
INTERIM REPORT FOR THE THIRD QUARTER 2009



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE AND FLORENCE HEADQUARTERS - P.ZA DELLA LIBERTÀ 6 - TURIN
HEADQUARTERS - CORSO G. GALILEI, 12 - SHARE CAPITAL EURO 167,043,712 FULLY PAID-IN – TAX, VAT AND
FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE
ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL
17, 1925

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

BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti*	<i>Chairman</i>
Giulia Maria Ligresti *	<i>Vice Chairman</i>
Massimo Pini *	<i>Vice Chairman</i>
Antonio Talarico *	<i>Vice Chairman</i>
Fausto Marchionni *	<i>Chief Executive Officer - General Manager</i>
Andrea Broggin	
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	<i>Secretary of the Board and the Executive Committee</i>

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGER

Fausto Marchionni

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

** Members of the Executive Committee*

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

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

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

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 18, 2009 - the exclusive competence to the Board of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

The Board of Directors was appointed by the Shareholders' Meeting of April 24, 2009.

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

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INTRODUCTION

The present quarterly report at 30/09/2009 (Interim report pursuant to article 154 ter of Legislative Decree No. 58/98) was prepared on a consolidated basis, in accordance with the provisions contained in the above-mentioned Legislative Decree as supplemented, as well as CONSOB Issuers' Regulations.

In particular:

- in the preparation of the income statement and net financial position, consideration was taken of the instructions for the format of the consolidated financial statements as per Isvap Regulations No. 7/2007;
- all the data and accounting statements are prepared on a consolidated basis. The income statement data is compared with the relative data of the same period of the previous year; the balance sheet and financial position data are compared with the end of the previous quarter and the previous year. In order to facilitate comparison, the same accounting principles were utilised as for the last consolidated financial statements and to which reference should be made. The present report was prepared in accordance with international accounting standards IAS/IFRS issued by the IASB, approved by the European Union and with any amendment by the official bodies to the current "format" in use complying with CONSOB Communication No. 8041082 of 30/04/2008 and duly approved by the relevant Authorities.

The quarterly financial statements have not been audited.

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

Key Group data

(in Euro millions)	9M 2009	9M 2008	Q3 2009	Q3 2008
Net profit/(loss) ^(*)	1	385	(31)	124
Total Gross premiums written	9,201	8,143	2,752	2,216
of which:				
Gross Non-Life premiums written	5,143	5,294	1,437	1,495
Gross Life premiums written	4,058	2,849	1,315	721
Investment policies written	39	273	11	17
APE	375	281	122	92
Combined ratio – Non-Life sector	103.3%	95.4%	106.0%	92.5%
Expense ratio of the Non-Life sector	20.9%	21.0%	20.0%	20.4%
Expense ratio of the Life sector	5.3%	6.8%	4.9%	7.7%
(in Euro millions)	30/09/2009	30/06/2009	31/12/2008	
Investments	37,543	35,598	33,438	
Net technical reserves - Non-Life division	10,557	10,619	10,645	
Net technical reserves - Life division	21,340	19,910	17,843	
Shareholders' equity ^(*)	4,083	3,757	3,895	

^(*)The result includes the minority interest share. Shareholders' equity includes the minority interest share and the consolidated result

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

International economic overview

Thanks to the first encouraging economic signs and a return to partial normality of the financial markets, the International Monetary Fund, in its autumn Economic Report slightly improved its growth forecast with global GDP expected to decrease 1.1% in 2009 with a return to growth of 3.1% in 2010.

In particular, in the United States growth expectations for 2010 have almost doubled since Spring from 0.8% to 1.5%. GDP in the second quarter dropped 0.7%: this figure however was an improvement on preliminary estimates (a drop of between 1% and 1.2%). However, in 2009 US GDP is forecast to decrease by 2.7%.

The drivers of the world economy are expected to be from Asia - China and India. In relation to Chinese GDP, the Fund has forecast growth of 8.5% in 2009 and 9% in 2010, while the Indian economy is expected to grow respectively by 5.4% and 6.4%. Japan also is expected to recover, with growth of 1.7% in 2010 from an estimated drop in GDP of 5.4% this year.

Despite the apparent end of the economic crisis, the Organisation however takes a prudent outlook as the recovery appears tentative with a long-term weakening in production capacity and growth potential in all sectors, a tightening of credit and an inability to create new jobs with an increase in unemployment.

The European and Italian markets

For Italy, the IMF estimates of a drop in GDP of 5.1% in 2009 remain unchanged. A slight recovery should take place in 2010, with growth estimates of 0.8% in 2010.

This forecast is in line with the overall Euro Area, with an estimated contraction of 4.2% in 2009 and a recovery of 0.3% in 2010.

Although there are clearer signals of an improvement in the economy - which has seen a growth in the services index for the first time in the last 16 months (passing the 50 point threshold) - employment prospects in the short-term are not particularly strong in Europe. Unemployment in the Euro Zone grew to its highest level in the past 10 years, with an increase from 7.6% in August 2008 to 9.6% in August of this year and expected to pass the 10% level in 2010 (ref. OCSE Employment Outlook 2009).

In Italy, the estimate for 2010 is for a rise in unemployment of 1.124 million on 2007, 850,000 more than the first quarter 2009, with an unemployment rate of 10.5%.

However in September, there was deflation in the Euro Zone (0.3%), a further drop on 0.2% in August. At the same date, there was slight deflation on a monthly basis in Italy (0.2%), while inflation recorded of 0.2% on an annual basis.

In relation to the motor sector, in Italy there were two contrasting trends: on one hand, the motor segments which can benefit from state incentives and on the other, the vehicles excluded. In particular the development of the so-called “ecological cars” (methane, GPL, hybrid or electric) which represent a quarter of new cars registered. The registration of vehicles using alternative energy has increased from 9.9% of the market in January 2009 to 26.6% in September, with uninterrupted growth leading to a market share in the first nine months of 19%.

The insurance sector

Nationally, total premiums recorded by the Life and Non-Life Divisions in the first half of 2009 amounted to Euro 55.4 billion, an increase of 15.4% on the same period of 2008.

In particular, Non-Life premiums, which amounted to Euro 18.4 billion decreased by 2.6%, accounting for 33.2% of the total portfolio (39.4% in the same period of 2008). The premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 8.9 billion (-4.7% on the first half of 2008), comprising 48.3% of total Non-Life Division premiums (49.4% in the same period of 2008) and 16.1% of total premiums (19.4% in the first half of 2008).

The Life portfolio (Euro 36.9 billion) recorded an increase of 27.2%, approx. 66.8% of the total (60.6% in the same period of 2008).

In September, the premiums relating to the new individual policies more than doubled on the same month of 2008 (132%, Euro 5.2 billion). In the first nine months premiums totalled Euro 41.3 billion (+54% on 2008).

In Italy, the downward trend in the Non-Life Division since 2005 continued - in 2008 reporting the first losses in the last 6 years. This trend is particularly related to the overall Motor insurance market which in recent years has been affected by:

- continued growth in the cost of claims;
- an easing in the drop of frequency;
- a strong reduction in the average premium.

In Italy, the technical balance of the sector was negative for Euro 0.3 billion in 2008 (positive for Euro 1.2 billion in 2007), partly due to the effect of regulatory changes (for example the transferability of class among family members) which the market is only now beginning to absorb.

Unexpected events and additional costs arose which, together with the current economic crisis, were not included in the actuarial calculations of the products and which, as such, were recorded directly to the income statement of the insurance companies.

Within the Non-Life market in the short-term period the following is expected:

- a small decrease in the number of policies. Historical analysis shows in fact that the number of policies is affected by the rate of growth in the economy, although fluctuations are lower than in the rate of GDP. Growth in the economy is expected, along with stability in the motor market, while the Non-Life division historically is not significantly affected by recessions;
- a relative stability of the frequency, following the combined effect of two distinct factors: reduced economic activity and the increase in fraud and the amounts of injury claims;
- an increase in the average claims cost, due to the increase in the number and costs of injuries (physical damage) with possible further impact on costs arising from the Constitutional Courts interpretation of direct damage;
- an increase in the average premium, with a realigning of the premiums to the technical margins, after an unrealistic “price war” and a move towards “dumping”.

The Fitch rating agency, in a recent report published at the beginning of September, believes that in the short-term conditions are not present for a positive upgrade of the global insurance industry.

The outlook of the Moody’s rating agency also remains negative for the Italian insurance market for the coming 12-18 months. The opinion, although in line with the agency’s view of the overall European insurance industry, for the Italian industry is particularly negative, taking a poor view of the structural changes in the market and only partially relating to the global financial crisis.

In particular, for the Non-Life Division they foresee:

- greatly limited profits in the medium-long term due to competition in the Motor TPL sector and the changes in regards to distribution which is altering the role of bancassurance;
- high risk of regulatory changes;
- a worsening of the combined Motor ratio in 2008 and a negative outlook for 2009.

In relation to Life policies, the rating agency underlines the significant decrease in revenues from the bancassurance channels, evident from 2008, and the indirect effect from the significant drop in shareholdings in credit institutions which sustain the bancassurance agreements.

Although 2009 saw upward movement thanks essentially to the launch of new contracts with predetermined interests (the so-called policies with “specific contractual agreements”), the rating agency remains cautious on the sustainability of sales growth led by this line of business and consequently business within the entire sector.

The decline in profitability in the Life sector relates to:

- the high concentration and volatility of sales through bank branches;
- pressure on margins;
- higher future capital requirements given the strong growth in guaranteed traditional products in 2009.

Fortunately however it is considered that the Italian insurance industry is more resilient than others to the effects of the global financial crisis, principally due to a moderate exposure to structured products and to prudent investment policies in recent years.

In relation to Non-Life insurance, the strengths according to Moody's are:

- limited exposure to systemic non-hedgeable systemic lines of business (so-called "long tail") and general business risks;
- a relatively conservative investment strategy;
- strong growth prospects in the Non Motor sectors in the long term.

In relation to Life insurance, the strengths highlighted were:

- prudent investment strategies and better risk management;
- development potential, although moderate, in the long term.

With the passing of the most difficult phase of the crisis, the danger of a systemic collapse has rescinded and an upturn is expected, although the timing remains uncertain.

Regulatory framework

With particular reference to the new regulations within the Italian insurance market in the last quarter, we note:

Direct compensation

For greater details, please refer to the 2009 Consolidated Half-Year Report.

We highlight the recent judgment of the Constitutional Court No. 180/2009 which established that direct action against insurers under article 149 of the Insurance Code is admissible by the damaged party and therefore an alternative to the traditional action in relation to establishing the responsibility for damage.

Awaiting specific interventions from the Institutions on this issue, the need is therefore currently evident to maintain the regulatory framework for direct damage reaffirming the CARD system in terms of quality of service and containment of settlement costs with a common code of behaviour for all operators focussed on:

- inclusion within the CARD system of the management of all claims covered by article 149 of the Insurance Code;

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- allow the Management company, both in the out-of-court phase of the claim and in a judicial phase, to assume the management of the claim.

ANIA therefore decided to amend with immediate effect the existing CARD regulations with new requirements and roles to be undertaken by the companies under those duties carried out in relation to the single claim (Managed or Debtor).

Multi-year policies

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

The article in fact states that “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”.

Amendments for insurance and reinsurance brokers

In the Official Gazette 172 of July 27 the provisions of 2/07/2009 of ISVAP were published.

The provision concerns: “Amendments and updates to regulation No. 5 of 16/10/2006, concerning the governance of insurance and reinsurance brokerage activities covered by Chapter IX (Insurance and Reinsurance brokers) and article 183 (Conduct regulations) of legislative decree No. 209 of 7/09/2005 of the Private Insurers’ Code”.

Lifting of short-selling ban

At the end of July CONSOB, awaiting a decision on the issue at European level, established that from August 1, the sale of shares must be accompanied both by the availability and ownership of the securities only for the companies which by 30/11/2009 have passed a resolution for a share capital increase.

