Compagnia Assicuratrice Unipol S.p.A.

Registered and Head Offices in Bologna – Via Stalingrado 45 – Share capital €2,360,144,410.00 fully paid-up. Tax Code and Companies' Register in Bologna 00284160371 – R.E.A. 160304 – Authorized to provide insurance services by MD 28 December 1962 (OJ 15/18.1.63) and MD 29 April 1981 (OJ 135/19.5.81)

www.unipol.it

Unipol Assicurazioni
Consolidated Accounts 2006

Translation from the original Italian text.

Notes to the Accounts - Annexes

Boards and Chief Officials at the Date of the Shareholders' Meeting

	Honorary Chairman	Enea Mazzoli
Board of Directors	**Chairman**	Pierluigi Stefanini
	Vice Chairman	Vanes Galanti
	Chief Executive Officer	Carlo Salvatori
	Board Members Antonio Silvano Andriani Jean Dominique Antoni Francesco Boccetti (*) Rocco Carannante (*) Piero Collina (**) Bruno Cordazzo Pier Luigi Fabrizi Jacques Forest Fabrizio Gillone Claudio Levorato Ivan Malavasi	Riccardo Margheriti Massimo Masotti (*) Enrico Migliavacca (**) Pier Luigi Morara Marco Pedroni Aldo Soldi Graziano Trerè Francesco Vella Marco Giuseppe Venturi Luca Zaccherini Mario Zucchelli (**)
	Secretary to the Board of Directors	Roberto Giay
Area General Managers		Carlo Cimbri Carmelo De Marco
Board of Statutory Auditors	**Chairman**	Umberto Melloni
	Members	Luigi Capè Carlo Cassamagnaghi
	Alternate Members	Marco Baccani Roberto Chiusoli
External Auditors		K.P.M.G. spa

(*) Member of the Internal Auditing Committee
(**) Member of the Remuneration Committee

Introduction

Macroeconomic background

The good performance of the economy in the year just ended brought about a general reduction in national deficits and the public deficit was less than expected even in Italy.
International trade was on the up and fears relating to the trend in prices gave less cause for concern, mainly as a result of the fall in energy costs and the mild winter. The price of oil reached new highs (78.3 dollars per barrel in July) and then stabilised at lower levels (approximately 60 dollars per barrel at the end of the year).

In 2006 Italian GDP rose by 1.9%, faster than the 0.1% recorded at the end of 2005. In the Eurozone as a whole GDP grew by 2.8% compared with 1.4% in the previous year.

In Italy the trend in consumer prices remained almost the same as at the end of 2005 (2.1% compared with 2%). The average in the Eurozone as a whole could also remain unchanged compared with last year (2.2%).

The estimates for 2006 indicate an improvement in unemployment rates, which in Italy could be down to 7% from 7.7% at the end of 2005. The figure for the Eurozone as a whole was also down from 8.6% to 7.8%.

Financial markets

During 2006 the Federal Reserve increased its official rates several times, the most recent monetary squeeze on 29 June bringing FED rates to 5.25% (from 4.25% at the end of 2005). The ECB also stepped in on the base rate with gradual rises bringing it to 3.5% in December (from 2.25% at the beginning of the year).
In the UK the Bank of England raised the base rate from 4.5% to 5%. In Japan the Central Bank stepped in on 14 July to bring its policy of zero rates to an end and to raise its base rate to 0.25%.
The international bond markets recorded a general increase in both short-term and medium- to long-term rates that can be linked to the monetary policies of the central banks. In Italy the short-term rate (three-month Euribor) was higher than at the end of 2005 (3.72% compared with 2.49%) and the 10-year government rate rose from 3.51% at the end of 2005 to 4.28% at the end of 2006.
The international share markets also recorded notable performances at the end of 2006: the Milan Stock Exchange recorded +19.1% and London +10.7%; the stock market average in the Eurozone was +16.5%, in line with the performance of the New York Stock Exchange (+16.3%), whilst in Japan it remained at +6.9%.

At the end of 2006 the dollar/euro exchange rate, up overall since the beginning of the year, stabilised at a high for the year of 1.32 (1.18 at the end of 2005).

* * *

At the beginning of 2007 the Bank of England applied a monetary squeeze that increased the UK base rate to 5.25% (from 5%). Subsequently the Bank of Japan and the ECB also increased their rates by a quarter of a point to 0.5% and 3.75% respectively.
In the first two months of 2007 neither short-term nor medium- to long-term Italian rates changed significantly compared with the figures at the end of 2006.

During the last few weeks the international stock markets have recorded a fall that has reduced performance since the beginning of the year: on 13 March the Milan Stock Exchange showed a fall of -1.55% compared with an average of -0.72% in the Eurozone as a whole, -0.96% in London, -3.11% in New York and -0.27% in Tokyo.

On 28 February the dollar/euro exchange rate was still 1.32.

Insurance business

According to the latest figures issued by ISVAP insurance premium income in Italy during the period January – September 2006 amounted to €76.4bn, 3.6% down on the same period of 2005. The fall was due to Life business, which ended the first nine months with a drop in premium income of 6.4%, accentuating the decrease of 3.7% recorded in the first half of the year.
In contrast to decidedly weak Life business, the Non-life portfolio grew by 2.3%. It should be noted that in the first nine months of 2005 Life premium income recorded +17.1% and Non-life premium income the lower rate of +1.9%.

