY MARGIN AND CONSTITUTING ELEMENTS

The statement showing the solvency margin as per Regulation No. 19 of March 14, 2008, including the modifications of Regulation No. 28 of February 17, 2008, is attached to the financial statements. The amount of the margin is Euro 321 million for the Life division and Euro 656 million for the Non-Life division, against constituting elements of respectively Euro 783 million and Euro 1,886 million.

TECHNICAL RESERVES AT YEAR END AND ASSETS COVERED

The schedules of the assets assigned to cover the technical reserves of the Life Classes and of the Non-Life Classes, in accordance with the provisions of the Supervision Authority, are attached to the financial statements. The covering reserves, totalling Euro 8,009 million for the Life Division (Euro 7,492 million relating to the class C reserves and Euro 517 million relating to the class D reserves) and Euro 6,073 million for the Non-Life Division, are undertaken by activity permitted by law.

DECLARATION OF THE FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Fausto Marchionni (as Chief Executive Officer of Fondiaria-SAI) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
 - the accuracy of the information on company operations and
 - the effective application of the administrative and accounting procedures for the compilation of the financial statements for the period January 01, 2009 – December 31, 2009.
2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the 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 31.12.09:
 - a) corresponds to the underlying accounting documents and records;
 - b) were prepared in conformity with law, making reference to the principles issued by the Italian Accounting Board for interpretative purposes and provide a true and correct representation of the economic, balance sheet and financial situation of the issuer.
 - 3.2. The Directors’ Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 26, 2010

The Chief Executive Officer

Mr. Fausto MARCHIONNI

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

Mr. Pier Giorgio BEDOGNI

Independent boards reports

Board of Statutory Auditors' Report

Dear Shareholders,

The financial statements submitted for your approval present the activities carried out by the company and the balance sheet, financial situation and result for the year of the Company as at December 31, 2009.

The present report was drawn up in accordance with Legs. Decree 58/98 and in particular article 149 and 153 and also with the indications issued by Consob through communication of April 6, 2001.

Firstly, the Board states that the Company, also in 2009, did not avail of the provisions contained in article 15 of Legislative Decree No. 185/08, the so-called 'anti-crisis decree' (enacted into Law No. 2/09 and subsequently extended with Legs. Decree of 24/07/2009) which provides the possibility for listed companies to value the securities not held to maturity by the Company at the value recorded in the last approved accounts, and therefore not as the lower of the book value and the market value.

This option is due to the financial crisis arising in the final part of 2008 and whose effects cannot be considered fully absorbed. In referring the reader to the Annual Accounts of the previous year on the choice made, we wish to underline that this was firstly made as a choice of transparency in order to permit greater comparability of the financial statements. Therefore also in the current year the Company did not change its accounting principles, valuing all the current segment of financial instruments at the lower between cost and market value.

We also recall that the debt instruments represented by "corporate" bonds with subordination clauses, in the previous year, due to the illiquidity of the market and the consequent unreliability of the relative prices, were valued based on calculation methods commonly utilised in the financial field. For these securities, the Company considered it appropriate to reclassify them into the non-current segment from the beginning of the current year. The reasons for the choice are described in detail in the notes to the Financial Statements, to which reference should be made. The financial instruments reclassified totalled approx. Euro 498 million. They relate to financial instruments with a gross effective yield generally above 5% and which, in accordance with the provisions of Isvap Measure No.893/1998, may be recorded in the financial statements as stable investments. The assignment to the new segment had no impact on the income statement as the transfer took place at the beginning of the year.

The choice also fulfils the need for prudence in that, against the recovery in the market for corporate securities, the income statement in the year did not benefit from the related recovery in value, which could occur on the repayment or exercise of the call by the issuers.

The 2009 financial statements comply with the general provisions for insurance companies as per Legs. Decree No. 173 of 26/5/97 and the obligatory format as per Isvap Regulation No. 22 of 4/4/2008, adopting the general preparation regulation and applying the valuation criteria established by Attachment 2 of the above-stated regulation.

They are presented together with the Directors' Report which includes all the information required by article 94 of Legislative Decree 209/05.

The result for the year was a profit of Euro 40.2 million, whose formation was described in detail in the Directors' Report. Contributing to the result was the positive effect deriving from the conferment of property used in the operational activities to the newly incorporated Rho Fund, which resulted in the realisation of a gain of Euro 116 million, before the related tax effect.

We verified that the accounting principles adopted, described in the notes to the financial statements, were adequate in relation to the activities and operations undertaken by the Company and we also verified the correlation between the accounts and the facts and information which we are aware of following our participation at the meetings of the Corporate Boards. This permitted us to acquire adequate information on the most important economic, financial and equity operations undertaken by the Company.

Consequently, we verified the reliability of the administration and accounting system in correctly representing the operational facts, in ensuring the safeguarding of the company's assets and in preventing or identifying promptly errors and irregularities, as well as on the level of the reliability of the internal control system to the operational needs.

We examined and reviewed, as part of our duties, the adequacy of the company's organisational structure and compliance with applicable regulations, through direct observation, collection of information from the heads of corporate departments and meetings with the Independent Audit Company, the Internal Control Committee, the Supervisory Board and the Executive responsible for the preparation of corporate documents, each in relation to their respective areas, for the mutual exchange of relevant information.

In relation to the adequacy of the organisational structure of the Company, which conforms with the size and the nature of the operations, we reviewed in particular the division of responsibilities into the various duties and departments, as well as the clear definition of the powers within each department.

In particular, following meetings with the Independent Audit Firm, no data, facts or information arose which should be reported in the present report or to the External Supervision Authorities.

During 2009, we met 22 times and:

- we verified that the preparation of the financial statements and the directors' report were in compliance with law, through direct verifications and the information obtained from the Independent Audit Company and the various corporate departments. We also report that the Independent Auditors' Report of Deloitte & Touche S.p.A., issued on April 6, 2010, does not report any significant matters. We also report that no critical aspects arose in relation to the independence of the above-mentioned Independent Audit Company;
- we verified the compliance of the correct administration principles, evaluating the conformity of the management to the criteria of economic rationality, without however examining the alternative managerial choices, exclusively reserved to the directors;
- we verified on the adequacy, including the timeliness, of the instructions given by the Company to the Subsidiary Companies, pursuant to article 114, paragraph 2, of Legislative Decree No. 58/98, in relation to communication obligations in accordance with law and article 2497 of the Civil Code. In particular, taking into account that the Company exercises the activity of management and coordination pursuant to article 2497 of the Civil Code in relation to the majority of its subsidiaries, we verified compliance with the conduct rules required for the same, both in order to ensure the carrying out of the coordination and control duties and to guarantee compliance of obligations in relation to transparency and disclosures to the market required by current regulations;
- we verified compliance with the provisions against money laundering pursuant to law No. 197/91;
- we verified compliance with regulatory provisions in relation to the utilisation of derivative financial instruments;
- we verified compliance with the provisions in relation to the classification and valuation of the security portfolio and the conformity of the assignment of the financial instruments to the non-current segment and to the guidelines established by the specific Board of Directors' resolutions;
- we monitored the activity of the audit department and we participated at 12 meetings held by the Internal Control Committee. In particular, we constantly monitored the internal control model of the Company, including through meetings and exchange of information with department heads and through participation at the above-mentioned meetings of the Internal Control Committee. With reference to liaison between the Boards of Statutory Auditors within the Group, although concerning professional figures that undertake the role in several companies belonging to the company, we undertook, during 2009, a series of reciprocal exchange of data and information;

-
- we verified the compliance with regulations which govern the coverage of the technical reserves with particular reference, in relation to the investments, to their full and free ownership and availability, to the inexistence of restrictions, to the compliance with the requisite of admissibility and of the other limits of various nature contained in the investment criteria, as well as their appropriateness. In this context a periodic examination was made of the appropriateness of the accounting and administrative procedures adopted by the Company for the management of the recording of the assets to cover the technical reserves, of their recording in the correct accounting register, in the statements attached to the financial statements and in the quarterly communications to Isvap;
 - we verified the correct recording and updating of the claims register in accordance with the provisions issued by the Supervision Authority;
 - we verified the constituting elements of the solvency margin both individually and at Group level;
 - we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of some of its members;
 - we have verified the continuance of our independence pursuant to the provisions of the Self-Governance Code.

We also state that the Company approved specific conduct principles for the undertaking of significant operations and with related parties, which are continually monitored and updated.