The restrictive regulations on “short selling” were introduced by the Authority during September, when the financial market crisis was in full flow: in subsequent months the provision was prolonged but gradually eased.

However, the Commission aware of the possible impact that short-selling operations may have on trading and the markets integrity, compelled all operators to fully respect the trading regulations and the delivery of securities within the times established by the regulations and laws in force.

New Class I regulation

At the moment of writing, ISVAP is collating new reports relating to the consultation for the issue of a new regulation relating to Life Policies covered by separated management, in order to review also the regulations of traditional policies to avoid damage to retail clients.

CONSOLIDATION SCOPE

At 30/09/2009, the Fondiaria-SAI Group, including the Parent Company, was made up of 124 Companies, of which 19 operated in the insurance sector, 2 in the banking sector, 52 in the real estate and agricultural sector and 24 in the financial services sector; the remaining companies are various service companies. The company has 19 overseas offices.

The total number of subsidiaries fully consolidated is 87 and the number of companies consolidated under the Net Equity method is 19, while the remaining companies are consolidated under the proportional method or maintained at carrying value given their insignificant amount to the Group.

Excluded are the subsidiaries which due to their size or nature of activities are not significant for the purposes of a true and fair representation of the present quarterly accounts.

Following the acquisition of control of the company Atahotels S.p.A. (and its subsidiary companies) on May 29 last, the present Quarterly Report includes only the result for the period since the acquisition of control on September 30, 2009.

During the third quarter of 2009 the consolidation scope of the Fondiaria-SAI Group did not change significantly.

ACCOUNTING PRINCIPLES

The consolidated quarterly report applied the accounting standards utilised - consistent with international accounting standards - for the preparation of the last consolidated annual accounts and to which reference should be made.

As the current report is for the quarterly period, the determination of some accounts includes the use of greater estimates and simplifications, whilst ensuring the correct application of the accounting principles.

Non-Life Claims Reserves

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

In this context, the reserve was measured separately for the various types of management under the new regime. In particular:

- for the claims within the CARD Debtor regime, the valuation was made based on the differing flat rates, for 2007, 2008 and 2009, defined by the Technical Committee set up under Pres. Decree No. 254/2006;
- for the CARD Operator claims, the expected final cost was recorded net of the flat recoverable amounts;

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- for the claims not covered by the new regime (essentially as they involve two vehicles or permanent personal injury greater than 9%), the valuation of the final cost of the claims in the current year was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For the claims of previous years, already recorded in reserves, the trends relating to the claims settled in the period were noted, verifying the appropriateness of the reserves recorded at 31/12/2008.

In the Other Non-Life Classes, for both the current generation and previous generations, the technical offices estimate was supplemented utilising the parameters already utilised for the 2008 annual accounts, where there were not significant statistical changes compared to the consolidated trends.

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

Valuation and impairment of financial instruments

With reference to the valuation of financial instruments, reference should be made to the financial statements at December 31, 2008.

The “fair value policy” outlined therein did not incur changes and, therefore, with reference to the listed financial instruments in active markets, the stock exchange price at 30/09/2009 was utilised.

It is also reported that some valuation processes, such as those utilised to determine any losses in value (impairment) of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. However, the current financial crisis further complicated the valuation processes, requiring analysis, with reference in particular to the equity instruments, based not only on stock market movements, but also on values of fundamental use of these assets.

Consequently in this quarterly report, also due to the limited availability of all the necessary information, the losses in value of “Available for sale” financial instruments recorded due to the application of the automatic criteria as illustrated in the consolidated financial statements of December 31, 2008 were recorded in the income statement and which identified temporal and quantitative limits for the recording of a long-term or significant drop in the fair value.

Following that recently expressed by IFRIC (International Financial Reporting Interpretations Committee) relating to paragraph 61 of IAS 39, the Group has begun a review of its impairment policy. Following the clarification requests to IFRIC regarding the meaning of “significant or prolonged”, as expressed in the above stated paragraph 61 in order to identify a permanent loss in value, it emerged that the two criteria must be recorded separately and not together.

Therefore, as stated in the Consolidated Half-Year Report, it is considered necessary to eliminate the threshold which identified the reduction in the market value of at least 20% for a continuous period of one year as proof of impairment. Consequently the valuations, as well as regarding shares with a loss of between 20% and 80% of the book value, according to the manner set out in the 2008 annual accounts, was extended to all of the AFS capital instruments which show losses for a continuous period of between 12 and 24 months. The other two thresholds identified in the 2008 annual accounts (80% and 24 months) for the recognition of an objective evidence of impairment remain unchanged.

Reclassification of financial instruments

The increase in the account “Loans and Receivables” is due to the application of the provision in IAS 39, and as enacted in October through the approval of EU Regulation No. 1725/2003, through which a financial asset classified as available-for-sale may be reclassified in the category “loans and receivables” provided it complies with the qualitative requisites contained in the regulation and that the Group has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity.

Based on this option, it was decided to reclassify at 1/1/2009 some debt instruments for Euro 808,420 thousand from the category “Available-for-sale” to “Loans and Receivables”.

These instruments, issued by Corporate parties, and with significant subordination clauses were valued at fair value at 31/12/2008 through an appropriate mark-to-model method, in consideration of the unreliability of the relative pricings due to the illiquidity and inactivity of the exchange markets.

In consideration of the nature of the securities and of the intention and of the capacity of the Group to hold these assets for the foreseeable future or until maturity, the allocation of these financial instruments to the category of “loans and receivables” is considered more appropriate, which through the valuation at amortised cost permits the recording to the income statement of income matured in the period.

The accounting value of the securities transferred at 30/09/2009 was Euro 797,412 thousand and the fair value, determined on the basis of the above-mentioned mark-to-model method substantially confirms the value. The effect of the amortised cost resulted in the recording of income of Euro 3,478 thousand. The negative AFS reserve recorded on these securities on January 1, 2009 amounts to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39.

It should be noted also that this reclassification has an effect in 2009 in that, as explicitly outlined in IAS 39 103G, it is not possible to retroactively apply this change in 2008; however, as illustrated by the figures, the effects are not material.

OPERATING PERFORMANCE

The consolidated net profit for the first nine months of 2009 was Euro 1 million (Euro 385 million in 9M 2008). The result was heavily affected by the technical performance of the Non-Life Division characterised in the Motor Sector by an ongoing contraction of premiums and a general increase in the average cost of claims. This was further impacted by the high costs of the distribution networks, whose remuneration mechanisms are not entirely related to the profitability of the policies written.

The operating performance for the quarter and for the first nine months compared to the same periods in the previous year is shown below:

(in Euro thousands)	9M 2009	9M 2008	Q3 2009	Q3 2008
Net premiums	9,189,817	8,086,923	2,973,324	2,377,351
Commission income	67,492	73,526	24,137	19,904
Net Income from financial instruments recorded at fair value through profit or loss	754,468	(443,495)	336,841	(40,110)
Income from investments in subsidiaries, associates and joint ventures	9,253	41,185	7,639	11,011
Income from other financial instruments and property investments	881,734	966,213	280,774	290,087
- Interest income	626,228	668,097	200,542	231,616
- Other income	139,204	206,836	42,620	24,496
- Profits realised	111,559	90,762	32,975	33,903
- Valuation gains	4,743	518	4,637	72
Other revenues	480,692	280,732	109,089	79,631
TOTAL REVENUES	11,383,456	9,005,084	3,731,804	2,737,874
Net charges relating to claims	(9,047,742)	(6,080,669)	(3,110,269)	(1,845,464)
Commission expenses	(35,617)	(36,835)	(11,644)	(8,685)
Charges from investments in subsidiaries, associates and joint ventures	(11,932)	(3,736)	(7,261)	(173)
Charges from other financial instruments and property investments	(330,248)	(352,954)	(71,659)	(167,547)
- Interest expense	(78,890)	(105,182)	(19,677)	(32,319)
- Other expenses	(45,488)	(48,781)	(14,787)	(15,888)
- Losses realised	(87,645)	(133,190)	(9,208)	(75,552)
- Valuation losses	(118,225)	(65,801)	(27,987)	(43,788)
Management expenses	(1,410,094)	(1,421,679)	(437,168)	(430,000)
- Commissions and other acquisition expenses on insurance contracts	(1,090,231)	(1,077,398)	(336,303)	(315,794)
- Investment management charges	(8,087)	(12,233)	(2,918)	(2,378)
- Other administration expenses	(311,776)	(332,048)	(97,947)	(111,828)
Other costs	(561,416)	(568,887)	(133,845)	(120,170)
TOTAL COSTS	(11,397,049)	(8,464,760)	(3,771,846)	(2,572,039)
PROFIT/(LOSS) BEFORE TAXES	(13,593)	540,324	(40,042)	165,835
Income taxes	14,458	(155,332)	8,508	(42,118)
NET PROFIT/(LOSS)	865	384,992	(31,534)	123,717
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-
CONSOLIDATED PROFIT/(LOSS)	865	384,992	(31,534)	123,717
GROUP NET PROFIT/(LOSS) FOR THE PERIOD	(3,207)	306,691	(23,986)	98,262
MINORITY INTEREST SHARE	4,072	78,301	(7,548)	25,455

In the first nine months of 2009, the key results of the Group were as follows:

- The **Non-Life Insurance Division** reported a decrease of 2.9% in premiums and a pre-tax loss of Euro 40 million (profit of Euro 463 million in the first nine months of 2008). The decrease is due principally to the significant deterioration of the technical management, in relation to which reference should be made to the section “Non-Life insurance sector”;
- The **Life Insurance Division** recorded an increase in premiums of 42.5%, which is based mainly on the bancassurance channel (76% of the total). The pre-tax profit was Euro 56 million (Euro 72 million in the first nine months of 2008); however it is noted that the data in the first nine months of 2008 benefited from the gain of Euro 29 million from the sale of Po Vita;
- the **Real Estate Division** reports a pre-tax loss of approx. Euro 33 million (Euro 14 million loss in the first nine months of 2008), prevalently due to the subsidiary Immobiliare Lombarda in relation to management costs and interest expense not offset by significant sales outside the Group. Following the positive outcome of the takeover bid of Immobiliare Lombarda in 2008, the internal restructuring plan was fully implemented which will rationalise the operating activities of the real estate activities. Reference should be made to other parts of the present report on the implementation of the project;
- The **Other Activities sector**, which includes the companies operating in the financial and asset management sectors, report a pre-tax profit of Euro 3 million (Euro 21 million in the first nine months of 2008). The result is in part due to brokerage and management commission income, following a smaller contribution from financial assets;
- **Management expenses** amounted to Euro 1.410 million from Euro 1,422 million in the first nine months of 2008, a decrease of 0.8%. Excluding the investment management expenses, the total amount was Euro 1,402 million. In the Non-Life division these expenses amounted to Euro 1,131 million and represent 22% of premiums (22.1% in the first nine months of 2008), while in the Life division the total amount of the expenses was Euro 215 million and accounted for 5.3% of premiums (6.8% in the first nine months of 2008);
- Excluding the contribution of the financial instruments recorded at fair value through profit or loss, the **total net income from investments** amounted to Euro 549 million (Euro 651 million in the first nine months of 2008). This amount consists of Euro 626 million of interest income, Euro 79 million of interest charges, Euro 94 million of other income and net profits to be realised on real estate and securities of Euro 24 million. Net valuation gains and losses was a loss of approx. Euro 113 million. A net loss from investments in subsidiaries, associates and joint ventures of Euro 3 million was recorded;
- **Financial instruments recorded at fair value through profit or loss** amounted to a profit of Euro 754 million (a loss of Euro 443 million in the first nine months of 2008). This account includes the net income from financial assets where the risk is borne by the policyholders (positive for Euro 702 million although entirely offset by the correlated increase in net charges relating to Life Division claims);
- **Other revenues and costs** amounted to a net charge of Euro 81 million (net charge of Euro 288 million in the first nine months of 2008). This residual balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties, prior year income and charges as well as net changes in risk provisions. The account includes amortisation and depreciation on intangible and fixed assets totalling Euro 74 million.