In Life business the reduction was mainly due to the substantial slowdown in activity carried out via the banking channel and to a general drop in income in the principal ministerial classes.
Class I (life assurance, which made up 47.2% of the sector) saw a reduction in premium income of 1.7%, Class III (unit- and index-linked, 37.8% of the sector) recorded a drop in income of 2% and Class V (capital redemption operations, 14.4%) shrank by 25.1%. By the end of September total assets managed by the pension funds amounted to €2.5bn, an increase of 32.2% compared with the previous year.

Non-Life performance continued to be affected by the trend in Motor TPL premium income which again showed limited growth in 2006 (+1.2%). The non-Motor sector was affected by general stagnation in the business segment and by weak demand in retail, being slightly down in the first nine months of the year compared with last year (+4% compared with +4.2% in the third quarter of 2005).
At the end of the year growth in Non-Life premium income is expected to be not much more than +2.5% compared with 2005.

Banking and assets under management

During 2006 the flow of financing dealt with by the various players operating within the Italian economy was particularly high. This phenomenon was generated by a significant increase in the demand for credit, which in turn was the result of the convergence of three principal elements: individuals' greater propensity to get into debt, the effects of the economic upturn and the restructuring processes carried out by numerous Italian groups. These processes meant that medium- and long-term lending once again proved to be the most dynamic element in the sector. Nevertheless the last few months of 2006 marked a slowdown in the rate of growth in applications for loans from individuals, which in all probability was due to the increase in interest rates and the less favourable outlook associated with the property market.
Once again the quality of credit was better than in 2005. However, even here the performance in the most recent period gives rise to expectations of a moderate increase in the flows of new bad and doubtful loans, in line with the broadening of the customer base and the rise in bank rates.

As regards the level of resources, 2006 saw limited growth in customer deposits. The trend in bond income and in the growth of repo operations was more lively. However, in seeking to fulfil their need for funds it was mainly to deposits from foreign customers that credit bodies turned, in particular by issuing debt securities aimed at large institutional investors in Europe and the USA.

The market for assets under management was sluggish in 2006. The growth in income from abroad, which was also helped by greater tax advantages, was not sufficient to offset divestments of products managed in Italy. Asset management performed better, the Banca d'Italia figure for the first six months showing positive net income.