In particular in relation to this latter the Board also verified that these operations comply with the criteria of substantial and procedural correctness and that they were not contrasting to the interests of the Company, including, as adequately illustrated in the Directors' Report and in the attachments to the notes to the financial statements, the transactions of a financial, insurance and service nature with the Companies of the Group.

These transactions supported, where necessary, by fairness opinions and legal opinions, were regulated at market prices and did not give rise to even potential conflicts of interest.

In 2009 we attended all the meetings of the Board of Directors (14) and the two meetings of the Executive Committee, systematically receiving from the board of directors, information on the activities performed and on the most important economic, financial and equity operations made by the Company and its Subsidiaries.

We can assure that the operations approved by the Board of Directors and the Executive Committee were done in conformity with law and the by-laws of the company and were not imprudent, risk related, atypical and/or unusual, in potential conflict of interest with the Company, contrary to the deliberations taken by the Shareholders' Meeting or such as to compromise the integrity of the company assets.

The half year and quarterly Reports were issued in the terms and conditions required by law and regulations, while the Report on the management of the Pension Funds were in accordance with the provisions issued by the Supervision Commission.

Further to that commented upon in other parts of the present report, we inform you that:

- the control system of the Company is adequate and efficient;
- no notifications were received in 2009 from shareholders or claims in accordance with article 2408 of the Civil Code by the Board of Statutory Auditors;
- during the year the Company conferred to Deloitte & Touche S.p.A., the Company appointed to audit the statutory financial statements and the consolidated financial statements, a further assignment relating to the verification, requested by the Company, on the 2008 financial statements relating to the subsidiary Atahotels for the payment, net of VAT, of Euro 75.6 thousand;

-
- during the year we provided opinions in accordance with law, in accordance with article 2389, paragraph 3 of the Civil Code;

We express approval of the financial statements for the year ended 31/12/2009, as prepared by the Directors and to the allocation of the net profit for the year, including the determination of the dividend, as proposed by your Board of Directors.

Turin, April 7, 2010

The Board of Statutory Auditors

Mr. Benito MARINO
Mr. Marco SPADACINI
Mr. Antonino D'AMBROSIO

Attachment to the Board of Statutory Auditors Report of Fondiaria-SAI S.p.A. as per article 153 of Legislative Decree 58/98

List of offices held in the Companies pursuant to Book V, sections V, VI and VII of the civil code, at the publication date of the Report (article 144 Consob Regulation No.11971/99)

Name of Company	Office held	Expiry
Dr. Benito MARINO (Chairman of the Board of Statutory Auditors)		
1. Fondiaria-SAI S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
2. Adrialux S.r.l.	Chairman Board of Statutory Auditors	31/12/2011
3. Arti Grafiche Mario Bazzi S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
4. Atahotel S.p.A. Aziende Turistiche Alberghiere	Chairman. Board of Statutory Auditors	31/12/2011
5. Banca-SAI	Chairman Board of Statutory Auditors	31/12/2009
6. Chef Italia S.p.A.	Statutory Auditor	31/12/2010
7. Fiera Milano Congressi S.p.A.	Chairman Board of Statutory Auditors	31/12/2009
8. Finanziaria Saccarifera Italo-Iberica S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
9. International Strategy S.r.l.	Chairman Board of Statutory Auditors	31/12/2011
10. Mifin S.r.l.	Chairman Board of Statutory Auditors	31/12/2009
11. Patrimonio F.P.G. S.r.l.	Chairman Board of Statutory Auditors	31/12/2009
12. Popolare Vita S.p.A.	Statutory Auditor	31/12/2009
13. Sai Mercati Mobiliari SIM S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
14. SIAT S.p.A.	Chairman Board of Statutory Auditors	31/12/2009
15. Silent Gliss italia S.r.l.	Chairman Board of Statutory Auditors	31/12/2009
16. Silent Gliss Medit S.r.l.	Chairman Board of Statutory Auditors	31/12/2010
17. Tavola S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
Number of offices held in issuing company	1	
Total number of offices held	17	

Dr. Marco SPADACINI (Standing Auditor)

1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. AMBI S.p.A.	Chairman Board of Statutory Auditors	30/06/2010
3. Apple Italia S.r.l.	Chairman Board of Statutory Auditors	30/09/2012
4. Apple S.p.A.	Chairman Board of Statutory Auditors	30/09/2012
5. Atlantia S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
6. Arnoldo Mondadori Editore S.p.A.	Director	31/12/2011
7. AXA Assicurazioni S.p.A.	Statutory Auditor	31/12/2009
8. AXA Partecipazioni S.p.A.	Statutory Auditor	31/09/2010
9. Centurion Immobiliare S.p.A.	Statutory Auditor	31/12/2011
10. Compagnia Fiduciaria Nazionale S.p.A.	Director	31/12/2011

11. Delmi S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
12. Expo 2015 S.p.A.	Statutory Auditor	31/12/2011
13. F2I S.G.R. S.p.A.	Chairman Board of Statutory Auditors	31/12/2009
14. Investim S.r.l.	Statutory Auditor	31/12/2009
15. Sorin S.p.A.	Chairman Board of Statutory Auditors	31/12/2009
16. Transalpina Di Energia S.r.l.	Statutory Auditor	31/10/2010
Number of offices held in issuing company		4
Total number of offices held		16

Name of Company	Office held	Expiry
Dr. Antonio D'ÁMBROSIO (Standing Auditor)		
1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. Az. Agricola S. Lucia	Chairman Board of Statutory Auditors	27/03/2011
3. Civitavecchia Fruit & Forest S.p.A.	Statutory Auditor	31/12/2011
4. CNIM S.r.l.	Statutory Auditor	20/07/2012
5. Ediltrenno S.p.A.	Chairman Board of Statutory Auditors	29/03/2010
6. Europrogetti S.r.l.	Chairman. Board of Statutory Auditors	30/06/2009
7. Fidespert S.p.A.	Statutory Auditor	09/12/2011
8. Finadin S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
9. Fonti e Terme d'Italia S.p.A.	Statutory Auditor	31/12/2011
10. G.I.A.R. S.p.A.	Statutory Auditor	31/12/2011
11. Grassetto Costruzioni S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
12. Grassetto S.p.A. in liquidazione	Statutory Auditor	31/12/2009
13. I.C.E.IN S.p.A	Chairman. Board of Statutory Auditors	31/12/2010
14. I.F.I.CEN. S.p.A.	Chairman Board of Statutory Auditors	31/12/2011
15. Immobiliare Costruzioni IM. CO S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
16. Impr. A. Brambilla S.p.A.	Chairman Board of Statutory Auditors	19/09/2010
17. Ingenera S.r.l.	Sole Director	A revoca
18. Iniz. Nuova edilizia S.p.A.	Statutory Auditor	31/12/2009
19. NIT S.r.l.	Chairman Board of Statutory Auditors	31/12/2010
20. Premafin HdP S.p.A.	Statutory Auditor	31/12/2009
21. Raggruppamento Finanz. S.p.A.	Statutory Auditor	31/12/2011
22. SAI Mercati Mobiliari – SIM S.p.A.	Statutory Auditor	31/12/2010
23. Sinergia HdP S.p.A.	Chairman Board of Statutory Auditors	31/12/2010
24. Soc. Agricola Tenuta Cesarina S.r.l.	Chairman Board of Statutory Auditors	31/12/2011
Number of offices held in issuing company	2	
Total number of offices held	24	

Auditors' Report

RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 156 DEL D.LGS. 24.2.1998, N. 58 E DELL'ART. 102 DEL D.LGS. 7.9.2005, N. 209

Agli Azionisti di FONDIARIA – SAI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio della FONDIARIA – SAI S.p.A. chiuso al 31 dicembre 2009. La responsabilità della redazione del bilancio in conformità alle norme che ne disciplinano i criteri di redazione compete agli Amministratori della FONDIARIA – SAI S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Secondo quanto previsto dall'art. 102 del D.Lgs. n. 209/2005 e dall'art. 24 del Regolamento ISVAP n. 22/2008, nell'espletamento del nostro incarico ci siamo avvalsi dell'attuario revisore che si è espresso sulla sufficienza delle riserve tecniche iscritte nel passivo dello Stato Patrimoniale della FONDIARIA – SAI S.p.A. tramite le relazioni qui allegate.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 6 aprile 2009.

3. A nostro giudizio, il bilancio d'esercizio della FONDIARIA – SAI S.p.A. al 31 dicembre 2009 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria ed il risultato economico della società.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori della FONDIARIA – SAI S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio d'esercizio della FONDIARIA – SAI S.p.A. al 31 dicembre 2009.