The reason for the improvement in the result in the period is due to the reversal of Euro 150 million during the half-year relating to the provision made in the previous year by the subsidiary Popolare Vita against restructuring charges of the index linked policies with underlying securities of Lehman Brothers, charges whose amount become certain only in the first part of the present year;

- the **income tax** charge was minimal which also includes the positive effect gained by the Parent Company and Milano Assicurazioni through the possibility afforded under article 1, paragraph 48 of Law 244/07 to re-align the book and tax values of assets with a positive effect of approx. Euro 12 million on income taxes in the period. This therefore allowed the recording of net deferred tax income of Euro 14 million against a pre-tax loss.

The table below shows the profit before taxes in each sector.

(in Euro thousands)	Non-Life	Life	Real Estate	Others Activities	IC	Total
Net premiums	5,147,873	4,041,944	-	-	-	9,189,817
Commission income		31,883	-	37,048	(1,439)	67,492
Income and charges from financial instruments at fair value through profit or loss statement	75,824	670,471	(527)	8,700	-	754,468
Income from investments in subsidiaries, associates and joint ventures	5,484	252	3,517	18	(18)	9,253
Income from other financial instruments and property investments	261,695	538,937	35,159	63,281	(17,338)	881,734
Other revenues	302,606	167,232	119,921	386,436	(495,503)	480,692
TOTAL REVENUES AND INCOME	5,793,482	5,450,719	158,070	495,483	(514,298)	11,383,456
Net charges relating to claims	(4,082,444)	(4,965,298)	-	-	-	(9,047,742)
Commission expenses		(24,395)	-	(11,222)	-	(35,617)
Charges from investments in subsidiaries, associates and joint ventures	(7,004)	(266)	(4,199)	(463)	-	(11,932)
Charges from other financial instruments and property investments	(170,074)	(93,928)	(50,892)	(32,692)	17,338	(330,248)
Management expenses	(1,134,429)	(219,429)	(329)	(240,459)	184,552	(1,410,094)
Other costs	(439,889)	(91,043)	(135,181)	(207,693)	312,390	(561,416)
TOTAL COSTS AND CHARGES	(5,833,840)	(5,394,359)	(190,601)	(492,529)	514,280	(11,397,049)
PROFIT (LOSS) BEFORE TAXES	(40,358)	56,360	(32,531)	2,954	(18)	(13,593)
Income taxes						14,458
NET PROFIT						865
PROFIT FROM DISCONTINUED OPERATIONS						
CONSOLIDATED PROFIT						865
Group share						(3,207)
Minority share						4,072
Pre tax result 9M 2008	462,950	71,657	(14,163)	20,814	(934)	540,324

NON-LIFE INSURANCE SECTOR

The pre-tax result was a loss of Euro 40 million compared to a profit of Euro 463 million in the third quarter of 2008.

The decrease in the profit is principally related to the technical performance which was affected by:

- the reduction in premiums in the Motor class;
- the impact of the tragic earthquake in Abruzzo in April and other exceptional natural events;
- the increase in average costs in the Land Vehicle Class and in some General Classes;
- the negative performance of the Motor TPL Sector which was heavily affected by physical injuries, as well as the difficulties in certain noted regions;
- the consequent increase in claims in the Motor TPL sector and their frequency;
- rigidity of the cost structure, in particular relating to the distribution networks.

The Fondiaria-SAI Group in the first nine months of 2009 recorded premiums of Euro 5,143 million (-2.9% on the first nine months of 2008). The breakdown by Class is shown in detail in the following table:

(in Euro thousands)	30/09/2009	30/09/2008	Cge. %	30/06/2009
Accident & Health	489,863	498,360	(1.70)	355,686
Marine, aviation and transport insurance	144,730	150,718	(3.97)	99,288
Fire and other property damage	557,982	583,776	(4.42)	410,815
General TPL	360,460	332,906	8.28	282,492
Credit & Bonds	63,785	66,354	(3.87)	45,695
General pecuniary losses	28,546	19,366	47.40	20,178
Legal expenses	14,659	13,499	8.59	10,258
Assistance	37,369	32,916	13.53	27,488
TOTAL OTHER NON-LIFE DIVISION	1,697,394	1,697,895	(0.03)	1,251,900
Motor vehicle TPL	2,897,100	3,032,807	(4.47)	2,061,703
Motor vehicles – other classes	540,896	556,229	(2.76)	387,362
TOTAL MOTOR	3,437,996	3,589,036	(4.21)	2,449,065
TOTAL DIRECT PREMIUMS	5,135,390	5,286,931	(2.87)	3,700,965
INDIRECT PREMIUMS	7,225	7,787	(7.22)	4,611
TOTAL NON-LIFE DIVISION	5,142,615	5,294,718	(2.87)	3,705,576

The premiums written in the quarter amounted to Euro 1,496 million and represent 28.3% of all premiums in the first nine months of 2009. The Parent Company in the first nine months recorded total direct premiums of Euro 2,652 million (-2.7%), of which 1,792 million (-4.3%) in the Motor Classes.

The subsidiary Milano Assicurazioni S.p.A. contributed direct premiums at group level of Euro 2,257 million (-2.2% at like-for-like consolidation scope), with a decrease of 3.5% in the Motor Classes and of 0.8% in the other Non-Life Classes.

Technical reserves, net of reinsurance, amounted to Euro 10,557 million (Euro 10,619 million at 30/09/2008).

The percentage of management expenses to premiums was 22.0% (compared to 22.2% in the first nine months of 2008); these expenses include charges for the changes in capitalised commissions, amounting to Euro 55.5 million compared to Euro 55.6 million in the first nine months of 2008.

From the third quarter 2008, the Fondiaria SAI Group has revised the presentation of some of its technical efficiency ratios among which the Combined Ratio, the Combined Operating Ratio and the Expense Ratio, excluding from the calculation the amortisation of the long-term commissions capitalised in previous years.

The table below shows the principal technical indicators in the third quarters of 2009 and 2008.

<i>Data shown in %</i>	30/09/2009	30/09/2008
Loss ratio	79.3	71.2
Expense ratio	20.9	21.0
Combined operating ratio	100.2	92.2
OTI ratio (*)	3.1	3.3
Combined ratio	103.3	95.5

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

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

	Claims paid (in Euro thousands)			Claim reported Number		
	09/2009	09/2008	Cge. %	09/2009	09/2008	Cge. %
Accidents	177,438	154,575	14.79	73,667	74,587	(1.23)
Health	129,614	136,822	(5.27)	179,924	164,590	9.32
Railway	-	250	(100.00)	1	-	-
Aviation	8,255	337	-	30	40	(25.00)
Maritime	18,071	5,428	232.92	549	359	52.92
Merchandise transport	12,932	13,969	(7.42)	2,141	2,057	4.08
Fire and other natural elements	211,846	160,606	31.90	71,694	62,722	14.30
Other property damage	194,453	178,580	8.89	119,299	110,321	8.14
Aviation TPL	69	1,353	(94.90)	13	11	18.18
Maritime TPL	668	436	53.20	141	-	-
General TPL	273,209	256,323	6.59	86,639	75,164	15.27
Credit	325	218	49.08	6	3	100.00
Bonds	31,493	25,634	22.86	1,222	1,033	18.30
Pecuniary losses	7,014	4,874	43.91	2,799	3,654	(23.40)
Legal expenses	2,346	1,331	76.26	1,674	1,689	(0.89)
Assistance	18,813	13,346	40.96	82,753	67,987	21.72
TOTAL OTHER NON-LIFE DIVISION	1,086,546	954,082	13.88	622,552	564,217	10.34
Motor TPL	2,431,586	2,579,366	(5.73)	694,574	691,493	0.45
Land vehicles	361,526	305,133	18.48	282,674	246,499	14.68
TOTAL MOTOR	2,793,112	2,884,499	(3.17)	977,248	937,992	4.19
TOTAL NON-LIFE DIVISION	3,879,658	3,838,581	1.07	1,599,800	1,502,209	6.50

In relation to claims made in the Motor TPL Division, from the present quarterly report for comparative purposes, the so-called “natural” claims were also included as claims caused (those occurring between policyholders of the same company).

The Motor Classes were affected by the significant contraction in the registration of new motor vehicles, which in the first nine months of 2009 decreased by 6.2%, by the strong competitive pressures following the customisation of products, the diversification of tariffs and the greater application of discounts: the average premium in fact decreased by 1.9% on that recorded in 2008.

Two factors continued to have significant impacts: the effect on the Bonus Malus classes as per Law No. 40 of 2/4/2007, known as the “Bersani bis” (over 70% of the motor vehicles insured are in the first three bonus classes) and the effects of restructuring the multi-claim portfolio, undertaken in previous years. Both these factors continue to affect the current year.

For the Motor TPL class, from a regulatory point of view, with the introduction in 2008 of the new regulations in accordance with ISVAP No. 2590, lower premium rises are incurred by insured parties involved in claims who are considered of “not principal” responsibility.

In order to offset these regulations, introduced in favour of newly insured parties and of those jointly-responsible for claims determining a higher cost, and in order to offset the natural increase in the cost of claims, from June 1 an increase in the vehicle tariff was introduced of 3.5%.

The number of claims of the **Parent Company Fondiaria-SAI** registered in the period was 360,818, an increase of 1%. The number of claims paid was 322,802 (+0.1%).

The claims/premiums ratio, net of the costs for the Guarantee Fund for Road Victims, was 84.7% for the current quarter and 87.3% at global level.

The speed of settlement of the current generation on the claims managed (No Card Claim + Managed Card Claims) was 69.4% for the claims in the first nine months and 61.3% for the claims in previous years. On the claims caused, the speed of settlement was 65% for the current quarter and 59.6% for the previous years.

In the first nine months of 2009, the claims reported and accepted from our policyholders (including late claims) within the new compensation regime (so-called CARD managed claims system) amounted to 252,153, of which 189,978 were fully paid.

The reported claims from the clearing houses with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (so-called CARD debtor) amounted to 230,026 - of which 158,170 gave rise to the full payment of the indemnity and 71,856 resulted in the recording of a reserve.

For accounting purposes, up to September 30 recharges were received for a value of Euro 404 million from the clearing house. The amount of the credits received was Euro 382 million.

In relation to the subsidiary **Milano Assicurazioni**, the non-life division recorded a pre-tax profit of Euro 15 million, compared to a pre-tax profit of Euro 247 million in the first nine months of 2008 (pro-forma).

The drop in profits of the subsidiary Milano was also principally due to the technical performance, with a combined ratio which at Group level amounted to 101.5% compared to 95.4% in 9M 2008.

In particular, the Motor TPL Class reports a negative technical result in a market context of falling average premiums and an increase in average costs.

The technical performance of the Land Vehicle Class remains satisfying, although the greater competitive pressures on prices continue.

Direct premiums written in the Non-Life Division amounted to Euro 2,257 million, of which Euro 1,598 million relate to the Motor Classes (-3.5%) and Euro 659 million relate to the Other Classes which recorded an increase of 0.8%. Motor Division premiums were affected by the above stated issues.

In the other Non-Life Classes the underwriting policy continues to combine growth and profitability protecting the good quality level of the portfolio acquired and led by the retail sector.

In the third quarter of the year, 224,504 claims were reported, an increase of 0.7% on 209,880 claims reported in the third quarter of 2008. The claims reported in the first nine months of the year were 672,540 compared to 644,286 in the same period of the previous year (+4.4%). In the Motor TPL class the claims reported in the first nine months of 2009 were 328,038 compared to 329,624 in the first nine months of the previous year (-0.5%). In the third quarter of 2009, the claims reported were 101,191, an increase of 11.8% on Q3 2008.

The claims paid in the first nine months of 2009, gross of outward reinsurance, amounted to Euro 1,794.8 million, compared to Euro 1,852.0 million in the first nine months of 2008 (-3.1%).