Principal new legislation in insurance business

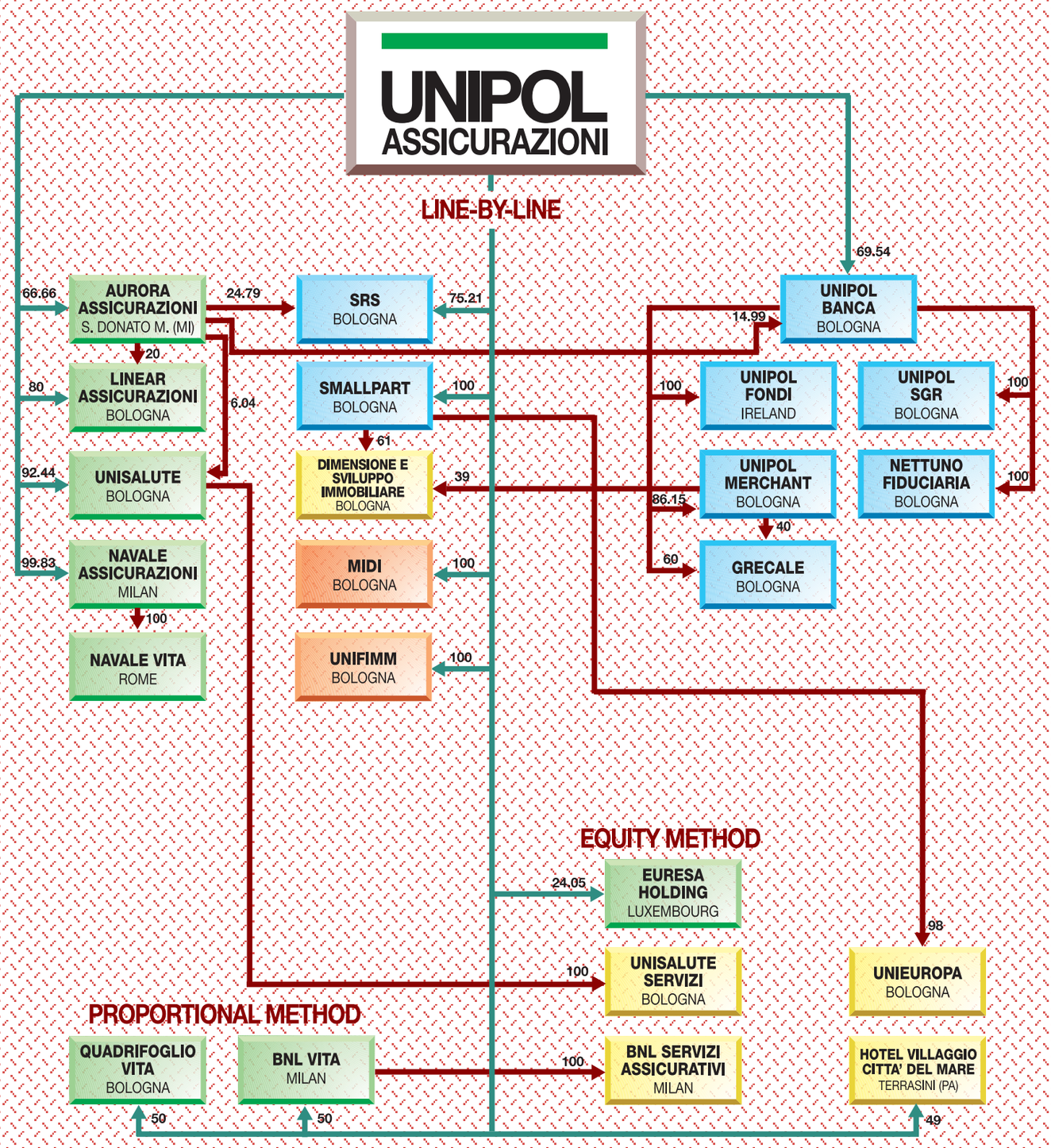
- Law 102 of 21 February 2006, concerning 'Urgent provisions relating to consequences of road traffic accidents', which provides for new rules on the procedure for actions for damages when injuries (whether fatal or not) are sustained in road traffic accidents.
- Presidential Decree 153 of 6 March 2006 relating to 'Enforcement and implementation of the Highway Code'. Of interest for the insurance sector are the provisions implementing articles 97 and 170 of the Highway Code, which introduced major innovations relating to mopeds (introduction of the driving certificate and the possibility of carrying a passenger if expressly indicated in the driving certificate and if the driver is over eighteen).
- Presidential Decree 254 of 18 July 2006 (issued as provided for by Article 150 of Legislative Decree 209 of 2 September 2005 – 'Insurance Code') in 'Regulation governing the direct payment of losses incurred as a result of road traffic accidents'.
  The rules governing direct payment apply in all cases of damage to vehicles and of non-serious injuries to drivers, even when passengers are involved in the accident. The injured party makes a claim for redress to the company with which a policy relating to the vehicle used has been taken out, and the company must respond within a period of between 30 and 90 days. The insurance companies enter into an agreement between themselves governing dealing with and paying the compensation, and this agreement must provide for a clearing house for payments made.
  This regulation came into effect on 1 January 2007 and applies to claims made as from 1 February 2007.
- Law 248 of 4 August 2006, concerning the 'Conversion into law, with amendments, of Legislative Decree 223 of 4 July 2006, covering urgent provisions for economic and social reform, for limiting and rationalising public spending and for measures relating to revenues and combating tax evasion'.
  Of particular interest for the insurance sector are the provisions of Article 8 'anticompetitive clauses relating to Motor third-party liability' concerning the distribution and pricing of compulsory Motor TPL insurance policies, the aim of which is to prohibit companies from including exclusive distribution clauses and clauses that allow them to apply 'minimum prices or maximum discounts' to the end consumer.
  In view of these clauses:
  - with effect from 4 July 2006 insurance companies and agents (and other intermediaries) operating in Motor TPL may not enter into new exclusive distribution contracts, in other words companies may not grant new distribution mandates involving sole rights in this class of insurance;
  - as from the same date companies are prohibited from imposing minimum prices or maximum discounts for their range of Motor TPL policies;
  - the clauses are null and void under Article 1418 of the Civil Code; if entered into before 4 July 2006 they are valid until their normal expiry date but not beyond 1 January 2008;
  - these clauses constitute restriction of competition under Article 2 of Law 287 of 10 October 1990.

  Under this changeover to the new regulations paragraph 3bis has been added to paragraph 3 and incorporates Article 131 of Legislative Decree 209 of 2 September 2005 ('Insurance Code') into paras 2bis and 2ter, covering transparency of premiums

and policy terms. In the case of Motor TPL policies intermediaries must provide consumers with advance information on the commission paid to them by the company or companies on behalf of which they are working. This information must also be displayed on the premises in which the intermediary works and must be the same as that in the documentation issued to the policyholder.
Finally quotations and policies must clearly indicate the premium, the intermediary's commission and the total discount granted to the policyholder.
It should also be noted that Article 35 para. 27 amended Article 7 of the Presidential Decree of 29 September 1973 relating to notifying the tax office. Therefore as from 1 October 2006 all the operators in the insurance sector are obliged to notify the tax office, by telephone or electronically, of the amount of sums paid and the tax code or the VAT registration number of the beneficiary and of the parties whose services have been valued for the purpose of calculating the sum paid.