DELOITTE & TOUCHE S.p.A.



Enrico Ciai
Socio

Torino, 6 aprile 2010



RELAZIONE DELL'ATTUARIO
AI SENSI DEGLI ART. 102 E 103 DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005, N. 209

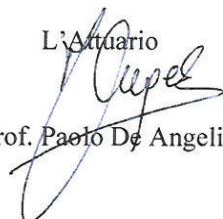
Spettabile
DELOITTE & TOUCHE S.p.A.
Galleria San Federico, 54
10121 Torino

OGGETTO: FONDIARIA-SAI S.p.A.
BILANCIO DELL'ESERCIZIO 2009

In esecuzione all'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami danni, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della FONDIARIA-SAI S.p.A. chiuso al 31 dicembre 2009.

A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 6 aprile 2010

L'Attuario

(Prof. Paolo De Angelis)



RELAZIONE DELL'ATTUARIO
AI SENSI DEGLI ART. 102 E 103 DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005, N. 209

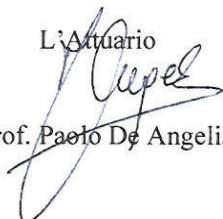
Spettabile
DELOITTE & TOUCHE S.p.A.
Galleria San Federico, 54
10121 Torino

OGGETTO: FONDIARIA-SAI S.p.A.
BILANCIO DELL'ESERCIZIO 2009

In esecuzione all'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami vita, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della FONDIARIA-SAI S.p.A. chiuso al 31 dicembre 2009.

A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 6 aprile 2010

L'Attuario

(Prof. Paolo De Angelis)

Attachments

- List of direct and indirect investments of more than 10% in non-listed companies
- Statement of change in shareholders' equity
- Proposal in accordance with article 10 of Law No. 72 of 19/3/83
 - Buildings owned

List of direct and indirect investments of non-listed companies above 10% of the share capital at 31.12.09

(In accordance with article 125-126 of CONSOB Resolution No. 11971 of 14/05/1999)

FONDIARIA-SAI S.P.A. IS THE OWNER AS AT 31/12/2009 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

Name of Company	Company holding	Voting shares held	% Holding	% Total
Registered offices				
AGRISAI SRL	SAIAGRICOLA SPA – Società Agricola	60,390	99.000	100.000
Italy	SAIFIN SAIFINANZIARIA SPA	610	1.000	
ATA BENESSERE SRL	ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	100,000	100.000	100.000
in liquidation				
Italy				
ATAHOTELS Compagnia italiana	FONDIARIA-SAI SPA	8,843,400	51.000	100.000
Aziende Turistiche Alberghiere SPA	MILANO ASSICURAZIONI SPA	8,496,600	49.000	
Italy				
ATAHOTELS SUISSA S.A.	ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere SPA	98,000	98.000	98.000
SWITZERLAND				
ATAVALUE SRL	SAI HOLDING ITALIA SPA	10,000	100.000	100.000
AUTO PRESTO & BENE SRL	FONDIARIA-SAI SPA	51,000	100.000	100.000
Italy				
A7 SRL	IMMOBILIARE MILANO ASS.ZIONI SRL	40,000	20.000	20.000
Italy				
BANCA GESFID S.A.	FONDIARIA-SAI SPA	10,000	100.000	100.000
SWITZERLAND				
BANCASAI SPA	FONDIARIA-SAI SPA	1,166,771,610	100.000	100.000

Italy				
BIM VITA SPA	FONDIARIA-SAI SPA	3,750,000	50.000	50.000
Italy				
BIPIEMME VITA SPA	MILANO ASSICURAZIONI SPA	10,557,000	51.000	51.000
Italy				
BORSETTO SRL	IMMOBILIARE MILANO ASS.ZIONI SRL	1,335,149	44.928	44.928
Italy				
BRAMANTE SRL	IMMOBILIARE FONDIARIA-SAI SRL	10,000	100.000	100.000
Italy				
BUTTERFLY AM SARL	IMMOBILIARE FONDIARIA-SAI SRL	6,666	28.57	28.57
Luxembourg				
CAMPO CARLO MAGNO SPA	MILANO ASSICURAZIONI SPA	18,622,400	100.000	100.000
Italy				
CAPITALIA ASSICURAZIONI SPA	FONDIARIA-SAI SPA	2,652,000	51.000	51.000
Italy				
CARPACCIO SRL	IMMOBILIARE FONDIARIA-SAI SRL	10,000	100.000	100.000
Italy				
CASA di CURA VILLA	FONDIARIA-SAI SPA	70,000	100.000	100.000
DONATELLO SPA - ITALY				
CASA di CURA VILLANOVA SRL ITALY	FONDIARIA-SAI SPA	350,000	100.000	100.000
CASCINE TRENNO SRL	IMMOBILIARE FONDIARIA-SAI SRL	10,000	100.000	100.000
Italy				

Name of Company	Company holding	Voting shares held	% Holding	% Total
Registered offices				
CITTÀ DELLA SALUTE SCRL	CASA DI CURA VILLA DONATELLO SPA	50,000	50.000	100.000
Italy	CASA DI CURA VILLANOVA SRL	45,000	45.000	
	DONATELLO DAY SURGERY SRL	2,500	2.500	
	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	2,500	2.500	
CITYLIFE SRL	IMMOBILIARE MILANO ASS.ZIONI SRL	39,997	26.665	26.665
Italy				
COLPETRONE SRL	SAIAGRICOLA SPA – Società Agricola	10,000	100.000	100.000
Italy				
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA	MILANO ASSICURAZIONI SPA	3,900,000	11.143	11.143
in voluntary liquidation				
Italy				
COMPANIA DE SEGUROS Y REASEGUROS KAIROS S.A.	EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL	48,815	11.486	11.486
in liq. – SPAIN				
CASTELLO CONSORTIUM	NUOVE INIZIATIVE TOSCANE SRL	99,660	99.660	99.660
Italy				
CONSORZIO SERVIZI TECNOLOGICI SCRL	FONDIARIA-SAI SPA	3,500	3.500	15.000
Italy	GRUPPO FONDIARIA SAI SERVIZI SCRL	9,000	9.000	
	MILANO ASSICURAZIONI SPA	2,000	2.000	
	SISTEMI SANITARI SCRL	500	0.500	
CONSULENZA AZIENDALE PER L'INFORMATICA -	FONDIARIA-SAI SPA	601,400	30.070	30.070
SCAI SPA				
Italy				
CRIVELLI SRL	IMMOBILIARE FONDIARIA-SAI SRL	10,000	100.000	100.000
Italy				
DDOR AUTO DOO	DDOR NOVI SAD A.D.O.	1	100.000	100.000

SERBIA				
DDOR NOVI SAD A.D.O.	FONDIARIA-SAI SPA	2,114,285	99.993	99.993
SERBIA				
DDOR PENZIJA PLUS AD	DDOR NOVI SAD A.D.O.	82,085	100.000	100.000
SERBIA				
DDOR RE JOINT STOCK REINSURANCE COMPANY	DDOR NOVI SAD A.D.O	1	0.002	100.000
	THE LAWRENCE RE IRELAND LTD	49,999	99.998	
SERBIA				
DIALOGO ASSICURAZIONI SPA ITALY	MILANO ASSICURAZIONI SPA	8,818,363	99.848	99.848
DIALOGO VITA	FONDIARIA-SAI SPA	4,800,000	40.000	100.000
COMP.DI ASS.NI SPA	MILANO ASSICURAZIONI SPA	7,200,000	60.000	
Italy				
DOMINION INSURANCE HOLDINGS LTD	FINSAI INTERNATIONAL S.A.	50,780,305	100.000	100.000
GREAT BRITAIN				
DONATELLO DAY SURGERY SRL - ITALY	CASA DI CURA VILLANOVA SRL	20,000	100.000	100.000
EUROPA TUTELA GIUDIZIARIA SPA - ITALY	FONDIARIA-SAI SPA	2,000,000	100.000	100.000
EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL	FONDIARIA-SAI SPA	5,265,600	100.000	100.000
Italy				