In the telephone and Internet channels, the actions continued supporting **Dialogo Assicurazioni S.p.A.** (99.85% subsidiary of Milano Assicurazioni).

In particular, in the first nine months of 2009 the new advertising campaign contained in the industrial plan of the company began. The cost incurred in the period amounting to Euro 4.8 million was entirely expensed in the income statement.

The gross premiums recorded in the first nine months of the year amounted to Euro 20.1 million and recorded an increase of 40.7% on the first nine months of 2008 (Euro 14.3 million). The Motor TPL Class, which represents the largest part of the portfolio, reports a worsening in the claims to premiums ratio, 87.1% compared to 77.6% in the first nine months of 2008.

The contribution of Dialogo Assicurazioni S.p.A. to the consolidated income statement was a loss of Euro 8.2 million (profit of Euro 6.4 million in the first nine months of 2008).

In relation to the subsidiary **Liguria Assicurazioni**, premiums written amounted to Euro 204.1 million, an increase of 1.2% on the first nine months of 2008. In particular, the premiums written in the Motor sector amounted to Euro 156.8 million (+0.5%) while, in the Non-Life Division premiums written amounted to Euro 47.3 million (+3.3%).

The technical performance deteriorated on the first nine months of 2008. Specifically, the Motor TPL class was penalised by an increase in claims and by the unfavourable claims from previous periods, already recorded under reserves. The Land Vehicle class recorded an increase in the claims to premiums ratio, principally due to some specific guarantees (windshield and natural events). The Other Non-Life Classes report a positive performance, although down on the same period of 2008.

The worsening of the technical performance affected the overall result in the period, which recorded a loss of Euro 15.6 million under IAS/IFRS accounting standards.

In relation to the standardised products distributed by partner banks, **Systema Compagnia di Assicurazioni S.p.A.** (wholly owned by Milano Assicurazioni) recorded premiums in the first nine months of the year of Euro 11.3 million, an increase of 28.5%.

The premiums/claims ratio of the Motor TPL Class improved from 62.4% in the first nine months of 2008 to 59.7% in the current period.

The Other Non-Life Classes reported increased claims, related also to the extraordinary events which hit some policies in portfolio, with particular reference to the Fire and Natural Elements Class.

The contribution to the consolidated profit was Euro 0.7 million (profit of Euro 1.3 million in 9M 2008).

In relation to the subsidiary **SIAT S.p.A.**, at the end of the third quarter the overall technical balance decreased. This is principally due to the contraction in profits in the Transport Class, which although overall recording a favourable performance, was negatively impacted by the economic crisis which generated a widespread slowdown in international traffic.

The premiums written amounted to approx. Euro 131 million, a slight decrease compared to the same period of the previous year (approx. Euro 134 million). This decrease is essentially due to the Goods sector which, as previously reported, was affected by the contraction in traffic and the low prices for raw materials.

In relation to the Hull sector, the situation improved moderately for maritime policyholders compared to the previous year. The reduction in rates appears to have bottomed out and quotations have shown moderate signs of improvement, particularly for the fleets with good records. However, we report a significant reduction in the values insured and an increase in empty ships, both factors consequent of the lower commercial maritime traffic and the correlated drop in charters.

In relation to the Goods sector, the market reports the same difficulties which characterised the final part of 2008. Competition continues to be intense, traffic remains reduced and the prices of raw materials are still very low.

In relation to claims in the Hull segment, the lower utilisation of ships incurred a predicted and generalised increase. This is due to the fact that in the past the shipping companies opted to hold off in order to maximise the use of their fleet. The pleasure boat sector was particularly negative, seeing a significant increase in the amount of claims for theft of vessels.

In the Goods segment however the performance of the claims reported did not change on previous periods.

In relation to the claims paid, the amount remains stable on the first nine months of 2008. At the same time, the claims reserve in the "Transport" sector has not changed significantly.

The subsidiary **DDOR NOVI SAD** recorded a profit of Euro 8.7 million in the period (Euro 8.2 million in 9M 2008), attributable to:

- a decrease in gross premiums of approx. 14.5% on 2008, due to the economic crisis and the drop in GDP. The decrease is reported in almost all of the Direct Classes, such as Accident and Health (-5.5%), Land Vehicles (-19.7%), Fire (-12.2%), Other Property Damage (-23.6%) and Motor TPL (-11.6%). In particular, the decrease in the Motor TPL Division was also influenced both by increased tariffs, beginning in Autumn 2008 and by the discontinuation of the issue of long-term policies from Summer 2008. The Motor TPL class continues to be affected by intense competition, while awaiting the imminent implementation of new regulations for this area of business;
- seasonality, which affected both the reserve premium calculated according to the “pro rata temporis” method (decreasing Euro 1.77 million on 31/12/2008), and the write-down of receivables for premiums due over 90 days (for Euro 7.66 million) and for receivables for single legal or physical entities exceeding the 1% of the guaranteed reserve (Euro 1.64 million). In particular in relation to this latter, in consideration of the fact that a large part of clients, as well as being important operators in the local market and longstanding Clients, are historically punctual in the payment of their debts at the end of the year and therefore a notable decrease is expected in this figure by year-end;
- direct premium claims settled, which decreased by 4.1% on the same period of 2008; the decrease is significant in the Fire sector (-35.5%), the Land Vehicle sector (-16.9%) and the Other Property Damage sector (-7.5%), against which the Motor TPL sector grew by 9.5% due to the increase in legal expenses for claims dealt with in court. For this reason, we highlight that the Company is proceeding in the reorganisation of underwriting operations in the most problematic regions;
- the constant and continuous monitoring and control of costs, following which general expenses decreased (-1.9%) on the first nine months of 2008.

Sistemi Sanitari S.c.r.l.

The evolving demographic situation, with the progressive ageing of the population due to greater longevity and with the large increase in the costs of technological innovation in the medical field are just two of the reasons why the Fondiaria-SAI Group has decided to provide an innovative solution with Sistemi Sanitari (Health Care Systems), a national network which acts as an efficient link between public bodies, private structures and the citizen.

The fundamental reason behind this choice, which is based on the original social vocation of the Group, is the utilisation of experience gained in many years of insurance activity: due to the increasing requirements for long-term care insurance and pension funds, the Group has decided to dedicate a new Class to Health Management, in which the insurer is increasingly seen as a personal consultant, able to respond to the needs of the individual and collective security.

As well as providing private insurance in the health field, Health Care Systems embraces the idea of subsidiarity in the public field: while in Italy health care expenses increase along with the contribution of the private institutions to hospital assistance, Sistemi Sanitari is an efficient response to the demand for health care protection for citizens and supports the need for public entities to maintain an excellent level of service and to provide “organised” assistance, eliminating queues, waiting and misinformation.

The Division is a new generation structure which operates through three principles:

- consultancy to the Fondiaria-SAI Group in the creation of cutting edge products and healthcare solutions;
- selection and management of a network of qualified health care centres;
- administration of repayments.

First of all, Sistemi Sanitari intends to provide to insured parties a “certified” healthcare service: this means that the structure revolves around support activities in the creation of insurance products and the management of services.

Secondly, Sistemi Sanitari selects the doctors, the structures and the health care operators, evaluating the standards, the technology and the organisation. The selection of the healthcare structures and the doctors follows precise qualitative protocols: every clinic will be monitored and evaluated by a team of experts from the Group, as well as checking that the structure is in line with the levels of service required by the Fondiaria SAI Group, guaranteeing the excellence of the services provided.

The tied network, covering the entire national territory, consists of approx. 280 recovery centres, 450 out patient clinics and day hospitals, approx. 2,200 specialist doctors, 480 registered doctors (which form the association of medical doctors trusted by the Group) and 800 Service Companies, for the transport of patients, homecare assistance and telephone assistance.

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

Motor Repair Project

Auto Presto&Bene is the company of Fondiaria SAI Group formed in order to guarantee the insured party, in the case of claims, maximum reliability and efficiency in the repairs to damage of their vehicles. The Auto Presto&Bene service has been operative since the end of 2008 in Piedmont, Valle d’Aosta and Lombardy.

The Clients of the Fondiaria-SAI Group can avail of an innovative and particularly efficient service, made possible thanks to the exclusive availability of original spare parts and guaranteed repair for life through a network of repair centres throughout Italy, carefully selected by Auto Presto&Bene based on highly specialised requirements, such as the ability to carry out high quality repairs in the shortest time possible.

Every subscriber to the Nuova Prima Global Auto Presto&Bene can avail of a group of services which include, among others, the three exclusive services:

1. a discount of 10% on Motor TPL insurance;
2. free recovery of stranded vehicles;
3. no liability on the Collision Guarantee.

The type of claims covered by the Nuova Prima Global Auto Presto&Bene service are:

- a. reasonable claims (with the Friendly Contestation of Accidents form signed by both the counterparties);
- b. the so-called direct risks, such as:
 1. atmospheric events;
 2. fire and theft;
 3. socio-political events;
 4. acts of vandalism.

The average repair time of the Auto Presto&Bene centres is 5 working days; however the majority of repairs are carried out in a substantially shorter timeframe.

Auto Presto&Bene has a specialised organisation for purchases and the ability to acquire directly from the manufacturers approx. 14 million different types of spare parts and in 90% of cases manages to receive them within 3 or 4 working days.

Original spare parts guaranteed for life are synonymous with security: in Italy a relatively high percentage of highway accidents are caused by repairs carried out with a low degree of professionalism or through the use of non original spare parts. It is also significant that only one third of spare parts are original and another third compatible, or of equivalent quality: the remaining repairs however are carried out with spare parts which use non recognised construction circuits by the car manufacturers and therefore potentially hazardous to security.

From March 2009 the service became operative in Lazio and from April in Umbria and Marche, with a total network of over 550 repair centres. From May 2009 the activities began also in the Veneto, Friuli Venezia Giulia and Trentino Alto Adige regions (where approx. 100 repair centres operate). The network of Auto Presto&Bene repair centres was completed throughout Italy at the end of June.

The full integration of the value chain allows both the reduction of claims costs and an increase in the level of service to the client, considering that the number of claims managed on average per month was 6,000 (at the end of the third quarter 2009), with expectations of a growth to 14,000 claims managed per month by the end of 2011, with the channel zing (% of repairs through the tied workshops of the possibly channelled claims) of 15% at the end of the third quarter 2009, increasing to 35% by the end of 2011.

It is the objective of the Fondiaria SAI Group to extend, from 2010, the Auto Presto&Bene service also to claims of one's own liability or joint liability where the insured party, incurring total or partial repair expenses, may equally benefit from the high level of service guaranteed by Auto Presto&Bene.

In order to further improve the assistance service, shortly Auto Presto&Bene will be able to assist, directly at the place of the claim, those who have undertaken the Nuova Prima Global Auto Presto&Bene policy and whose vehicle is stranded.

For greater attention to the client, in the coming months a significant extension of the service will be rolled out: in the major Italian cities, the Auto Presto&Bene Centres, where the insured party will be able to directly take the vehicle involved in the accident (obviously in the case in which it is possible to move the vehicle), the claim may be made, minor damage incurred taken care of in a comfortable repair environment immediately or a courtesy vehicle provided with the picking up of the repaired vehicle on return.

At the end of 2009, the first of these Centres will be opened in Turin, in the area of the ex Pininfarina Technical Centre, where in addition to the headquarters of Auto Presto&Bene (with approx. 60 employees), a state-of-the-art car workshop will be housed with the necessary equipment to carry out minor damage repairs immediately while the client enjoys a cup of coffee while waiting, together with a range of replacement vehicles available for those who have suffered more serious damage to their vehicle and a technical training centre for operators of the Auto Presto&Bene repair centres.

DDOR Novi Sad to increase the share capital of Metals Banka AD

On 13/07/2009, following the approval by the National Bank of Serbia, DDOR Novi Sad participated in the Metals Banka AD share offer, the leading Serb company in the bancassurance sector, through DDOR. The operation, without public offer and only for institutional investors, resulted in the payment by the Group Company of approx. Euro 3.05 million, allowing the purchase of 52,100 ordinary shares (issue price of approx. Euro 58.51) and increasing its holding in Metals Banka AD to 10.10528%.