- ISVAP Regulation 5 of 16 October 2006, relating to the rules governing the activities of insurance and reinsurance intermediaries and the code of conduct (referred to in Part IX and Article 183 respectively of Legislative Decree 209 of 7 September 2005 – Insurance Code). The Regulation covers these matters in detail, imposing the electronic single Register in full as from 1 January 2007, governing the transitional stage and imposing disciplinary sanctions for any infringement of the ISVAP regulation in addition to the criminal and administrative sanctions provided for by the Code (in particular by Articles 305 and 324).
- Law 296 of 27 December 2006 (Finance Act 2007), which brought forward the implementation of the reform of supplementary pension schemes under the provisions of Legislative Decree 252/2005 from 1 January 2008 to 1 January 2007.
  Legislative Decree 252/2005 – 'Rules governing supplementary pension schemes' – completely overhauled the regulation of supplementary pensions by revising the whole of Legislative Decree 124/1993 and standardising in a single text the legal and tax rules applying to all supplementary pension schemes.
  As from 1 January 2007 employees in the private sector have six months in which to decide whether to continue to keep staff-leaving indemnity with their employers or to transfer it to a pension scheme of their own choosing. The procedures for employees expressing their wishes about the use of the staff-leaving indemnity were laid down in the Decree of 30 January 2007 issued by the Minister of Employment and Social Welfare in agreement with the Minister of the Economy and Finance and published in the Official Journal of 1 February 2007.

BASIS OF CONSOLIDATION AS AT 31 DECEMBER 2006



(1) Mainly service companies strictly related to insurance and property investment businesses

GROUP HIGHLIGHTS
(Amounts in €m)

	Financial year 2006	Financial year 2005
Insurance business - Direct income	**8,784**	**8,855**
% variation	*-0.8*	*12.3*
- Non-Life insurance premiums	4,061	3,948
% variation	*2.9*	*2.1*
- Life assurance premiums	4,695	4,238
% variation	*10.8*	*45.7*
- investment products	28	669
% variation	*-95.9*	*-39.8*
Banking business - Direct customer deposits	**7,917**	**6,951.0**
% variation	*13.9*	*26.7*
Loss ratio % - Non-Life business (net of reinsurance)	**73.1%**	**71.2%**
Expense ratio % - Net operating expenses/Non-Life net premiums	**22.3%**	**23.0%**
Total net operating expenses	**1,156**	**1,118**
% variation	*3.3*	*8.0*
Net investment income and capital gains on disposals	**1,163**	**957**
% variation	*21.5*	*16.6*
Profit before taxation	**591**	**482**
% variation	*22.7*	*11.3*
Consolidated profit	**362**	**283**
% variation	*28.0*	*6.4*
Net profit - Group	**281**	**254**
% variation	*10.5*	*5.2*
Investments and liquid assets	**37,350**	**35,925**
% variation	*4.0*	*28.6*
Technical provisions	**24,042**	**22,249**
% variation	*8.1*	*19.3*
Financial liabilities	**10,379**	**10,436**
% variation	*-0.5*	*6.6*
Capital and reserves pertaining to the Group	**5,358**	**5,552**
% variation	*-3.5*	*110.0*
N° of staff	**6,595**	**6,405**

Board Report

The Group

The first half of the 2006 financial year was characterised by the conclusion of the series of events relating to the project for the Unipol Group to acquire control of the Banca Nazionale del Lavoro (BNL). As already well documented during 2006, as a result of the Banca d'Italia not authorising this acquisition, on 3 April 2006 the Group sold its shareholding in BNP Paribas for €2.925 per share, for a total countervalue of €1,322m, making a total capital gain of €80m.

The second half of the year was characterised by the reorganisation of the Group's top management and the consequent drawing up of the new plan for 2006 – 2009, which was approved by Unipol Assicurazioni's Board of Directors on 13 September.

On 30 June 2006 Unipol Assicurazioni's Board of Directors appointed Carlo Salvatori as Managing Director of Unipol Assicurazioni.
Pierluigi Stefanini and Vanes Galanti, who had acted as Managing Directors during the half year, retained their appointments as Chairman and Vice-Chairman of the Board of Directors respectively.

The Company thus laid down the strategic guidelines for the next few years and the business plan for 2006 – 2009, which was presented to the financial community on 14 September and contains the following strategic priorities:

- consolidating our current leading position in the Italian insurance market in terms of market share, technical efficacy and profitability;
- developing banking business by expanding the sales network and ensuring that the planned 150 new branches of Unipol Banca will soon be fully operational. This will strengthen the integrated insurance-banking business model by segmenting banking customers differently and developing new marketing initiatives. It is therefore expected that the profitability of banking business will increase threefold during the lifetime of the plan;
- increasing the worth to the Group of its approximately six million customers, making the most of the integration of insurance and banking business by offering a full range of insurance, banking and pension products and services based on the financial requirements of individuals and SMEs;
- consolidating the holding company functions in order to increase integration among the various business areas;
- making the best use of capital by seeking opportunities for external growth in line with Group strategies and the profitability objectives laid down in the plan;
- maintaining a firm equity structure.

Achieving these objectives is expected to lead to an increase in Group ROE, estimated to be more than 14% by 2009 (calculated net of the capital estimated to exceed the regulatory requirements).

In line with the strategic guidelines outlined, on 11 December 2006 Unipol Assicurazioni's Board of Directors gave the go-ahead to a project to reorganise the companies within the Unipol Group which provides for distinguishing between holding activities and insurance activities, including at the company level, with the aim of producing a simpler and more transparent organisational model, drawing a distinction between the centralised and coordination functions common to the companies in the Group on the one hand and the operational functions of each company on the other, eliminating duplication and clarifying objectives and responsibilities.

At the end of the project the Parent Company Unipol Gruppo Finanziario spa may, in particular:

- steer and monitor Group activities within a common strategic framework in which the companies can benefit from a slimmer and more effective management structure to focus on the activities that are the key to success in the various areas of business,
- manage all the activities and services that do not affect the competitive differentiation of the individual companies in such a way as to improve the economies of scale, of purpose and of expertise that may emerge as a result of activities being concentrated.