Name of Company	Company holding	Voting shares held	Quota partec. %	% Total
Registered offices				
EX VAR SCS	FONDIARIA-SAI SPA	451,711	18.000	28.000
Luxembourg	IMMOBILIARE MILANO ASS.ZIONI SRL	250,953	10.000	
FINADIN SPA FINANZIARIA DI INVESTIMENTI	SAIFIN SAIFINANZIARIA SPA	40,000,000	40.000	40.000
Italy				
FINITALIA SPA	BANCASAI SPA	15,376,285	100.000	100.000
Italy				
FIN.PRIV. SRL	FONDIARIA-SAI SPA	5,714	28.571	28.571
Italy				
FINSAI INTERNATIONAL S.A. LUXEMBOUR G	FONDIARIA-SAI SPA	80,000	19.922	100.000
	SAILUX S.A.	145,183	36.154	
	SAINTERNATIONAL S.A.	176,383	43.924	
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	CASA DI CURA VILLANOVA SRL	10,400	100.000	100.000
Italy				
FONDIARIA-SAI NEDERLAND BV	FONDIARIA-SAI SPA	1,907	100.000	100.000
HOLLAND				
FONDIARIA-SAI SERVIZI TECNOLOGICI SPA	FONDIARIA-SAI SPA	61,200	51.000	51.000
Italy				
GARIBALDI SCS	MILANO ASSICURAZIONI SPA	290,232	48.000	48.000
Luxembourg				
GLOBAL CARD SERVICE SRL	LIGURIA SOCIETÀ DI ASS.NI SPA	43,472	44.000	95.000
Italy	LIGURIA VITA SPA	50,388	51.000	
GRUPPO FONDIARIA SAI SERVIZI SCRL	BANCASAI SPA	2,000	0.020	100.000
Italy	BIM VITA SPA	2,000	0.020	
	CAPITALIA ASSICURAZIONI SPA	2,000	0.020	
	DIALOGO ASSICURAZIONI SPA	20,000	0.200	
	DIALOGO VITA Comp. di Ass.ni SPA	2,000	0.020	

	EUROPA TUTELA GIUDIZIARIA SPA	2,000	0.020	
	FINITALIA SPA	2,000	0.020	
	FONDIARIA-SAI SPA	6,427,000	64.270	
	LIGURIA Soc.di Ass.ni SPA	2,000	0.020	
	LIGURIA VITA SPA	2,000	0.020	
	MILANO ASSICURAZIONI SPA	3,419,000	34.190	
	PRONTO ASSISTANCE SERVIZI SCARL	2,000	0.020	
	PRONTO ASSISTANCE SPA	90,000	0.900	
	SAI ASSET MANAGEMENT SGR SPA	2,000	0.020	
	SAI MERCATI MOBILIARI – SOC. DI INTERMEDIAZIONE MOBILIARE SPA	2,000	0.020	
	SISTEMI SANITARI SCRL	2,000	0.020	
	SYSTEMA COMP.DI ASS.NI SPA	18,000	0.180	
	SYSTEMA VITA COMP.DI ASS.NI SPA	2,000	0.020	
HEDF ISOLA SCS	MILANO ASSICURAZIONI SPA	86,000	43.000	43.000
Luxembourg				
HOTEL TERME DI SAINT VINCENT SRL	ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere SPA	15,300	100.000	100.000
Italy				
IGLI SPA	IMMOBILIARE FONDIARIA-SAI SRL	4,020,000	16.667	33.333
Italy	IMMOBILIARE MILANO ASS.ZIONI SRL	4,020,000	16.667	

Name of Company	Company holding	Voting shares held	% Held	% Total
Registered offices				
IMMOBILIARE FONDIARIA -SAI SRL - ITALY	FONDIARIA-SAI SPA	20,000	100.000	100,000
IMMOBILIARE LITORELLA SRL Italy	IMMOBILIARE FONDIARIA -SAI SRL	10,329	100.000	100,000
IMMOBILIARE LOMBARDA SPA Italy	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	178,374,173 99,588,580	64.172 35.828	100,000
IMMOBILIARE MILANO ASSICURAZIONI SRL Italy	MILANO ASSICURAZIONI SPA	20,000	100.000	100,000
INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED. SRL Italy	IMMOBILIARE FONDIARIA -SAI SRL	10,329	100.000	100,000
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA Italy	IMMOBILIARE FONDIARIA -SAI SRL	500,000	100.000	100,000
ISTITUTO EUROPEO DI ONCOLOGIA SRL Italy	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	10,186,526 1,394,536	12.642 1.731	14,372
ITAL H&R SRL Italy	ITALRESIDENCE SRL	50,000	100.000	100,000
ITAL IBERIA INVERSIONES FINANCIERAS SL Spain	FONDIARIA-SAI SPA	122,193,595	100.000	100,000
ITALRESIDENCE SRL Italy	ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere SPA	100,000	100.000	100,000
LIGURIA SOCIETÀ DI ASSICURAZIONI SPA Italy	MILANO ASSICURAZIONI SPA	36,788,443	99.969	99,969
LIGURIA VITA SPA Italy	LIGURIA SOCIETÀ DI ASS.NI SPA	1,200,000	100.000	100,000

MARINA DI LOANO SPA	IMMOBILIARE FONDIARIA -SAI SRL	5,536	100.000	100,000
Italy				
MASACCIO SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,000	100.000	100,000
Italy				
MB VENTURE CAPITAL FUND I PARTECIP. COMPANY D NV	FONDIARIA-SAI SPA	15,000	30.000	30,000
HOLLAND				
MERIDIANO AURORA SRL	FONDIARIA-SAI SPA	10,000	100.000	100,000
Italy				
MERIDIANO BELLARMINO SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,000	100.000	100,000
Italy				
MERIDIANO BRUZZANO SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,000	100.000	100,000
Italy				
MERIDIANO ORIZZONTI SRL	MILANO ASSICURAZIONI SPA	10,000	100.000	100,000
Italy				
MERIDIANO PRIMO SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,000	100.000	100,000
Italy				
MERIDIANO QUARTO SRL	SAI HOLDING ITALIA SPA	10,000	100.000	100,000
Italy				
MERIDIANO SECONDO SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,000	100.000	100,000
Italy				

Name of Company	Company holding	Voting shares held	% Held	% Total
Registered offices				
METALS BANKA AD	DDOR NOVI SAD A.D.O.	103,867	10.105	10.105
SERBIA				
METROPOLIS SPA	IMMOBILIARE MILANO ASS.ZIONI SRL	332,976	29.730	29.730
Italy				
MIZAR SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,329	100.000	100.000
Italy				
NUOVA IMPRESA EDIFICATRICE MODERNA SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,329	100.000	100.000
Italy				
NUOVE INIZIATIVE TOSCANE SRL - ITALY	FONDIARIA-SAI SPA	48,440,000	96.880	100.000
	MILANO ASSICURAZIONI SPA	1,560,000	3.120	
OPEN MIND INVESTMENTS SCA SICAR	FONDIARIA-SAI SPA	270,000	65.854	65.854
Luxembourg				
PENTA DOMUS SPA	IMMOBILIARE MILANO ASS. ZIONI SRL	24,000	20.000	20.000
Italy				
PONTORMO SRL	IMMOBILIARE FONDIARIA -SAI SRL	50,000	100.000	100.000
Italy				
POPOLARE VITA SPA	FONDIARIA-SAI SPA	8,760,001	24.388	50.000
Italy	SAI HOLDING ITALIA SPA	9,200,000	25.612	
PROGETTO ALFIERE SPA	IMMOBILIARE FONDIARIA-SAI SRL	22,800	19.000	19.000
Italy				
PROGETTO BICOCCA LA PIAZZA SRL in liquidazione	IMMOBILIARE FONDIARIA -SAI SRL	2,332,332	74.000	74.000
Italy				
PRONTO ASSISTANCE SERVIZI SCARL	BANCASAI SPA	516	0.100	100.000
	CAPITALIA ASSICURAZIONI SPA	774	0.150	
Italy	DIALOGO ASSICURAZIONI SPA	123,840	24.000	
	FONDIARIA-SAI SPA	192,984	37.400	

	LIGURIA SOCIETÀ DI ASS.NI SPA	11,352	2.200	
	MILANO ASSICURAZIONI SPA	144,480	28.000	
	PRONTO ASSISTANCE SPA	39,732	7.700	
	SISTEMI SANITARI SCRL	516	0.100	
	SYSTEMA COMPAGNIA DI ASS.NI SPA	1,806	0.350	
PRONTO ASSISTANCE SPA	FONDIARIA-SAI SPA	2,500,000	100.000	100.000
Italy				
QUINTOGEST SPA	FONDIARIA-SAI SPA	980,000	49.000	49.000
Italy				
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL	IMMOBILIARE FONDIARIA -SAI SRL	10,329	100.000	100.000
Italy				
SAI ASSET MANAGEMENT SGR SPA - ITALY	FONDIARIA-SAI SPA	500,000	100.000	100.000
SAI HOLDING ITALIA SPA	FONDIARIA-SAI SPA	50,000,000	100.000	100.000
Italy				
SAI INVESTIMENTI SGR SPA	FONDIARIA-SAI SPA	1,995,930	51.000	80.000
Italy	MILANO ASSICURAZIONI SPA	1,134,940	29.000	
SAI MERCATI MOBILIARI – SOC. DI INTERMEDIAZIONE MOBILIARE SPA	FONDIARIA-SAI SPA	20,000,000	100.000	100.000
Italy				