LIFE INSURANCE SECTOR

The Division's pre-tax profit was Euro 56 million compared to Euro 72 million in 9M 2008. Considering that the data in the first nine months of 2008 included the gains from the sale of Po Vita of Euro 29 million, the result is positive and an improvement although still within a difficult environment due to the current financial crisis.

The good results have been assisted by the margins from the subsidiaries Popolare Vita and Lawrence Life.

The premiums written in the Life Division amounted to Euro 4,058 million, an increase of 42.5% compared to the first nine months of 2008.

The details by class compared to the first nine months of 2008 are shown in the table below:

(in Euro thousands)	30/09/2009	30/09/2008	Cge. %	30/06/2009
I – Insurance on human life expectancy	1,950,702	1,099,041	77.49	1,233,160
III - Insurance as per points I and II linked to investment funds	1,839,349	1,512,589	21.60	1,321,221
IV – Health insurance as per art. 1 letter d) EU Dir. 79/267	212	115	84.35	194
V – Securitisations as per art. 40, legislative decree 174/95	266,627	234,796	13.56	188,002
TOTAL	4,056,890	2,846,541	42.52	2,742,577
INDIRECT PREMIUMS	1,330	2,230	(40.36)	930
TOTAL	4,058,220	2,848,771	42.46	2,743,507

The Parent Company recorded direct premiums of Euro 669 million, a slight increase on the first nine months of 2008 (Euro 662 million).

Total premiums written by bank branches amounted to Euro 3,067 million and represent 76% of the total direct premiums written (60% in 2008).

The total premiums in the sector also include Euro 39 million (Euro 273 million in the first nine months of 2008) on investment contracts which do not fall under the ambit of IFRS 4 and therefore not included under premiums written but according to the deposit accounting technique.

Charges relating to claims, net of reinsurance, amounted to Euro 4,965 million (Euro 2,341 million in 9M 2008).

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

(in Euro millions)	Claims	Redemptions	Maturity	Total
I– Insurance on human life expectancy	56.5	529.3	487.6	1.073.4
III - Insurance as per points I and II linked to investment funds	16.8	257.0	350.3	624.1
IV – Health insurance as per art. 1 letter d) EU Dir. 79/267	-	-	-	-
V – Securitisations as per art. 40, legislative decree 174/95	1.6	292.7	45.3	339.6
TOTAL	74.9	1.079.0	883.2	2.037.1

The management expenses, excluding those relating to the management of the investments, amounted to Euro 215 million (Euro 193 million in the first nine months of 2008), 5.3% of premiums.

Net technical reserves amount to Euro 21,340 million, an increase of Euro 3,497 million on the end of the previous year: the improvement is due to the strong performance of the bancassurance channel.

The new business, according to the “Annual Premium Equivalent” (“APE”) for the Fondiaria-SAI Group, relating to the products covered by the application of IFRS 4, excluding therefore the contracts treated under the “deposit accounting” method, recorded an increase of 45.7%, amounting to Euro 375 million compared to Euro 257 million in the first nine months of 2008. Bancassurance contributed Euro 309 million compared to Euro 191.7 million in the first nine months of 2008 (+61%).

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

The total new business in the segment, which takes account of the investment contracts not included within the scope of IFRS 4, amounted to Euro 375 million compared to Euro 280.6 million in the first nine months of 2008, an increase of 33.6%.

In the first nine months of 2009, the Individual Life premiums written by the distribution network were focused almost entirely on the products related to the Separated Management, which were characterised by a guaranteed minimum return and protection of the investment, both as a single premium, with particular attention paid to the important segment of the life capital maturity policies and securitisation, and as a constant annual premium.

In the Index-Linked sector, the VALORE SICURO (Sure Value) policy related to the performance of the Dow Jones Euro Stoxx 50 share index was launched, with a consolidation of performance and settlement mechanism on maturity of capital and of any coupons matured: the product provides for a guarantee on maturity provided directly by the Company.

The DEDICATA policy (Term Life) introduced in the previous year with differentiation for policyholders' smoking habits grew significantly.

In the quarter, the Corporate segment achieved good results in its “pre-existing” pension fund management activities for employees, incentivising a greater contribution related to the higher tax deductibility, as well as with pension plans following employee departure under the enabling regulations; the extension of the maturity and the contributions to the pension plans is now possible, taking account of the new clauses of the single insurance conventions.

The products related to the leaving incentive provisions (TFR and TFM), are those affected greatest by the current economic crisis; although these products typically favour payment in the second half of the year, there does not appear to be significant room to manoeuvre in the short term for an increase in the distribution of these products.

For the capitalisation products focussed on treasury management, the advanced redemption lessened greatly confirming the tentative signs of recovery in interest in this type of investment, also due to the diminished appeal, in terms of remuneration of debt instruments in general.

The coverage of risk, in addition to good results in the institutional sector of insurance deriving from the collective contractual negotiations, substantially maintaining the portfolio, continued personalised accessory coverage solutions for subscribers to Pension Funds, with encouraging results in the main, while the distribution of products dedicated to loan coverage, with particular regard to those related to the coverage of mortgages, remain stagnant in this sector.

The direct business of the Life Division of the subsidiary **Milano Assicurazioni** at Group level amounted to Euro 725 million in the nine months (Euro 788 million pro-forma in the first nine months of 2008). The decrease is principally due to the lower contribution of the banking channel, while the premiums written of the Parent Company Milano amounted to Euro 295 million compared to Euro 297 million in the first nine months of 2008 (-2.7%).

In this latter case, the decrease is due to the pure securitisation Class III products (-87.1%), offset by a significant increase in Class I premiums (+14.5% for Euro 246 million) presenting a higher intrinsic value.

The sector income statement reports a pre-tax profit of Euro 32.1 million (Euro 21.5 million in the first nine months of 2008).

The net profit of the subsidiary **Popolare Vita S.p.A.** in the first nine months of 2009 was Euro 14.6 million (Euro 11.6 million in 9M 2008).

Gross premiums written amounted to Euro 927.7 million (Euro 1,367.7 million in 9M 2008). Management expenses in the first nine months of 2009 totalled Euro 28.3 million (Euro 90.3 million in the first nine months of 2008).

The gross technical reserves amounted to Euro 5,699 million (Euro 2,688 million in 2008) and relate for Euro 3,602 million to Class D reserves (Euro 2,206 million in 2008).

At 30/09/2009, total investments reached Euro 7,166 million, compared to Euro 3,107 million at December 31, 2008 with over 71% consisting of financial assets recorded at fair value through profit or loss.

The distribution network of the company consists of 2,166 bank branches belonging to the Banco Popolare Group and, in relation to only post-sales, 33 branches of Credito Emiliano.

In the third quarter, the Company **The Lawrence Life Assurance Company LTD** underwent significant change thanks to the distribution agreement concluded with the Banco Popolare Group. In the second and third quarters, three tranches of index-linked products were placed, while a fourth tranche was sold in October.

The total gross premiums in the first nine months of 2009 amounted to Euro 1,705 million (Euro 0.8 million in the first nine months of 2008), almost entirely relating to insurance contracts.

The profit for the period was Euro 14.8 million (Euro 0.3 million in the first nine months of 2008).

To guarantee the solvency margin, the Company underwent three capital increases for a total of Euro 17.6 million. A further capital increase of Euro 4.4 million is scheduled in relation to the tranche sold in October.

Class D investments amounted to Euro 2,055 million (approx. Euro 407 million in the first nine months of 2008), while total investments amounted to Euro 2,105 million (Euro 416 million in the first nine months of 2008).

In relation to the presentation to the relevant Italian and Irish authorities for the transfer of 100% of the share capital from Fondiaria Nederland B.V. (Dutch company held 100% by Fondiaria-SAI) to Popolare Vita S.p.A., subsidiary company of Fondiaria-SAI with a 50% holding plus one share and the remainder held by Banco Popolare, the required authorisations were granted respectively last July and in October 2009.

The operation forms part of the joint strategic plan of Banco Popolare Group and Fondiaria SAI Group to extend their bancassurance partnership, aiming to reignite the premium development plan of the joint venture.

For further information reference is made to the Consolidated Half-Year Report.

In relation to the sale of Life insurance products through the banking channel, **Bipiemme Vita** (held 51% by Milano Assicurazioni) issued net premiums of Euro 412.8 million, a decrease of 8.6% on 9M 2008.

In the third quarter, the premiums written in this sector were also affected by the economic downturn and the uncertainties on the future dynamics of the financial variables. The company continued with the rationalisation of the product portfolio to satisfy better the needs of clients and managed with extreme care the financial assets covering technical reserves in order to obtain satisfactory yields for the separated management. The investments at September 30 amounted to Euro 3,792.6 million, compared to Euro 3,468.3 million at December 31, 2008.

The shareholders' equity amounted to Euro 153 million, an increase on December 31, 2008, due to the profits in the period (Euro 7.6 million) and the increase of the reserve relating to securities classified in the Available-for-Sale category, following the improved performance in the financial markets.

Restructuring of the index-linked policies issued by SASA VITA S.p.A. and having bonds from the Icelandic banks as underlying securities.

Reference should be made to the Consolidated Half-Year Report.

REAL ESTATE SECTOR

The quarterly report of the Territorial Agency in the second quarter of 2009 reported a drop of 12.3% in sales, although confirming the negative trend of the Italian real estate market represented a slight improvement on the first quarter (-18.7%), fostering tentative hopes of recovery.

In particular, the drop in sales in the sector was greater in Central Italy (-4.4%), while more contained in the North (-2.7%) and the South (-2.3%), with the average price decreasing to Euro 1,578 per sq.m. (-0.5% on the second half 2008).

However, there was a recovery in commercial property in Europe in the third quarter. Direct investments in fact reached Euro 18 billion (+40% on Euro 12.9 billion in the previous quarter), with a volume of contracts of over Euro 60 billion.

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

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

(in Euro thousands)	30/09/2009	30/09/2008
Profits realised	1,174	44
Total revenues	158,070	140,735
Interest expense	12,872	17,953
Total costs	190,600	154,897
Profit/(loss) before taxes	(32,531)	(14,163)

(in Euro thousands)	30/09/2009	31/12/2008
Investment property	1,422,643	1,271,595
Financial liabilities	493,472	451,068

The pre-tax result of the sector was a loss of Euro 33 million compared to a loss of Euro 14.2 million in the same period of 2008. The result includes the depreciation and interest expense for the period, not offset by any income to be realised and was also affected by the unfavourable economic environment.

The principal operations of the Fondiaria SAI Group in the first nine months of 2009 were:

- Fondiaria-SAI sold parts of a building for commercial use in Milan, Via San Giovanni sul Muro No. 21 at a price of Euro 1.4 million;
- the subsidiary Milano Assicurazioni acquired a building in Turin, Strada del Drosso 29 for commercial use for Euro 8.9 million;

-
- the subsidiary SAI Investimenti attracted subscribers for a new closed property fund called Athens R.E. Fund – speculative fund. This fund purchased from the subsidiary Immobiliare Lombarda S.p.A. buildings for hotel-accommodations use in Civitella Panico (GR) called Grand Hotel Terme di Petriolo for a price of Euro 40 million and in Taormina (ME) called Grand Hotel Capotaormina for a price of Euro 40 million. This is an inter-group operation in that the newly constituted fund was conferred and is controlled by the Group, and the sale does not result in a gain in the present report. for technical details, reference should be made to the specific paragraph;
 - the closed property fund Tikal sold the building for office use in Florence, viale Matteotti, 72 at a price of Euro 7.2 million, recording a gain of Euro 0.9 million.

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.

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

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 Lombarda) 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 include 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.

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.

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

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.

For further information reference should be made to the Consolidated Half-Year Report.