The principal stages of the project are as follows:

- a voluntary public offer made by Unipol for 33.34% of the capital of the subsidiary Aurora Assicurazioni at €2.45 per share, that is for a maximum cost of €751m;
- the hive-down of Unipol's insurance business to a new 100%-controlled company which will take the name of Unipol Assicurazioni S.p.A., with a consequent change of name to 'Unipol Gruppo Finanziario S.p.A.', which will also involve changing the corporate purpose. The effectiveness of the operation, which is subject to prior ISVAP authorisation, is conditional upon there being no right to withdraw (for Unipol shareholders as a result of the change in the corporate purpose) for a total of more than €100m;
- the hive-down of Aurora's insurance business to a new 100%-controlled company (also subject to prior authorisation by the Supervisory Board), which will take the name of Aurora Assicurazioni S.p.A.; and subsequently
- the merger by incorporation of Aurora (without its insurance activities) into 'Unipol Gruppo Finanziario S.p.A.', with Aurora's shareholders taking part in the merger being allocated Unipol ordinary and preference shares under an exchange deal to be arranged by the Boards of Directors of Unipol and Aurora on 15 March 2007 on the basis of the valuations carried out by their financial advisers.

These operations are expected to be completed by July 2007.

Unipol Gruppo Finanziario S.p.A. will maintain its status as a company listed on the Mercato Telematico Azionario (automated stock exchange).

As regards the bid for Aurora Assicurazioni, by the end of the acceptance period (9/3/2007) shares representing 29.16% of the share capital and totalling €657m, to be paid on 16 March 2007, had been contributed. Therefore on conclusion of the bidding process Unipol Assicurazioni will hold a controlling share of 95.82% of Aurora Assicurazioni.
Since as already mentioned the project provides that after the insurance business has been hived-down to a new company the 'old' Aurora will be merged into Unipol Assicurazioni, the shareholders that did not take part in the offer will be allocated Unipol ordinary and preference shares. Thus Unipol Gruppo Finanziario will control 100% of the new Aurora Assicurazioni.

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As regards business performance in 2006, on the basis of the figures currently available the Unipol Group gained a further share of the market in both insurance and banking.

In **insurance business**, in 2006 the total direct premium income of the companies in the Group (which includes 100% of the income of the companies consolidated on a 50% proportional basis) reached €10.8bn (+0.4% over 2005), as the result of an increase of +2.9% in Non-Life business and a slight drop of 1% in Life business in the face of a more marked fall in the market as a whole.

As well as obtaining good results via the network of agencies, Group Life business benefited from further growth (a total of +6.3%) in the bancassurance sector, which was made up of Quadrifoglio Vita and BNL Vita. On the other hand corporate income was down in line with the intention to alter the mix of new Life business by increasing the weighting of more profitable products.

Growth in Non-Life business was driven by the non-Motor classes (+4.2%), whilst Motor business, where growth was around 2%, continued to feel the effects of the prudent tariff policies adopted in relation to customers.

Under the IAS/IFRS consolidated direct income achieved in 2006, which included the appropriate proportion of bancassurance business (Quadrifoglio Vita and BNL Vita), was €8,784m (-0.8%) and was made up almost entirely of insurance premiums (+7%), Life policies classified as investment products having made only a marginal contribution (€28m).

As for technical performance in Non-Life business, the Group, which had kept Motor TPL tariffs at more or less the same level, continued to record an excellent combined ratio net of reinsurance (94.6%), though this was a slight increase compared with the figure for 2005 (93.8%). During the year several major claims were recorded, which mostly fell on the reinsurers.

Investment management policies continued to be characterised by a substantial proportion of investments being in liquid form. The profitability of investments was affected by the rise in interest rates (approximately 65 bps on the 10-year rates), which led to a reduction in the opportunities for trading in securities and losses of value of the debt securities in the portfolio.

Shareholdings recorded capital gains in the first half of the year with the sale of the shares held in Antonveneta (approximately €59m) and BNL (more than €80m) and write-down of €82m on the shareholding in Hopa, the book value of which fell to €0.955 per share, this value being in line with the estimate of the company's adjusted shareholders' equity at the end of 2006.

No significant operations were recorded in the property sector after the major divestments of residential property and property formerly used for corporate business that had resulted in significant capital gains during 2005 (approximately €91m).

In **banking business** Unipol Banca continued to pursue its strategy of expanding the sales network, which by the end of 2006 consisted of 265 branches (+15 compared with the end of 2005), 146 of which were combined with Group insurance agencies (whilst the others were in the vicinity) and operated in complete synergy with them. Commercial activity proceeded in accordance with the strategic guidelines aimed at increasing customer synergies with the Group's insurance business, in particular with retail customers.
Unipol Banca's balance-sheet figures at the end of 2006 recorded substantial growth in both customer deposits (more than €7.9bn, +14%) and in lending to customers (€6.2bn, +19%) where the demand for loans continued to be high, with approximately €1.3bn being granted during the year. The growth recorded in gross operating income (+28.7%) is proof of the increase in the levels of funds operated and in the net gains resulting from trading in financial assets.