Name of Company	Company holding	Voting shares held	% Held	% Total
Registered offices				
SAIAGRICOLA SPA -	FONDIARIA-SAI SPA	60,722,765	92.004	100.000
Società Agricola	MILANO ASSICURAZIONI SPA	4,490,641	6.804	
Italy	PRONTO ASSISTANCE SPA	786,594	1.192	
SAIFIN SAIFINANZIARIA SPA	FONDIARIA-SAI SPA	102,258,000	100.000	100.000
Italy				
SAILUX S.A.	FINSAI INTERNATIONAL S.A.	10	0.000	100.000
Luxembourg	SAIFIN SAIFINANZIARIA SPA	9,387,800	99.999	
SAINT GEORGE CAPITAL MANAGEMENT S.A.	BANCA GESFID S.A.	5,000	100.000	100.000
SWITZERLAND				
SAINTERNATIONAL S.A.	FONDIARIA-SAI SPA	15,399,997	99.999	99.999
Luxembourg				
SANTA MARIA DEL FICO SRL	SAIAGRICOLA SPA – Società Agricola	78,000	100.000	100.000
Italy				
SCONTOFIN S.A.	SAILUX S.A.	950	19.000	19.000
Luxembourg				
SERVICE GRUPPO	FONDIARIA-SAI SPA	140,000	70.000	100.000
FONDIARIA-SAI SRL - ITALY	MILANO ASSICURAZIONI SPA	60,000	30.000	
SERVIZI IMM. MARTINELLI SPA	IMMOBILIARE MILANO ASS.ZIONI SRL	200	20.000	20.000
Italy				
SIAT - SOC. ITALIANA ASS.NI E RIASSICURAZIONI SPA	SAI HOLDING ITALIA SPA	35,983,610	94.694	94.694
Italy				
SIM ETOILE S.A.S	FONDIARAI-SAI SPA	199,999	99.999	99.999
FRANCE				
SINTESI SECONDA SRL	IMMOBILIARE MILANO ASS.ZIONI SRL	10,400	100.000	100.000
Italy				
SISTEMI SANITARI SCRL	BANCASAI SPA	398	0.040	100.000
Italy				

	BIM VITA SPA	142	0.014	
	DIALOGO ASSICURAZIONI SPA	171	0.017	
	DIALOGO VITA Comp. di Ass.ni SPA	4	0.000	
	EUROPA TUTELA GIUDIZIARIA SPA	19	0.002	
	FINITALIA SPA	155	0.016	
	FONDIARIA-SAI SPA	789,664	78.966	
	GRUPPO FONDIARIA-SAI SERVIZI SCRL	917	0.092	
	LIGURIA SOCIETÀ DI ASS.NI SPA	2,170	0.217	
	LIGURIA VITA SPA	195	0.020	
	MILANO ASSICURAZIONI SPA	196,295	19.630	
	POPOLARE VITA SPA	5,093	0.509	
	PRONTO ASSISTANCE SERVIZI SCARL	4,088	0.409	
	PRONTO ASSISTANCE SPA	342	0.034	
	SAI ASSET MANAGEMENT SGR SPA	54	0.005	
	SAI MERCATI MOBILIARI – SOC. DI INTERMADIAZIONE MOBILIARE SPA	106	0.011	
	SYSTEMA COMPAGNIA DI ASS.NI SPA	118	0.012	
	SYSTEMA VITA COMP.DI ASS.NI SPA	69	0.007	
SOAIMPIANTI-ORGANISMI	FONDIARIA-SAI SPA	18,307	21.639	21.639
DI ATTESTAZIONE SRL in liq.				
Italy				

Name of Company	Company holding	Voting shares held	% Held	% Total
Registered offices				
SOCIETÀ EDILIZIA IMMOBILIARE SARDA – S.E.I.S. SPA – ITALY	IMMOBILIARE FONDIARIA-SAI SRL	387,500	51.667	51.667
SOCIETÀ FINANZIARIA PER LE GEST.ASS.VE SRL in liq.	FONDIARIA-SAI SPA	13,931,807	14.907	22.410
Italy	MILANO ASSICURAZIONI SPA	7,012,859	7.504	
SOCIETÀ FUNIVIE DEL PICCOLO S. BERNARDO SPA ITALY	IMMOBILIARE FONDIARIA-SAI SRL	1,441,691	27.384	27.384
SOFINPA SPA	SAIFIN SAIFINANZIARIA SPA	2,400,000	30.000	30.000
Italy				
SOGEINT SRL	MILANO ASSICURAZIONI SPA	100,000	100.000	100.000
Italy				
SRP ASSET MANAGEMENT S.A.	SAINTERNATIONAL S.A.	1,000	100.000	100.000
SWITZERLAND				
STIMMA SRL	FONDIARIA-SAI SPA	10,000	100.000	100.000
Italy				
SVILUPPO CENTRO EST SRL	IMMOBILIARE MILANO ASS.ZIONI SRL	4,000	40.000	40.000
Italy				
SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
Italy				
SYSTEMA VITA	FONDIARIA-SAI SPA	12,000,000	100.000	100.000
COMP.DI ASS.NI SPA				
Italy				
THE LAWRENCE LIFE ASSURANCE COMPANY LTD	POPOLARE VITA SPA	802,886	100.000	100.000
IRELAND				
THE LAWRENCE RE IRELAND LTD - IRELAND	FONDIARIA-SAI NEDERLAND BV	635,000	100.000	100.000
TOUR EXECUTIVE SPA	ATAHOTELS Compagnia italiana Aziende	500,000	100.000	100.000
Italy	Turistiche Alberghiere SPA			

TRE TORRI CONTRACTOR SCRL ITALY	IMMOBILIARE LOMBARDA SPA	5,000	50.000	50.000
TRENNO OVEST SRL	IMMOBILIARE FONDARIA -SAI SRL	10,000	100.000	100.000
Italy				
UFFICIO CENTRALE ITALIANO SCARL - ITALY	CAPITALIA ASSICURAZIONI SPA	24	0.002	25.518
	DIALOGO ASSICURAZIONI SPA	1	0.000	
	FONDIARIA-SAI SPA	141,358	14.136	
	LIGURIA SOCIETÀ DI ASS.NI SPA	3,093	0.309	
	MILANO ASSICURAZIONI SPA	109,752	10.975	
	SIAT - SOCIETÀ ITALIANA ASS.NI E RIASSICURAZIONI SPA	948	0.095	
	SYSTEMA COMPAGNIA DI ASS.NI SPA	2	0.000	
VALORE IMMOBILIARE SRL	MILANO ASSICURAZIONI SPA	5,000	50.000	50.000
Italy				
VILLA RAGIONIERI SRL	FONDIARIA-SAI SPA	150,000	100.000	100.000
Italy				
WAVE TECHNOLOGIES SRL	FONDIARIA-SAI SPA	14,925	15.000	15.000
Italy				