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

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

For further information reference should be made to the Consolidated Half-Year Report.

Also on 1/7/2009 contractual agreements necessary to allow the review of the corporate structure of the real estate project in question were signed.

Varesine Project

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

The area of the Varesine project is in Milan, between Via M. Gioia, Viale Liberazione, Via Galileo and Via Vespucci and provides for the development of approximately 42,000 sq.m for office use, 34,000 sq.m for residential use and 6,000 sq.m for retail use.

Further information on the assignment of work procedures are reported in the Consolidated Half-Year Report.

Merger by incorporation of the fully held real estate subsidiaries

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

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

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

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

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

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

The subsidiary Villa Ragionieri S.r.l. signed an agreement with IM.CO. S.p.A. to extend the operations which this latter was initially contracted for the creation in the area of the Villa Ragionieri, situated in the Sesto Fiorentino municipality, of a new health complex for the highly specialised oncology centre.

In the last five years, successive amendments to the project for the realisation of the complex were presented to the Sesto Fiorentino Municipality.

The amounts agreed with IM.CO. for the execution of works and the provision of the necessary resources following the above-mentioned changes, in view of the high quality sanitary projects involved, amounted in total to approx. Euro 28 million, plus VAT.

As IM.CO. is a related party of the Company, an independent expert report was required to verify these amounts are in line with market prices. This opinion validated the appropriateness of the amounts tendered.

Sale to the Unicredit Group of a real estate complex in Milan, Via Cambi, owned by the subsidiary Crivelli S.r.l. (100% Immobiliare Lombarda)

Agreements were signed between the company Crivelli S.r.l. (100% Immobiliare Lombarda) and Unicredit R.E. for the increase of the sales price agreed in 2007 for the land and the building for office use situated in Milan, Via Cambi, for the expansion of the offices adjacent to Unicredit R.E. according to a project already agreed with the future occupier.

In 2007 in fact, following some extensions to the project and consequently the entry into force of new regulations with regard to energy saving, the initial project underwent some changes following which it was possible to increase the commercial area under construction. In addition, operations which were not initially envisioned, which did not increase the surface area, generated a significant increase in costs.

The carrying out all of these works were entrusted to the company MI.PR.AV. – Milano Progettazioni Avanzate S.r.l. for the design services and to the company Martora Costruzioni S.p.A. for the building operations.

For the completion of the greater surface area and in order to render all of the amendments and/or additions of the original project possible, it was necessary to invest a further sum of approx. Euro 8.5 million, plus VAT.

As both of the above companies are related parties of the Company, the total additional sum above indicated was verified by an independent expert, confirming the validity of the amounts.

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

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

Reference should be made to the Consolidated Half-Year Report for greater detail.

OTHER SECTORS

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

The sector pre-tax profit was Euro 3 million (Euro 21 million in the first nine months of 2008).

In the third quarter of 2009, **BancaSai** recorded a loss of Euro 0.4 million (profit of Euro 0.2 million in 2008), with an interest margin of Euro 12.6 million (Euro 13.3 million in the third quarter of the previous year).

Assets managed at September 30, 2009 amounted to Euro 1,217 million compared to Euro 1,162 million in the previous year. In the period, the number of current accounts grew by 767, from 14,891 at December 31, 2008 to 15,658. The current account totals amounted to Euro 507 million, a decrease of Euro 28 million on the year-end (Euro 535 million). Total customer deposits decreased by Euro 20 million, from Euro 594 million at December 31, 2008 to Euro 574 million at September 30, 2009.

The savings administered recorded an increase to Euro 244 million at September 30, 2009 compared to Euro 197 million at the end of 2008; the assets managed increased from Euro 371 million at the end of 2008 to Euro 399 million, with the net outflow decreasing from Euro 119.3 million to Euro 4 million.

The number of financial promoters decreased from 522 to 360.

In a particularly unfavourable economic environment such as that in the first nine months of 2009, BancaSai continued to provide individuals and business with the level of financial support and service envisioned under its business model. Market conditions have led to a more selective granting of credit to business and more onerous requirements for clients in relation to bank loans in terms of spread. The Bank, aware of its position and its relationship with the client, has not altered its strategy: financial support to households and business continued to be the central part of Bank policy and was strengthened through the subscription to the ABI Enterprise Agreement of 3/8/09 through Board of Directors' resolution of September 8 last.

Nearly 70% of loans were issued by the four branches (Turin, Florence, Milan and Genoa). The territorial banking model ensures, thanks to the direct and expansive knowledge of the counterparties and the local economic situation, a competitive advantage. The financial promoters and agents' distribution network principally provided residential mortgages for a total of Euro 55 million with Euro 50 million in 2008.

In relation to the guarantees acquired, approx. half of the loans portfolio was assisted by secured guarantees, less than 1/3rd of the total loans were without any guarantees: of these, nearly 50% refer to exposure to companies, employees and agencies of the Fondiaria-SAI Group.

Overall, the quality of the loan book remains good: 96.3% of the credit portfolio is "current", while the loan portfolio comes under the "BB" rating. The Bank also utilises the Credit Rating System for the determination of internal ratings assigned to clients. The analysis compared to the previous year recorded upgrading for 23% of the portfolio, downgrading for 31% of the portfolio, while the remaining part remained unchanged or without rating.

In the first nine months of 2009, the issue of bonds in order to diversify and stabilise revenue sources by technical form and duration with the objective to gradually reduce the current mismatching between sources and commitments continued. Eight bonds were issued (of which three reserved to institutional investors) for a total of Euro 29.5 million.

Despite the signs of recovery in the markets in the first nine months of the year, which led to a strong reduction in the unrealised losses in the portfolio, the management criteria of the portfolio continued to be prudent and cautious. In the period, activity has been limited to replacing securities maturing, focusing the asset allocation toward Italian government bonds or international securities.

The securities portfolio, at the end of the third quarter 2009, amounted to Euro 60 million, a reduction on the previous period of Euro 75 million.

Bank capital requirements amounted to Euro 117 million (Euro 118 million at the end of 2008). The net equity, including the loss, amounted to Euro 118 million.

The most significant events after the end of the quarter, as part of the projects contained in the three year plan, was the opening of a branch office in October in Padua which will manage the development of the northeast of Italy region.

In view of the performance in the first nine months of the year and the comparison with the budget it is considered reasonable that the economic objectives set will be achieved.

ASSET AND FINANCIAL MANAGEMENT

Investments and liquidity

At 30/09/2009, the volume of investments amounted to Euro 37,543 million, an increase of 12.3% on 31/12/2008. This increase is prevalently due to the positive adjustments to fair value which related in particular to the debt securities market and the use of funds from the bancassurance companies.

The investments, tangible fixed assets and liquidity at 30/09/2009 compared to 30/06/2009 and 31/12/2008 are shown below.

(in Euro thousands)	30/09/2009	Percent. 09/09	30/06/2009	Percent. 06/09	Cge. %	31/12/2008
INVESTMENTS						
Investment property	2,634,177	6.68	2,612,126	6.94	0.84	2,459,751
Investments in subsidiaries, associates and joint ventures	336,205	0.85	330,867	0.88	1.61	292,879
Investments held to maturity	922,923	2.34	907,374	2.41	1.71	845,789
Loans and receivables	2,840,213	7.20	2,783,029	7.39	2.05	1,776,024
Financial assets available-for-sale	20,870,048	52.93	19,675,414	52.26	6.07	19,982,715
Financial assets at fair value through profit or loss	9,939,829	25.21	9,289,076	24.67	7.01	8,080,675
Total investments	37,543,395	95.21	35,597,886	94.55	5.47	33,437,833
Tangible fixed assets: buildings and other fixed assets	1,269,415	3.22	1,261,433	3.35	0.63	1,244,217
Total non-current assets	38,812,810	98.43	36,859,319	97.90	5.30	34,682,050
Cash and cash equivalents	620,540	1.57	791,930	2.10	(21.64)	760,072
Total non-current assets and cash equivalents	39,433,350	100.00	37,651,249	100.00	4.73	35,442,122

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

(in Euro thousands)	30/09/2009	30/06/2009	Cge. %	31/12/2008
Financial assets available-for-sale	20,870,048	19,675,414	6.07	19,982,715
Equity securities	1,806,793	1,474,372	22.55	1,541,909
Fund units	963,350	895,497	7.58	859,797
Debt securities	18,097,062	17,302,694	4.59	17,578,144
Other financial investments	2,843	2,851	0.28	2,865
Financial assets at fair value through profit or loss	9,939,829	9,289,076	7.01	8,080,675
Equity securities	155,126	88,835	74.62	74,888
Fund units	923,342	956,735	(3.49)	954,633
Debt securities	8,262,678	7,269,980	13.65	6,600,852
Other financial investments	598,683	973,526	38.50	450,302

The account **Investment property** includes the buildings held by the Group for rental to third parties or investment purposes. The gross carrying value was Euro 2,976 million, of which Euro 875 million related to the land component, while the depreciation provision amounted to Euro 342 million.

The account **Investments in Subsidiaries, Associates and Joint Venture Companies** includes the investments in associated companies, which were valued under the equity method, in addition to the carrying value of some investments in subsidiaries which are not fully consolidated, either due to the insignificant value for the purposes of a true and fair presentation of the accounts or as the companies are under restructuring or are non operating. The increase on 31/12/2008 is principally due to the purchase of Atahotels for Euro 25 million. In relation to the non consolidation, which however will take place for the full year 2009, reference is made to the Consolidated Half-Year Report. In relation to this, we highlight the investments held by the subsidiary Immobiliare Lombarda in IGLI S.p.A. for Euro 115.7 million and in City Life S.r.l. for Euro 56.0 million, by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 43.6 million and by the Parent Company in the associated company Fin.Priv. S.r.l. for Euro 34.2 million.

Loans and receivables are summarised in the table below:

(in Euro thousands)	30/09/2009	31/12/2008	Changes
Bank and interbank receivables	824,977	540,066	284,911
Debt securities	1,009,031	115,432	893,599
Time deposits and repurchases	223,749	297,229	(73,480)
Loans on life policies	64,367	64,280	87
Deposits held by reinsurers	28,885	31,045	(2,160)
Receivables from sub-agents for indemnities paid to agents terminated	215,101	219,354	(4,253)
Other loans and receivables	474,103	508,618	(34,515)
Total	2,840,213	1,776,024	1,064,189

The increase on 31/12/2008 is due to the reclassification of debt securities from Assets available-for-sale to the present account. This reclassification, amounting to Euro 804,716 thousand (book value at 1/1/2009), relates to financial debt instruments with subordination clauses, issued principally by corporate parties.

The account also includes a loan of Euro 174 million (Euro 170 million at 31/12/2008) against the forward sale of Intesa SanPaolo shares owned by the Parent Company through the mandatory convertible exclusively in Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable was discounted, considering the time period of the maturity of the underlying forward sale of the mandatory issue. The positive effect on the income statement for the period was Euro 3.9 million.

The **Investments held to maturity** amount to Euro 923 million (Euro 846 million at December 31, 2008) and include Euro 824 million of listed debt securities.

The **Available-for-sale financial assets** include bonds and equity securities not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

In particular, the account includes debt securities of Euro 18,097.1 million (Euro 17,578.1 million at 31/12/2008), equity securities of Euro 1,806.8 million (Euro 1,541.9 million at 31/12/2008), as well as units in investment funds of Euro 963.4 million (Euro 859.8 million at 31/12/2008) and other financial investments of Euro 2.8 million (Euro 2.9 million at 31/12/2008).

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

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

The account therefore includes debt securities of Euro 8,262.7 million (Euro 6,600.9 million at 31/12/2008), equity securities of Euro 155.1 million (Euro 174.9 million at 31/12/2008), units in investment funds of Euro 923.3 million (Euro 954.6 million at 31/12/2008) and other financial investments of Euro 598.7 million (Euro 450.3 million at 31/12/2008).