During 2006 Unipol Merchant – Banca per le Imprese continued to expand its activities in both medium- and long-term credit and in merchant banking, in many cases acting as financial adviser. In particular, as far as medium-term credit is concerned, by the end of 2006 the company had reached a level of receivables from customers (including sureties issued) of €444m (+56% compared with the figure as at 31/12/2005) as a result of major operations with counterparties of high standing, its policy being one of prudence as regards quality of receivables.

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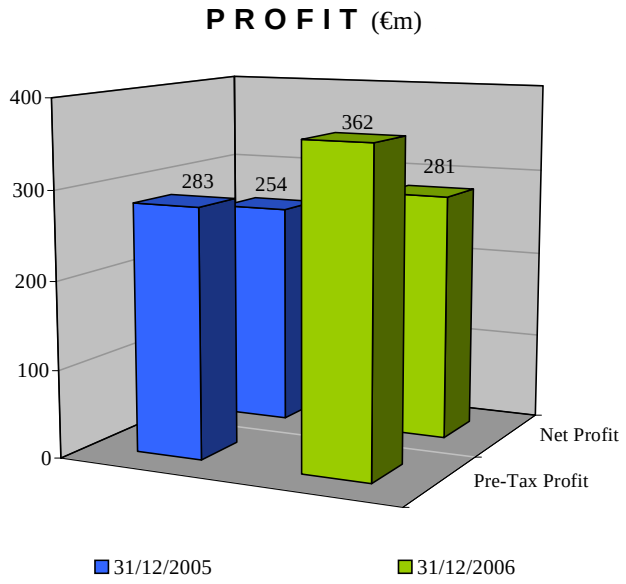
Finally it should be pointed out to our shareholders that, thanks to the level of Unipol Assicurazioni's capitalisation, since 13 October 2006 Unipol's ordinary shares have been included in the S&P/MIB index. This index covers the 40 most important securities on the Italian Stock Exchange, thus also giving our securities high visibility on foreign markets.

Salient Aspects of Business Operations

The consolidated accounts as at 31 December 2006 ended with a **consolidated result of €362m** (€283m as at 31/12/2005, +28%), €80m of which pertained to minority interests (€28m as at 31/12/2005). **Group net profit was €281m** (€254m as at 31/12/2005, +10.5%).

The increase in the portion pertaining to minority interests was due to the sale of 19.98% of the subsidiary Aurora Assicurazioni, which had taken place at the end of the previous year.



Amongst the most important aspects that characterised Group performance the following are worthy of note:

- **direct income from insurance business**, gross of reinsurance cessions, reached **€8,784m** (-0.8%), €28m of which related to Life investment products. Total income (direct and indirect) was €8,813m;

- **direct customer deposits** from **banking business** amounted to **€7,917m (+**13.9% compared with 31/12/2005). Customer funds (assets under management and funds under custody) amounted to €26.4bn (+11.8% compared with 31/12/2005);

- **earned premiums**, net of reinsurance cessions, amounted to €8,381m, €3,706m in Non-Life business (+0.7% compared with 31/12/2005) and €4,674m in Life business (+10.8% compared with 31/12/2005);

- **net charges relating to claims**, net of reinsurance cessions, amounted to €7,827m,

€2,710m in Non-Life business (€2,621m in 2005) and €5,118m in Life business (€4,586m in 2005);

- the **net loss ratio** for Non-Life business was 73.1% compared with 71.2% the previous year;

- **operating expenses**, net of commissions received from reinsurers, amounted to €1,156m, the incidence of operating expenses on net premium income in Non-Life business being 22.3% (23% in 2005) whilst in Life business it was 3.3% (2.8% in 2005);

- the level of **investments and liquid assets** rose to €37,350m, an increase of €1,425m compared with the position as at 31 December 2005;

- **technical provisions** and **financial liabilities** amounted to €34,422m, the corresponding value as at 31 December 2005 having been €32,686m;

- net **capital gains and investment income** for the period and net gains from disposals and trading amounted to €1,163m (€957m in 2005);

- the total **gross result** amounted to €591m (+22.7%). Net of tax of €229m and of the profits pertaining to minority interests of €80m the **net profit for the Group** as at 31 December 2006 was €281m (+10.5%).

- the **incidence of taxation** on the gross result for the period was 38.8% (41.3% as at 31/12/2005).

Below is a summary of the consolidated income statement as at 31 December 2006 subdivided according to business sector – Non-Life, Life and banking – and compared with the figures for the previous year.