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31.12.2009

IN EURO THOUSANDS	Share Capital	Legal Reserve	Share Premium Reserve	Share premium reserve for disposal of options rights not exercised	Extraordinary reserve	Merger reserves	Revaluation reserves on securities	Reserve as per art 10 L. 16/12/77 No. 904	Revaluation reserve L. 19/3/83 No. 72	Reserve as per art. 26 L. 30/12/91 No. 413	Dividend adjustment reserve	Treasury shares indistributable reserve	Reserve not dist. hold.co. shares Leg D 315/94	Reserve for purchase of treasury shares	Reserve for purchase of holding co. shares	Reserve Legs. Decree 124/93	Reserve as per L- 342/2000	Reserve as per art. 20 Legs. Decree 173/97	Reserve as per 742/1986	Shares sub. on capital increases in course	Stock option reserve on capital increas. in course	Merger surplus	Net Profit for the year
BALANCE AT December 31, 2008	167,044	35,536	209,947	4,294	718,879	422	58,029	6,944	38,215	96,838	2,853	54,614	22,742	65,698	2,000	0	0	0	113,214	0	0	933,686	69,591
Allocation of the 2008 net profit, as per resolution of the shareholders' meeting:																							
Legal reserve																							
Extraordinary reserve					28,056																		-28,056
					55,175																	-55,175	
Board of Directors																							
Executive Committee																							
Dividends					-75,368																		-41,536
Changes from share capital increase:																							
Share capital																							
Share premium reserve																							
Legal reserve																							
Savings shares sub. on cap. Increase in course																							
Merger adjustments:																							
Merger surplus																						2,425	
share capital increase:																							
Other changes:																							
Cancellation of treasury shares																							
Transfer to class D																							
Reserve as per Leg Decree 124/93																							
Transfer from extraordinary reserve					65,698									-65,698									
to/from treasury shares to be purchased					-7,500									7,500									
Transfer from extraordinary reserve					19,068							-19,068											
to/from available reserve for treasury shares																							
Transfer from extraordinary reserve					2,000										-2,000								
to/from holding co. reserve to be purchased					-750										750								
Transfer from extraordinary reserve																							
to/from avail reserve for the holding co.					3,552								-3,552										
Net profit 2009																							40,216
BALANCE AT December 31, 2009	167,044	35,536	209,947	4,294	808,810	422	58,029	6,944	38,215	96,838	2,853	35,547	19,189	7,500	750	0	0	0	113,214	0	0	880,936	40,216

Schedule of property held for which monetary revaluations were made in accordance with Article 2425, paragraph 3 of the civil code supplemented by Legislative Decree 127/91 (in accordance with article 10 of law 72 of March 19, 1983) are shown below.

	At 31.12.09 Book value of property held revalued	Revaluations made			TOTAL
		Monetary revaluations	Economic revaluations	Law No. 413 of 30/12/91	
Property used for business activities	40,746,567	2,777,829	4,106,180	4,548,856	11,432,865
Property used by third parties	588,016,072	11,055,151	82,893,522	26,550,145	120,498,818

Agricultural holdings	3,227,009	-	-	83,026	83,026
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Shareholdings in Italian companies and entities:					
- listed	1,561,356,046	2,788,304	169,708,911	-	172,497,215
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Shareholdings in Italian companies and entities:					
- non-listed	214,037,914	-	92,500,000	-	92,500,000
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Shareholdings in Foreign companies and entities:					
- non-listed	126,311,722	5,813,909	3,986,277	-	9,800,186
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	2,533,695,329	22,435,194	353,194,890	31,182,028	406,812,111
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Beni immobili di proprietà al 31/12/2009 - Variazioni dell'esercizio

		Balance at 31/12/2008	Purchases and incremental expenses	Sales and disposals	Total	Situazione al 31/12/2009		
						Property used for business activ.	Property used by third parties	Residential
BUILDINGS								
CALENZANO	VIA DEGLI OLMI, 7	15,949,856			15,949,856	15,949,856		
CAMOGLI	BUILDINGS- VIALE GAGGINI		98,349		98,349	25,094		73,255
	HOTEL COMPLEX		12,827,510		12,827,510	12,827,510		
	VIA ROMANA 215		279,340		279,340			279,340
CASTEL MAGGIORE	LOCALITA' SALICETO	1,609,667			1,609,667	1,609,667		
FERRARA	C.SO ERCOLE, 1', 6A	1,382,838			1,382,838	1,382,838		
FLORENCE	P.ZA DELLA LIBERTA', 6	71,240,876	1,716,139	72,957,015				
	P.ZZA LIBERTA', 13	12,590,330	729,049		13,319,379	11,829,455		1,489,924
	P.ZZA LIBERTA', 1N-1-2R	1,920,622			1,920,622	247,651		1,672,971
	P.ZZA LIBERTA', 2- V. S. GALLO, 123	10,874,666	172,961		11,047,627	2,399,910	3,386,057	5,261,660
	P.ZZA LIBERTA', 9-11	9,582,649			9,582,649	9,582,649		
	PIAZZA DELLA REPUBBLICA, 6	62,585,790	393,672		62,979,462	61,772,869		1,206,593
	VIA BARACCA, 18	1,907,538			1,907,538	1,907,538		
	VIA BENIVIENI, 1-3	4,586,736	17,413		4,604,149	992,785		3,611,364
	V. CAMPO D'ARRIGO, 134	2,962,145			2,962,145	1,637,857		1,324,288
	VIA CAVOUR, 82-84	9,919,401			9,919,401	9,919,401		
	V. L.IL MAGNIFICO, 2-4-6	8,509,273			8,509,273	8,509,273		
	V.LANDINI/V.CATALANI	3,284,042			3,284,042	2,945,261		338,781
	VIA LEONE X, 3	2,583,625			2,583,625	2,583,625		
	V. MONACO 6/V.DELLE GHIACCIAIE 3	3,410,383		3,410,383				
	VIA PALCHETTI 1/3/5	4,824,438	25,248		4,849,686	1,271,175		3,578,511
	VIA PIAN DEI GIULLARI, 69/71	3,136,426			3,136,426			3,136,426
	V. PIER CAPPONI, 99	701,236			701,236	492,373		208,863
	VIA RICASOLI, 48	2,742,941	1,253,427		3,996,368	3,996,368		
	VIA S. REPARATA, 97	3,570,977			3,570,977	3,570,977		
	VIA S. LEONARDO 32-34-36A	3,643,750			3,643,750			3,643,750
	VIA S. LEONARDO, 44	2,267,000	175,298		2,442,298			2,442,298
	VIA SAN LEONARDO, 46-48-6/R	3,332,169			3,332,169			3,332,169
	VIA VANNUCCI, 23	1,576,835			1,576,835	186,226		1,390,609

Beni immobili di proprietà al 31/12/2009 - Variazioni dell'esercizio

		Balance at 31/12/2008	Purchases and incremental expenses	Sales and disposals	Total	Situazione al 31/12/2009		
						Property used for business activ.	Property used by third parties	Residential
	VIA VITTORIO EMANUELE, 26	1,766,186			1,766,186			1,766,186
	V.LE GRAMSCI, 63	4,787,740		12,286	4,775,454		1,050,741	3,724,713
	V.LE LAVAGNINI, 3-5	1,918,120	15,135		1,933,255			1,933,255
	V.LE MATTEOTTI, 14-16-18	19,889,917	2,080,127		21,970,044		21,970,044	
	V.LE MATTEOTTI, 50	3,144,906	69,192		3,214,098		753,443	2,460,655
	V.LE MATTEOTTI, 52	6,519,885	902,456		7,422,341		7,422,341	
	V.LE MATTEOTTI, 54	3,930,110	18,026		3,948,136		819,901	3,128,235
	V.LE MATTEOTTI, 56	2,336,778			2,336,778			2,336,778
	V. MATTEOTTI, 60	9,902,389			9,902,389		6,870,099	3,032,290
	V.LE MATTEOTTI, 64	4,321,643			4,321,643		1,158,732	3,162,911
	V.LE S. LAVAGNINI, 7	4,416,806	168,342		4,585,148		18,702	4,566,446
	VIA SALVAGNOLI 4/6		9,138,212		9,138,212		9,138,212	
GENOA	P.ZA FERRARI, 1	32,554,969			32,554,969		32,554,969	
GIARDINI TAORMINA	HOTEL COMPLEX NAXOS	60,620,160	4,081,829		64,701,989		64,701,989	
IVREA	VIALE MONTE STELLA 6	558,186			558,186		435,780	122,406
MILAN	AREA MADONNINA	11,951,822	385,002		12,336,824		5,266,205	7,070,619
	AREA SESTO SAN GIOVANNI	42,326,170			42,326,170		42,326,170	
	P.ZA VELASCA 5	85,003,792	367,497		85,371,289		50,902,909	34,468,380
	V.OLDOFREDI 51	1,006,604	65,688		1,072,292		18,970	1,053,322
	VIA PEROTTI, 2	2,594,442			2,594,442		2,594,442	
	V.SENIGALLIA 18/2 F.AEFG(1/5/6/7)	44,230,687	687,229	44,917,916				
	V.SENIGALLIA 18/2 FABBRICATO B(2)	35,836,418	834,262	36,670,680				
	V.SENIGALLIA 18/2 FABBRICATO D(4)	38,618,435	68,042	38,686,477				
	V. TRECCANI DEGLI ALFIERI 16-26	18,387,428	3,109		18,390,537		574,664	17,815,873
	VIALE MONZA 139	22,217,103	121,751		22,338,854		22,338,854	
	BUILDINGS LOCALITA' BRUZZANO		887,591		887,591		887,591	
	VIA MELZI D'ERIL 34		28,364,798		28,364,798		28,364,798	
	VIALE BOEZIO 20		20,883,977		20,883,977		20,883,977	
	TORRE GALFA - VIA FARA 41		56,214,230		56,214,230		56,214,230	
	V.MONTI 21	10,222,798	124,175		10,346,973		4,183,629	6,163,344