In relation to **Tangible fixed assets**, they include both buildings for direct use and property inventories for which the criteria of IAS 2 were applied. In particular, this account includes Euro 757.2 million (Euro 745.1 million at 31/12/2008) relating to the investment properties of the Immobiliare Lombarda S.p.A. Group.

The table below shows the results of the financial and real estate activities for the first nine months of 2009 compared with the same period in the previous year:

(in Euro thousands)	30/09/2009	30/09/2008	Changes
Net income from financial instruments recorded at fair value through profit or loss	754,468	(443,495)	1,197,963
Net income from investments in subsidiaries, associates and joint ventures	(2,679)	37,449	(40,128)
Income from other financial instruments and property investments of which:			
Interest income	626,228	668,097	(41,869)
Other income	139,204	206,836	(67,632)
Profits realised	111,559	90,762	20,797
Valuation gains	4,744	518	4,226
Total income	1,633,524	560,167	1,073,357
Charges from other financial instruments and property investments of which:			
Interest expense	78,890	105,182	(26,292)
Other charges	45,488	48,781	(3,293)
Losses realised	87,645	133,190	(45,545)
Valuation losses	118,224	65,801	52,423
Total interest expense and charges	330,247	352,954	(22,707)
TOTAL NET INCOME	1,303,277	207,213	1,096,064

The net income from financial instruments recorded at fair value through the profit and loss includes net income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 702 million (net charges of Euro 597 million in Q3 2008). This income is related to the charges of a similar amount recorded in the commitments to Life policyholders.

Management of the investments

In the third quarter of 2009, the global economic system reacted to the massive coordinated actions of expansive monetary policy, implemented in part through setting interest rates at historic minimum levels and very close to zero in the United States, to 1% in the Euro Zone and 0.5% in Great Britain.

Table 1 – Official Discount Rates

Description	Rate (in %)	Date of last change
Area Eu P/T	1	07/05/2009
USA Fed Fund	0.25	16/12/2008
GB T Interv	0.5	05/03/2009
Giap Tus	0.3	19/12/2008

Source: HSole24Ore

Although the current situation appears to have improved on that predicted a few months ago (this is principally seen in the performance of nearly all of the asset classes which from a low in March have recorded strong gains), it must not be forgotten that numerous doubts remain regarding the strength of the recovery and the point at which aggressive economic and monetary policies must be withdrawn.

On the Equity front, the third quarter of the year featured at macroeconomic level a significant improvement in the confidence indicators and at the microeconomic level positive indications from the quarterly results of listed companies, particularly in the United States where the majority of companies reported profits ahead of expectations. The outlook for the Financial sector remains positive, particularly for the American investment banks such as Goldman Sachs and JPM, which have enjoyed the optimism of investors and interest in higher risk level investments, with volatility levels returning almost to “pre Lehman” levels.

After approximately two years of economic crisis with significant effects on the portfolio of the insurance companies following the collapse of the world Stock Markets and the bond markets, from last July a reversal of the trend began. In fact the balance of the gains and the losses managed in the Life sector of the entire segment, which represents the sector with greatest exposure to movements in the financial markets, returned to profit (Euro 4.6 billion compared to a loss of Euro 0.6 billion in June).

Strictly at an operational level, the activities of the Group in the quarter in terms of Fixed Income benefitted in the Non-Life division from a continued positioning on the short-term part of the curve, in the certainty that the European Central Bank would not increase the discount rates by the end of the year. The CCT performance was also very strong, which continued to be purchased in part to maintain the duration of the portfolio and in part to continue to benefit from the “narrowing” process of the spread between Italy and Germany in favour of Italy, as the financial and economic signals showed an easing of the “stress” situation which aggravated from September of the previous year.

In relation to the geographic composition of the government bond securities there was a shift toward France, especially in the medium/short term securities, as good Risk/Liquidity>Returns combinations were evident.

Overall the duration of the portfolios, thanks also to the constant monitoring of the A.L.M. requirements, did not change significantly, with a slight shortening in the Life segment.

The approach of the Corporate segment, one of the sectors which performed best in recent months, was reconsidered in the period, but in a very selective manner, both in the light of the particular needs of the individual separated Life management and in terms of quality and duration of the issues, seeking to achieve that which best respected the needs of the overall asset allocation.

At an operating level, the activities developed by the Group were characterised by trading activities which make up approx. 10% of the current segment and allowed a partial rationalisation of the equities portfolio of the closed managements. In relation to open management, development of a portfolio based around the Insurance, Utility and Energy sectors began.

In relation to the derivative component, within a strategic management policy of investments, the low levels of volatility did not allow operation on the market through the sale of call options on securities in portfolio to support the ordinary yields of separated management.

Fondiarria-SAI

In relation to the Parent Company, currently the average percentage of equities held in the Life portfolio amounts to 6.5%. 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 approx. 80%.

The Non-Life Division is composed of 45.9% of fixed income bonds, 51.4% at variable rate and a residual 2.7% in Time Deposits and Cash.

The total duration of the portfolio is 1.87 years and the return on the Non-Life portfolio is equal to 2.55%.

The Life Division has a higher fixed rate asset bond allocation (87.2%), compared to the variable quota of the same class (11.4%) and a residual amount in time deposits and money (1.4%), with a total duration of the portfolio of 5.92 years and a return of 5%.

Milano Assicurazioni

In relation to the subsidiary Milano Assicurazioni, the average percentage of current equities present in the Life portfolio is approx. 6%. 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%.

The Non-Life Division is composed of 60.4% of fixed income bonds, 36.1% at variable rate and a residual 3.5% in Time Deposits and Cash.

The total duration of the portfolio is 1.87 years and the return on the Non-Life portfolio is equal to 2.69%.

The Life Division has a higher fixed rate bond asset allocation (85.1%) compared to the variable quota (13.8%) with a residual in time deposits and cash (1.1%) and a total duration of the portfolio of 5.28 years and a return of 4.97%.

Net technical reserves

(in Euro thousands)	30/09/2009	30/06/2009	31/12/2008
Non-Life technical reserves			
Unearned premium reserve	2,332,280	2,603,951	2,564,859
Claims reserve	8,209,725	8,000,721	8,065,653
Other reserves	14,511	14,485	14,444
Total Non-Life reserves	10,556,516	10,619,157	10,644,956
Life technical reserves			
Reserve for sums to pay	187,855	179,686	232,106
Actuarial reserves	14,810,755	14,270,679	13,671,862
Technical reserves where the investment risk is borne by policyholders	6,138,098	5,544,947	4,245,012
Other reserves	203,370	(85,516)	(305,948)
Total Life Reserves	21,340,078	19,909,796	17,843,032
Total	31,896,594	30,528,953	28,487,988

The technical reserves of the Non-Life Division at 30/09/2009 include the unearned premium reserve of Euro 2,332 million, calculated under the pro-rata basis, and the claims reserve of Euro 8,210 million.

The technical reserves of the Life Division are those relating to insurance contracts and investment contracts with discretionary participation elements as per IFRS 4. This account does not include the liabilities relating to the policies (prevalently index and unit-linked) which, having an insignificant insurance risk, are governed by IAS 39 and are therefore recorded under financial liabilities.

The technical reserves of the Life Division increased, compared to the value calculated in accordance with Italian GAAP, by Euro 85.1 million (Euro -437.1 million at 31/12/2008) due to the accounting of the deferred liabilities towards policyholders, consequent of the application of the shadow accounting technique as per IFRS 4.

Financial liabilities

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

The breakdown of the financial liabilities is shown below:

(in Euro thousands)	30/09/2009	30/06/2009	31/12/2008
Financial liabilities			
Sub-ordinated liabilities	1,047,044	1,048,840	1,050,497
Financial liabilities recorded at fair value through profit or loss	3,529,385	3,435,279	3,454,262
Other financial liabilities	1,779,012	1,931,108	1,758,449
Total financial liabilities	6,355,441	6,415,227	6,263,208

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

The account **Financial liabilities at fair value through profit or loss** includes at 30/09/2008 Euro 3,465 million (Euro 3,401 million at 31/12/2008) relating to liabilities from financial contracts issued by insurance companies, treated under the deposit accounting method which, substantially, requires the recognition in the income statement of only the profit margins and the recording under financial liabilities of the premiums, increased by the revaluations in the period.

Other financial liabilities include Euro 543 million (Euro 404 million at 31/12/2008) relating to client deposits at the subsidiaries Banca SAI and Banca Gesfid, Euro 225 million (Euro 211 million at 31/12/2008) relating to debt securities issued which include nominal payables of Euro 180.4 million contracted by the subsidiary Saiinternational and repayable only in Intesa SanPaolo shares owned.

The account also includes Euro 14 million (Euro 16 million at 31/12/2008) relating to investment contracts signed by life policyholders valued in accordance with the amortised cost method. It also includes Euro 47 million (Euro 118 million at 31/12/2008) relating to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari.

The residual refers principally to deposits with reinsurers (Euro 281 million) and interbank payables of the subsidiary BancaSai (Euro 60 million).

Fondiarria SAI Group debt

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

The situation is summarised in the table below:

(in Euro millions)	30/09/2009	30/06/2009	31/12/2008
Subordinated loans	1,047.0	1,048.8	1,050.5
Mandatory Sainernational	179.6	187.3	181.6
Banks and other lenders	601.1	666.7	644.2
Total debt	1,827.7	1,902.8	1,876.3

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 23/07/2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;

-
- A subordinated loan of Euro 100 million agreed on 20/12/2005 (received on 31/12/2005), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.
 - A subordinated loan of Euro 300 million agreed on 22/06/2006 (received on 14/07/2006), 50% subscribed by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On 14/07/2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;
 - A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on 14/07/2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
 - A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on 14/07/2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
 - Subordinated loans of BPM Vita received during 2003 for a nominal value of Euro 8 million divided 50% with Banco Popolare di Milano and 50% with Banca di Legnano. It is recalled that these loans have an indefinite expiry and interest rates of Euribor at 12 months increased by 2.50%.

With reference to the subordinated loan of Euro 400 million, it is recalled that the entire position is fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loan, stabilising on an annual basis the interest streams to be paid to the counterparty. On 4/12/2008, two IRS contracts were signed, one by Fondiaria-SAI to hedge the subordinated loan of Euro 150 million and the other by Milano Assicurazioni to hedge the subordinated loan of Euro 50 million. On 30/04/2009 an IRS agreement was signed hedging the subordinated loan of a notional Euro 100 million. Finally, on 30/09/2009 a further IRS agreement, with effect from 2/10/2009, was signed hedging the hybrid subordinated loan of a notional Euro 100 million.

On September 27, 2004, the Luxembourg subsidiary Saintinternational S.A. issued a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010 and listed on the Luxembourg Stock Exchange.

The bonds, of a total nominal value of Euro 180.4 million, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa SanPaolo ordinary shares at the moment of the definition of the offer price. The annual coupon of the bonds and the return on maturity are 6.10%.