SUMMARY OF CONSOLIDATED INCOME STATEMENT BROKEN DOWN BY BUSINESS SECTOR

(Amounts in €m)

	NON-LIFE BUSINESS		Var. %	LIFE BUSINESS		Var. %	INSURANCE TOTAL		Var. %
	2006	2005		2006	2005		2006	2005	
Net earned premiums	3,706	3,682	0.7	4,674	4,217	10.8	8,381	7,899	6.1
Net income from commissions and fees	0	0		4	12		4	12	
Financial income/charges	358	285	25.3	674	615	9.5	1,032	901	14.5
Net charges relating to claims	(2,710)	(2,621)	3.4	(5,118)	(4,586)	11.6	(7,828)	(7,207)	8.6
Operating expenses	(827)	(845)	-2.1	(154)	(120)	27.9	(981)	(966)	1.6
Other income/charges	(52)	(95)	-45.5	(1)	(32)	-97.6	(52)	(127)	-58.8
Pre-tax profit (loss)	**476**	**407**	16.8	**79**	**105**	-24.6	**555**	**512**	8.3

	BANKING BUSINESS		Var. %	Intersector eliminations			CONSOLIDATED TOTAL		Var. %
	2006	2005		2006	2005		2006	2005	
Net earned premiums							8,381	7,899	6.1
Net income from commissions and fees	75	74	0.2	(2)	-8		76	78	-2.3
Financial income/charges	155	95	63.0	(24)	81		1,163	957	21.5
Net charges relating to claims				1	0		(7,827)	(7,207)	8.6
Operating expenses	(181)	(166)	8.9	6	13		(1,156)	(1,118)	3.3
Other income/charges	6	2		(0)	(3)		(46)	(127)	-63.6
Pre-tax profit (loss)	**55**	**6**		**(19)**	**(37)**		**591**	**482**	22.7
Taxation							(229)	(199)	15.2
Consolidated profit (loss)							**362**	**283**	28.0
Profit (loss) - minority interests							80	28	
Profit (loss) - Group							**281**	**254**	**10.5**

Consolidated net profit for the fourth quarter of 2006 alone amounted to €14m (the fourth quarter of 2005 having closed with a loss of €30m owing mainly to the extraordinary charges linked to the bid for BNL).

Insurance Business

Premium income and investment products

Total income (premium income and investment products) as at 31 December 2006 amounted to €8,813m, slightly down compared with the previous year (-0.8%). Non-Life business recorded an increase of 2.8% whilst Life business fell by 3.7%.

Income as at 31 December 2006 was broken down as follows:

- Non-Life premium income 46.4% (44.6% as at 31/12/2005)
- Life premium income 53.3% (47.9% as at 31/12/2005)
- Life investment products 0.3% (7.5% as at 31/12/2005) in Class III alone (Unit- and index-linked policies).

The variation in the composition of Life premium income was due to the increased presence of significant insurance risks in the new products sold during 2006 compared with 2005.

In compliance with the requirements of IFRS 4 (presence of a significant insurance risk) all the Non-Life income of the companies in the Group was classified as insurance premiums.

CONSOLIDATED INCOME
(Amounts in €m)

	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Non-Life direct premium income	4,061		3,948		2.9
Non-Life indirect premium income	25		26		-4.6
Total Non-Life premium income	**4,086**	**46.4**	**3,974**	**44.6**	**2.8**
Life direct premium income	4,695		4,238		10.8
Life indirect premium income	4		3		8.9
Total Life premium income	**4,699**	**53.3**	**4,241**	**47.9**	**10.8**
Total Life investment products	28	0.3	669	7.5	-95.9
Total Life income	**4,727**	**53.6**	**4,911**	**55.3**	**-3.7**
TOTAL INCOME	**8,813**	**100.0**	**8,885**	**100.0**	**-0.8**

Almost all the policies issued were underwritten in Italy.

During the fourth quarter premium income was €2,484m (€2,740m in the fourth quarter of 2005, -9.3%).

Direct income amounted to €8,784m (-0.8% compared with 31/12/2005), premiums accounting for €8,756m (€8,186m as at 31/12/2005) and investment products for €28m (€669m as at 31/12/2005).

The income breakdown per class of business, with the composition indices and the variation compared with the previous year, is set out in the following table:

BREAKDOWN OF INCOME BY BUSINESS CLASS *(Amounts in €m)*					
	Financial year 2006	*Comp. %*	**Financial year 2005**	*Comp. %*	*Var. %*
DIRECT ITALIAN BUSINESS					
Non-Life premium income					
Accident and Health (Classes 1 and 2)	593	*6.7*	561	*6.3*	*5.6*
MV TPL (Class 10)	2,170	*24.7*	2,118	*23.9*	*2.4*
MV insurance, other classes (Class 3)	341	*3.9*	335	*3.8*	*1.6*
Marine, aviation and goods in transit (Classes 4, 5, 6, 7, 11 and 12)	31	*0.4*	32	*0.4*	*-2.2*
Fire and other damage to property (Classes 8 and 9)	402	*4.6*	396	*4.5*	*1.6*
General TPL (Class 13)	366	*4.2*	352	*4.0*	*4.1*
Credit and bonds (Classes 14 and 15)	40	*0.5*	39	*0.4*	*2.7*
Sundry pecuniary losses (Class 16)	48	*0.5*	45	*0.5*	*6.1*
Legal protection (Class 17)	26	*0.3*	25	*0.3*	*3.7*
Assistance (Class 18)	44	*0.5*	45	*0.5*	*-2.0*
Total Non-Life business	**4,061**	***46.2***	**3,948**	***44.6***	***2.9***
Life premium income					
I - Life assurance	1,622	*18.5*	1,667	*18.8*	*-2.7*
III - Ins. linked to inv. funds/market indices	1,242	*14.1*	194	*2.2*	*####*
V - Capital redemption operations	1,755	*20.0*	2,139	*24.2*	*-18.0*
VI - Pension funds	76	*0.9*	237	*2.7*	*-67.8*
Total Life business	**4,695**	***53.5***	**4,238**	***47.9***	***10.8***
Total direct premiums - Life and Non-Life	**8,756**	***0.0***	**6,775**	***100.0***	***29.2***
Total Life investment products	**28**	***0.3***	**669**	***7.6***	***-95.9***
Total direct business	**8,784**	***100.0***	**8,855**	***100.0***	***-0.8***
INDIRECT BUSINESS					
Non-Life premium income	25	*86.8*	26	*88.2*	*-4.6*
Life premium income	4	*13.2*	3	*11.8*	*8.9*
Total indirect business	**29**	***100.0***	**30**	***100.0***	***-3.0***
TOTAL PREMIUM INCOME	**8,813**		**8,885**		***-0.8***