Beni immobili di proprietà al 31/12/2009 - Variazioni dell'esercizio

		Balance at 31/12/2008	Purchases and incremental expenses	Sales and disposals	Total	Situazione al 31/12/2009		
						Property used for business activ.	Property used by third parties	Residential
MONCALIERI	STR. FERRERO DI CAMBIANO 20	7,309,008		6,079	7,302,929	6,095,707		1,207,222
	V.POSTIGLIONE-VITTIME VAJONT	5,533,610	23,999		5,557,609	4,747,978	809,631	
NAPLES	V.ARCOLEO 52/TOMMASEO 4	3,581,387	39	3,581,426				
ORIGGIO	VIALE ITALIA 6	684,853			684,853		684,853	
PIEVE EMANUELE	V.DELLE ROSE 6	7,495,997			7,495,997		138,358	7,357,639
PRATO	V. SIMINTENDI, 20	5,547,650	36,051		5,583,701		5,583,701	
ROME	V.CARLO EMANUELE I' 7	484,935			484,935		484,935	
	VIA GOVONI 24/43	45,851,705	2,108,460		47,960,165			47,960,165
	VIALE LIEGI 17 (EX IN.G.IM.)	1,485,419		1,485,419				
	CASTELGIUBILEO-V.CAMERATA P./APIRO	36,637,458			36,637,458		8,896,708	27,740,750
S.MARHERITA LIGURE	VIA DOLCINA 18		185,627		185,627		11,713	173,914
SELARGIUS (CA)	V.PERETTI	1,619,734			1,619,734	1,564,929	54,805	
TURIN	C.DANTE 119	3,456,110	19,491		3,475,601		1,067,383	2,408,218
	C.G.GALILEI 12-14	26,686,461	6,191,011		32,877,472	28,799,261	4,078,211	
	C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2	5,038,022	62,709		5,100,731		2,831,274	2,269,457
	C. V. EMANUELE II 48	23,407,733	35		23,407,768		23,407,768	
	LUNGO DORA FIRENZE 71	29,091,510		29,091,510				
	P.CASTELLO 153/V.GARIBALDI 1	1,667,589			1,667,589		1,667,589	
	PIAZZA GUALA, 143	10,176,792		25,343	10,151,449		10,151,449	
	V.ARSENALE 5	10,560,701			10,560,701		10,560,701	
	V.BERTHOLLET 46	4,708,951		4,708,951				
	V.GOBETTI/CAVOUR/LAGRANGE/LOVERA	6,615,698		6,615,698				
	V.GOBETTI/GRAMSCI/LAGRANGE/SOLERI	5,134,534	146,078		5,280,612		1,806,910	3,473,702
	V.GOBETTI/LOVERA/LAGRANGE/SOLERI	41,900,410	23,475		41,923,885		41,923,885	
	V.GROSSI 29/DA VINCI 21/CELLINI 6	6,837,111	185,260		7,022,371		166,362	6,856,009
	V.MARENCO 15 /CORREGGIO 21	9,198,652	4,403	9,203,055				
TRIESTE	VIA CARDUCCI 29	5,172,595	7,247		5,179,842		3,731,951	1,447,891
	VIALE XX SETTEMBRE 89	2,516,379			2,516,379		2,516,379	
VARESE	ALBERGO VIA ALBANI		65,114,450		65,114,450		65,114,450	
VENICE	BACINO ORSEOLO, 1754	1,966,727			1,966,727		306,074	1,660,653
VIAREGGIO	V.LE MANIN, 12	5,789,836	18,021		5,807,857		386,389	5,421,468

Beni immobili di proprietà al 31/12/2009 - Variazioni dell'esercizio

		Balance at 31/12/2008	Purchases and incremental expenses	Sales and disposals	Total	Situazione al 31/12/2009		
						Property used for business activ.	Property used by third parties	Residential
CONDOMINIUMS		133,288,360	59,092,400	1,106,699	191,274,061	4,858,467	151,448,970	34,966,624
		1,169,205,630	276,387,832	252,478,937	1,193,114,525	48,466,252	875,908,346	268,739,927
LAND								
CAMOGLI	LANDS CAMOGLI		58,420		58,420		58,420	
FLORENCE	VIA S. LEONARDO, 38-40-42	1,374,055			1,374,055		1,374,055	
MILAN	LOCALITA' BRUZZANO		13,918,524		13,918,524		13,918,524	
MODENA	VIA BUONARROTI	20,312			20,312		20,312	
ROME	TOR CARBONE	7,747			7,747		7,747	
S.MARGHERITA LIGURE	LANDS S. MARGHERITA LIGURE		46,778		46,778		46,778	
SANREMO	(EX MONTEBIGNONE)	22,159			22,159		22,159	
TURIN	C.GIULIO CESARE	31,571		31,571				
AGRICULTURAL HOLDINGS								
MONTEPULCIANO (SI)	FACTORY AT CERRO	3,227,009			3,227,009		3,227,009	
OTHER PROPERTY RIGHT								
FLORENCE	PARKING	2,629,553			2,629,553	2,629,553		
PIEVE EMANUELE	VIA DEI PINI LOC. VIQUARTERIO		2,636,756		2,636,756		2,636,756	
ASSETS IN PROGRESS AND ADVANCES		2,802,558	27,625		2,830,183		2,830,183	
TOTAL		1,179,320,594	293,075,935	252,510,508	1,219,886,021	51,095,805	900,050,289	268,739,927

Beni immobili di proprietà al 31/12/2009

As at 31/12/2009

		Total gross	Accumulated depreciation	Net value	Current value	Change
BUILDINGS						
CALENZANO	VIA DEGLI OLMI, 7	15,949,856	1,971,227	13,978,630	15,000,000	1,021,370
CAMOGLI	BUILDINGS VIALE GAGGINI	98,349	3,428	94,921	106,000	11,079
	HOTEL COMPLEX	12,827,510	1,781,628	11,045,881	15,000,000	3,954,119
	VIA ROMANA 215	279,340	0	279,340	275,000	-4,340
CASTEL MAGGIORE	LOCALITA' SALICETO	1,609,667	0	1,609,667	6,022,930	4,413,263
FERRARA	C.SO ERCOLE, 1', 6A	1,382,838	23,411	1,359,427	1,590,000	230,573
FLORENCE	P.ZA DELLA REPUBBLICA, 6	62,979,462	613,979	62,365,483	68,200,000	5,834,517
	P.ZZA LIBERTA', 13	13,319,379	1,034,331	12,285,048	14,620,000	2,334,952
	P.ZZA LIBERTA', 1N-1-2R	1,920,622	33,438	1,887,185	3,130,000	1,242,815
	P.ZZA LIBERTA', 2- V. S. GALLO, 123	11,047,627	916,959	10,130,668	14,080,000	3,949,332
	P.ZZA LIBERTA', 9-11	9,582,649	455,054	9,127,596	11,190,000	2,062,404
	VIA BARACCA, 18	1,907,538	27,251	1,880,287	2,405,000	524,713
	VIA BENIVIENI, 1-3	4,604,149	5,847	4,598,302	6,640,000	2,041,698
	V. CAMPO D'ARRIGO, 134	2,962,145	15,426	2,946,719	3,860,000	913,281
	VIA CAVOUR, 82-84	9,919,401	85,815	9,833,586	11,600,000	1,766,414
	V. L.IL MAGNIFICO, 2-4-6	8,509,273	1,256,937	7,252,336	8,800,000	1,547,664
	V.LANDINI/V.CATALANI	3,284,042	326,944	2,957,098	3,550,000	592,902
	VIA LEONE X, 3	2,583,625	34,933	2,548,692	3,070,000	521,308
	VIA PALCHETTI 1/3/5	4,849,686	8,642	4,841,044	8,280,000	3,438,956
	VIA PIAN DEI GIULLARI, 69/71	3,136,426	0	3,136,426	7,830,000	4,693,574
	V. PIER CAPPONI, 99	701,236	4,236	697,000	1,114,000	417,000