With reference to **Bank and other lenders**, amounting to Euro 601.1 million, the most significant amounts are reported below:

- Euro 183.8 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is 31/12/2012;
- Euro 200.6 million refers to the loan of the Tikal R.E. Closed Real Estate Fund with Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants. The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and incremental returns. The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p. The Fund, since the previous year, has utilised two credit instruments, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 46.8 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
- Euro 20.0 million refers to the bonds issued in 2008 by BancaSai in part at a variable interest rate and in part at a fixed interest rate, with variable expiry from 2011 to 2014 and placed externally to the Group;
- Euro 149.8 million referring to the senior loan contract agreed on 11/01/2008 between Fondiaria-SAI S.p.A. and Mediobanca for a nominal amount of Euro 250 million in order to support the temporary financial needs of the Parent Company and following some modifications in the final quarter of 2008. The loan was received in one single amount on 25/01/2008 with interest to be paid half-yearly. On 27/07/09, Euro 100 million was repaid in advance, as provided for in the restructuring contract signed on 24/06/2009 between Fondiaria-SAI and Mediobanca. Also under this contract, on 30/12/2009 a further Euro 75 million will be repaid with the remaining Euro 75 million repaid on maturity on 25/1/2010. Against this advanced repayment, Mediobanca has refinanced Euro 75 million, with issue date of 25/01/2010 and repayment at 31/01/2011, applying a spread of 200 bps.
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 30/09/2009 and at 31/12/2008, the Parent Company held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	30/09/2009		31/12/2008	
	Number	Book value	Number	Book value
Treasury shares held by:				
Fondiaria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	229,261	8,382,557	209,900
Sai Holding	1,200,000	28,306	1,200,000	28,306
Total	14,382,557	321,933	12,782,557	302,572
Saving treasury shares held by:				
Fondiaria-SAI	-	-	-	-
Total	-	-	-	-
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	19,629	18,340,027	22,741
Milano Assicurazioni	9,157,710	9,802	9,157,710	11,356
Saifin - Saifinanziaria	66,588	71	66,588	89
Total	27,564,325	29,502	27,564,325	34,186

SHAREHOLDERS' EQUITY

Shareholders' equity at 30/09/2009 was as follows:

(in Euro thousands)	30/09/2009	30/06/2009	31/12/2008
Shareholders' equity	4,082,788	3,756,557	3,894,808
Group Net Equity	3,027,754	2,764,857	2,934,779
Share Capital	167,044	167,044	167,044
Capital reserves	209,947	209,947	209,947
Retained earnings and other reserves	3,017,167	3,014,861	3,069,434
Treasury shares	(321,933)	(321,933)	(302,573)
Translation reserve	77	(1,217)	4,043
Profit or loss on available-for-sale financial assets	(83,306)	(371,968)	(350,020)
Other gains and losses recorded directly in equity	41,965	47,344	49,495
Group profit	(3,207)	20,779	87,409
Minority interest equity	1,055,034	991,700	960,029
Minority capital and reserves	1,076,967	1,075,906	1,054,232
Gains and losses recorded directly in equity	(26,005)	(95,826)	(97,558)
Minority interest profit	4,072	11,620	3,355

OTHER INFORMATION

Sales organisation and personnel

The personnel of the Fondiaria SAI Group at 30/09/2009 is as follows:

	30/09/2009	31/12/2008
Italian companies	5,681	5,696
of which Parent Company:	2,658	2,668
Foreign entities	2,185	2,236
Gruppo Fondiaria SAI S.p.A.	7,866	7,932

In addition, the employees of the foreign companies include 555 brokers.

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

	Mandate SAI	Mandate Fondiaria	Total al 30/09/2009	Total al 31/12/2008
North	400	250	653	662
Centre	140	164	305	312
South	213	142	358	361
TOTAL	753	556	1,316	1,335

In the third quarter of 2009, the Group totalled 3,348 agencies (3,922 at 31/12/2008), operating through 2,897 sales points (2,937 at 31/12/2008) representing the traditional distribution channel.

Cultural and Social Initiatives

External and internal communications and the Press Office

In the first half of the year the review of the formal codes of the “communication to clients” was brought to completion, begun in 2008 and inspired by the general principles of greater clarity and transparency, producing important concrete results within all of the products of the new Retail Più and Difesa Più ranges, 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 Agency 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 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 has gained greater popularity outside of the Group.

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 newsletters and house organs for all Group personnel and the distribution networks; the drawing up of ad hoc Communication Plans; the greater loyalty of clients (Club Assicurati) through the issue of the four-monthly LINEA DIRETTA CLUB magazine; the additions of the Intranet entities.

Customer relations

The number of complaints received by the Company pursuant to Regulation No. 24 of 19/05/2008 in the first half of 2009 amounted to a similar number to the previous year (+0.8%). In particular, the Isvap claims decreased by 21.3% while the ordinary claims increased by 25.5%.

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.

Cultural, Sporting and Social Support and future plans

In order to further consolidate the institutional role and visibility in Turin and Piemonte, the Group in the period provided continued support and collaborated with the following cultural institutions during the period:

- the Fondazione Teatro Regio di Torino (Royal Theatre of Turin Foundation) of which Fondiaria-SAI is a founding partner and member of the Board of Directors;
- the Museo Nazionale del Cinema (National Cinematic Museum) - of which Fondiaria-SAI is a member of the Management Committee;
- the Stabile Theatre of Turin;
- the Committee for the promotion of the Beni Artistici e Culturali di Torino (Artistic and Cultural Heritage of Turin), of which Fondiaria-SAI is a founding member and a member of the management board;
- the Turin Industrial Association’s Conference Centre;

and many other institutions operating in social and cultural areas.

In the first half of 2009, the Fondiaria-SAI Group wished to maintain, with a reduced budget, its traditional support to social initiatives. The policy therefore 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, at the Free Time Association for handicapped persons which has the objective of socially integrating disabled persons through occupational opportunities which can be carried out in their free time. In particular, the contribution was put towards the purchase of a minibus for the transport of disabled persons.

Finally, following the earthquake which on April 6 hit the Abruzzo region and the declaration of a state of emergency in the province of L’Aquila and the other Abruzzo Municipalities, the Fondiaria-SAI Group began a series of initiatives aimed at lessening the consequences of the seismic event and to facilitate a gradual recovery of activities in the regions hit by this disastrous event.

Standard & Poor’s Rating

On 23/07/2009, the ratings Agency Standard & Poor’s confirmed the “A-” rating on the long-term financial solidity of Fondiaria-SAI and Milano Assicurazioni, confirming once again the strong competitive position of the Group as the national leader in the Non-Life Segment. The outlook however was downgraded from “stable” to “negative”.

The review of the outlook, according to the Agency, reflects the drop in the technical management, principally due to the deterioration of the Motor TPL business and the weakening of the capital adequacy following the credit market volatility and the prudent medium-term results forecasts due to the difficult economic situation.

Despite this, the Agency underlined the balance sheet and economic solidity of the Group and its capacity to operate through an efficient system of integrated risk valuation.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Valuation project of the real estate portfolio

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 relates to 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 managed by the third party company FIMIT SGR S.p.A., the “Rho Fund”. The features of the Fund will be in line with the best practice of similar Core instruments on the market. The Tikal R.E. Fund, a real estate fund managed by Sai Investimenti SGR S.p.A. (controlled by FONDIARIA-SAI), will also take part in the operation through the conferment of one property.

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.

The strategic asset allocation of the investment portfolio of the Fondiaria SAI Group, with a value of approx. Euro 28 billion (excluding the class D component) records a real estate component of 13.5%, with allocated capital of approx. Euro 3.8 billion. This operation completes the restructuring and valuation process of the real estate portfolio of the Group, begun in January 2008 with the delisting of Immobiliare Lombarda S.p.A..

The operation presents current and future advantages in terms of the restructuring of the assets as follows:

- the real estate component of the Group’s total investment portfolio will reduce by approx. one percentage point;
- recognition of asset values that have appreciated strongly;

once the operation is completed the overall impact on the income statement will be substantially neutral.

The spin-off provides for the conferment of the properties to the Rho Fund by the end of November.

The properties chosen number 15, of which 11 belonging to Fondiaria-SAI, 3 to Milano Assicurazioni and 1 to the Tikal R.E. Fund.

The properties owned by Fondiaria-SAI had a net book value at June 30, 2009 of approx. Euro 173 million, while the total value according to an expert appointed by FIMIT SGR, R.E.A.G. S.p.A., of the properties carried out in September 2009 was approx. Euro 323 million. The transfer to the Rho Fund with the application of a 10% discount to the current value of the properties, in line with market practice, will result in a gross gain of Euro 118 million at statutory accounts level.

The properties owned by Milano Assicurazioni had a net book value at June 30, 2009 of Euro 81 million, while the total value according to an expert's opinion was approx. Euro 111 million. The transfer to the Rho Fund will also see a 10% discount applied to the current value of the properties, resulting in a gross gain of approx. Euro 19 million.

The Tikal R.E. Fund property had a book value (market value) at June 30, 2009 of approx. Euro 86 million, while the expert's opinion amounted to approx. Euro 89 million. In this case the discount for the fund will be approx. 2%.

Overall the gross gain under IAS standards on the consolidated financial statements of Fondiaria-SAI will be approx. Euro 155 million.

The signing of the contractual agreements is currently taking place. The operation has the following phases:

1. in the stage preceding the transfer, all of the properties involved in the operation will be the subject of a bank loan, in the course of agreement with a pool of primary banks, for an amount of approx. 55% of their transfer value;
2. the transfer of the properties to the Rho Fund and corresponding bank debt relating to the above-mentioned loans;
3. 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 operation will also allow the Insurance Companies - in the case of the full take up of the quotas reserved for institutional investors – to release liquid financial resources for a total amount of approx. Euro 339 million (approx. Euro 252 million for Fondiaria-SAI and approx. Euro 87 million for Milano Assicurazioni), of which Euro 215 million from the bank loans and the remaining part (Euro 123 million) from the subsequent placement of the quotas.

The management of the properties transferred to the Rho Fund will continue to be undertaken by Immobiliare Lombarda which will sign the relative mandates with the fund.

Solely for the purposes of article 71 of CONSOB Regulation 11971/1999 and subsequent modifications, it is finally stated that the operation does not present, in substance, characteristics of significant or particular risks or uncertainties which may significantly affect the activities of Fondiaria-SAI and Milano Assicurazioni. Therefore, in consideration of the type and the characteristics of the operation, Fondiaria-SAI and Milano Assicurazioni communicate that, as the prerequisites are not met, an information document in accordance with article 71 of CONSOB Regulation 11971/1999 and subsequent modifications will not be published.

2009 - 2011 Industrial Plan

As noted, on Wednesday October 21, the Group Industrial Plan for the three year period 2009-2011 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.

OUTLOOK

In a market severely hit by the financial crisis and the recession, the situation of uncertainty has not allowed the Companies to reflect their fundamental values.

The market has been hit across the board and as industry leader the Fondiaria SAI Group has felt the difficulties more than most, with the Motor insurance market still suffering from a tightening of margins and the existence of distribution and client relations issues.

The technical accounts suffered a significant decrease, with the causes outlined in previous pages.

All of the measures undertaken by our sector allow tangible results to be achieved within the medium-term, both from the “driving” effect on all of the contracts signed before the effects of the actions and due to the cyclical nature of the insurance market. Although having put in place a solid foundation for a full recovery in the coming year, the performance for the full year is likely to be in line with that seen in the first nine months of the year. The first positive effects should be seen in 2010.

However, numerous doubts remain on the sustainability of the tentative recovery seen in the past quarter and the Group financial management will continue in its traditional prudent direction aimed at achieving the best equilibrium between risk and return.

In any case, the planned measures are focussed on optimising the risk profile of the Group, recovering profitability, rebalancing the asset allocation of the investments, maintaining a solid capital structure, continuing to represent at the same time a remunerative investment opportunity for shareholders, while constantly maintaining a long-term vision.

Milan, November 9, 2009

*For the
Board of Directors
The Chairperson*

Ms. Jonella Ligresti

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

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

affirms

pursuant to the provisions of article 154 bis of the “Finance Act for financial intermediaries” that the Interim Report as at September 30, 2009 corresponds to the underlying accounting documents, records and accounting entries.

Milan, November 9, 2009

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

Pier Giorgio Bedogni

DECLARATION PURSUANT TO ART. 39 OF CONSOB REGULATION NO. 16191/2007 AND ART. 2.6.2., PARAGRAPH 15 OF THE MARKET REGULATIONS OF BORSA ITALIANA S.P.A.

Pursuant to article 39 of the Market Regulations (approved by Consob resolution No. 16191 of April 29, 2007 and subsequently modified with resolution No. 16530 of June 25, 2008) and article 2.6.2., paragraph 15, of the Market Regulations of Borsa Italiana, the obligations as per article 36, paragraph 1 of the above-mentioned Market Regulations, with reference to Subsidiaries constituted and regulated by laws outside of the European Union are not applicable to Fondiaria-SAI.