Beni immobili di proprietà al 31/12/2009

As at 31/12/2009

		Total gross	Accumulated depreciation	Net value	Current value	Change
FLORENCE	VIA RICASOLI, 48	3,996,369	84,950	3,911,418	2,940,000	-971,418
	VIA S. REPARATA, 97	3,570,977	17,066	3,553,911	4,870,000	1,316,089
	VIA S. LEONARDO 32-34-36A	3,643,750	1,298	3,642,452	5,280,000	1,637,548
	VIA S. LEONARDO, 44	2,442,298	0	2,442,298	3,590,000	1,147,702
	VIA SAN LEONARDO, 46-48-6/R	3,332,169	0	3,332,169	5,340,000	2,007,831
	VIA VANNUCCI, 23	1,576,835	11,664	1,565,171	2,058,000	492,829
	VIA VITTORIO EMANUELE, 26	1,766,186	168	1,766,018	2,443,000	676,982
	V.LE GRAMSCI, 63	4,775,454	107,087	4,668,368	5,650,000	981,632
	V.LE LAVAGNINI, 3-5	1,933,255	43,117	1,890,138	1,907,000	16,862
	V.LE MATTEOTTI, 14-16-18	21,970,044	393,228	21,576,816	23,000,000	1,423,184
	V.LE MATTEOTTI, 50	3,214,098	8,068	3,206,030	4,609,000	1,402,970
	V.LE MATTEOTTI, 52	7,422,341	192,765	7,229,576	6,900,000	-329,576
	V.LE MATTEOTTI, 54	3,948,136	8,914	3,939,222	6,216,000	2,276,778
	V.LE MATTEOTTI, 56	2,336,778	0	2,336,778	3,490,000	1,153,222
	V. MATTEOTTI, 60	9,902,389	75,033	9,827,357	11,930,000	2,102,643
	V.LE MATTEOTTI, 64	4,321,643	10,873	4,310,770	6,291,000	1,980,230
	VIA SALVAGNOLI 4-6	9,138,212	0	9,138,212	9,400,000	261,788
	V.LE S. LAVAGNINI, 7	4,585,148	2,940	4,582,209	6,076,000	1,493,791
GENOA	P.ZA FERRARI, 1	32,554,969	6,589,343	25,965,626	30,300,000	4,334,374
GIARDINI TAORMINA	HOTEL COMPLEX NAXOS	64,701,989	35,903	64,666,086	64,001,900	-664,186
IVREA	VIALE MONTE STELLA 6	558,186	0	558,186	729,700	171,514
MILAN	AREA MADONNINA	12,336,825	47,301	12,289,524	18,414,000	6,124,476
	AREA SESTO SAN GIOVANNI	42,326,170	618,161	41,708,010	45,250,000	3,541,990
	P.ZA VELASCA 5	85,371,289	3,055,802	82,315,488	103,702,730	21,387,242

Beni immobili di proprietà al 31/12/2009

As at 31/12/2009

		Total gross	Accumulated depreciation	Net value	Current value	Change
	V.OLDOFREDI 51	1,072,292	59,864	1,012,428	3,665,930	2,653,502
	VIA PEROTTI, 2	2,594,442	31,269	2,563,173	3,200,000	636,827
	BUILDINGS IN BRUZZANO	887,591	0	887,591	875,000	-12,591
	VIA MELZI D'ERIL	28,364,798	0	28,364,798	27,000,000	-1,364,798
	VIALE BOEZIO 20	20,883,977	3,059,204	17,824,773	23,100,000	5,275,227
	TORRE GALFA - VIA FARA 41	56,214,230	0	56,214,230	59,000,000	2,785,770
	V. TRECCANI DEGLI ALFIERI 16-26	18,390,537	682	18,389,855	30,774,850	12,384,995
	VIALE MONZA 139	22,338,854	0	22,338,854	27,374,400	5,035,546
	V.MONTI 21	10,346,973	1,041,291	9,305,683	14,363,480	5,057,797
MONCALIERI	STR. FERRERO DI CAMBIANO 20	7,302,929	657,759	6,645,169	6,000,000	-645,169
	V.POSTIGLIONE-VITTIME VAJONT	5,557,609	2,803,391	2,754,219	10,072,800	7,318,581
ORIGGIO	VIALE ITALIA 6	684,853	0	684,853	2,766,750	2,081,897
PIEVE EMANUELE	V.DELLE ROSE 6	7,495,997	11	7,495,986	12,538,280	5,042,294
PRATO	V. SIMINTENDI, 20	5,583,701	78,565	5,505,136	5,900,000	394,864
ROME	V.CARLO EMANUELE I' 7	484,935	0	484,935	969,480	484,545
	VIA GOVONI 24/43	47,960,165	0	47,960,165	57,600,000	9,639,835
	CASTELGIUBILEO-V.CAMERATA P./APIRO	36,637,459	789,953	35,847,506	53,720,770	17,873,264
S. MARGHERITA LIGURE	VIA DOLCINA 18	185,627	27,844	157,783	338,000	180,217
SELARGIUS (CA)	V.PERETTI	1,619,734	631,848	987,886	1,230,900	243,014
TURIN	C.DANTE 119	3,475,601	33,413	3,442,187	10,590,340	7,148,153
	C.G.GALILEI 12-14	32,877,471	10,507,491	22,369,981	58,908,850	36,538,870
	C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2	5,100,731	597,554	4,503,177	16,156,180	11,653,003
	C. V. EMANUELE II 48	23,407,768	0	23,407,768	24,966,550	1,558,782
TURIN	P.CASTELLO 153/V.GARIBALDI 1	1,667,589	0	1,667,589	6,499,000	4,831,411

Beni immobili di proprietà al 31/12/2009

As at 31/12/2009

		Total gross	Accumulated depreciation	Net value	Current value	Change
	PIAZZA GUALA, 143	10,151,448	1,025,055	9,126,394	11,100,000	1,973,606
	V.ARSENALE 5	10,560,701	663,941	9,896,760	10,175,300	278,540
	V.GOBETTI/GRAMSCI/LAGRANGE/SOLERI	5,280,612	12,406	5,268,205	24,435,440	19,167,235
	V.GOBETTI/LOVERA/LAGRANGE/SOLERI	41,923,885	2,474,134	39,449,751	42,000,000	2,550,249
	V.GROSSI 29/DA VINCI 21/CELLINI 6	7,022,370	119	7,022,252	22,592,730	15,570,478
TRIESTE	VIA CARDUCCI 29	5,179,842	0	5,179,842	6,962,100	1,782,258
	VIALE XX SETTEMBRE 89	2,516,379	189,423	2,326,956	2,458,500	131,544
VARESE	ALBERGO VIA ALBANI	65,114,450	0	65,114,450	61,000,000	-4,114,450
VENICE	BACINO ORSEOLO, 1754	1,966,727	44,384	1,922,343	3,820,000	1,897,657
VIAREGGIO	V.LE MANIN, 12	5,807,857	21,211	5,786,646	6,250,000	463,354
CONDOMINIUM		191,274,061	11,120,221	180,153,839	273,362,201	93,208,362
		1,193,114,525	55,774,198	1,137,340,327	1,502,519,091	365,178,764
OTHER PROPERTY						
LAND						
CAMOGLI	LANDS AT CAMOGLI	58,420		58,420	277,000	218,580
FLORENCE	VIA S. LEONARDO, 38-40-42	1,374,055		1,374,055	3,430,000	2,055,945
MILAN	LOCALITA' BRUZZANO	13,918,524		13,918,524	13,179,000	-739,524
MODENA	VIA BUONARROTI	20,312		20,312	20,400	88
ROME	TOR CARBONE	7,747		7,747	17,300	9,553

Beni immobili di proprietà al 31/12/2009

As at 31/12/2009

		Total gross	Accumulated depreciation	Net value	Current value	Change
SANREMO (EX MONTEBIGNONE)		22,159		22,159	33,000	10,841
S. MARGHERITA LIGURE	LAND IN S. MARGHERITA LIGURE	46,778		46,778	72,000	25,222
AGRICULTURAL HOLDINGS						
MONTEPULCIANO (SI)	FACTORY AT CERRO	3,227,009	3,661	3,223,348	25,606,800	22,383,452
OTHER PROPERTY RIGHTS						
PIEVE EMANUELE	VIA DEI PINI LOC VIQUARTERIO	2,636,756		2,636,756	2,636,756	0
FLORENCE	PARKING	2,629,553	350,081	2,279,472	3,200,000	920,528
ASSETS IN PROGRESS AND ADVANCES		2,830,183		2,830,183	3,021,702	191,519
TOTAL		1,219,886,022	56,127,940	1,163,758,081	1,554,013,049	390,254,968