The classification of the premium income by business class set out above conforms to the provisions of Article 2, paragraph 1 in the case of Life business and paragraph 3 in the case of Non-Life business of Legislative Decree 209 of 7 September 2005 – 'Insurance Code'.

The following table also shows direct premium income as at 31 December 2006 (Non-Life premium income, Life premium income and investment products) for Unipol Assicurazioni, Aurora Assicurazioni and the other subsidiaries, subdivided by sector (in €m):

Direct Income	Non-Life Premiums	Life Premiums	Total	*Comp. %*	Investm. Products	Total Income	*Comp. %*
Unipol Assicurazioni	1,476	1,518	2,993	*34.2*	11	3,005	*34.2*
Aurora Assicurazioni	2,115	1,191	3,306	*37.8*	9	3,315	*37.7*
Other subsidiaries	470	1,987	2,457	*28.1*	7	2,464	*28.0*
TOTAL DIRECT INCOME	**4,061**	**4,695**	**8,756**	*100.0*	**28**	**8,784**	***100.0***
Traditional composite companies	3,591	2,709	6,300	*72.0*	21	6,321	*72.0*
Non-Life specialist companies	470	0	470	*5.4*	0	470	*5.4*
Bancassurance companies	0	1,986	1,986	*22.7*	7	1,993	*22.7*
TOTAL DIRECT INCOME	**4,061**	**4,695**	**8,756**	*100.0*	**28**	**8,784**	***100.0***

Life business

Life income as at 31 December 2006 totalled €4,727m compared with €4,911m as at 31 December 2005 (-3.7%).

Direct income amounted to €4,723m (-3.8% compared with 31/12/2005). Class III – Unit- and index-linked policies was up (+51.5%) whilst the other classes were down: Class I – Traditional policies -3.4%, Class V – Capital redemption policies -18.5% and Class VI – Pension funds -67.8%, regarding which it will be remembered that during 2005 an increase of 343% had been recorded as a result of the activation of the Cometa fund (the occupational fund for employees in the metal and mechanical industry).

As at 31 December 2006 direct Life premium income amounted to €4,695m whilst investment products amounted to €28m. As at 31 December 2005 Life premium income had been €4,238m and investment products €669m.

Pension funds

The most significant event of the year relates to the amendments introduced under the Finance Act 2007 to Legislative Decree 252 of 5 December 2005. As a result of these amendments the supplementary pensions reform came into effect on 1 January 2007 and therefore that was the date that signalled the beginning of the six-month period allowed for transferring the staff-leaving indemnity to pension funds, either explicitly or tacitly (silence indicating assent).
On the whole the pension fund system in the private sector is currently almost fully operational, whilst the public sector, where only the School sector pension fund (Espero) has reached the minimum number of members required for it to be launched, continues to lag behind as regards supplementary pensions.

Overall both occupational and open-end pension funds recorded modest growth in 2006 in terms of both new members and contribution flows (approximately 4% year on year). Growth in assets under management was more sustained, being influenced more than anything else by the good performance of the financial markets.

During 2006 Group activity in the occupational pension fund sector mainly concentrated on the renewal of asset-management mandates (Previcooper – the pension fund for distribution cooperatives and BAM – the pension fund for the Banca Agricola Mantovana) and on implementing the procedures for launching asset management relating to the new mandates (Prevedi – the pension fund for the construction sector,

FondoPoste – the pension fund for the Italian Post Office and Filcoop – for agricultural cooperatives).

Management of the other pension funds already in the portfolio, where assets under management as at 31 December 2006 amounted to €614m, continued as normal.

As regards open-end pension funds business, as at 31 December 2006 the three Unipol funds (Unipol Futuro, Unipol Previdenza and Unipol Insieme) and the Aurora Previdenza open-end pension fund reached total assets of €109m and 10,056 members. It should be mentioned that the figures for 2006 are in line with those for the previous year as regards both retail income and group pension plans and were achieved by means of agreements with businesses that did not fall within the scope of occupational pension funds.
Overall the Group succeeded in retaining its market share, thus confirming that along with the Parent Company Unipol Assicurazioni it is one of the market leaders, in particular amongst insurers.

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The **traditional composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) and Navale Vita achieved Life direct income of €2,730m, a decrease of 10% compared with 31 December 2005. Life premium income amounted to €2,709m (€2,954m as at 31/12/2005) whilst investment products amounted to €21m (€78m as at 31/12/2005).

As at 31 December 2006 **Unipol Assicurazioni** achieved Life direct income of €1,529m, down 13.1% compared with the previous year, attributable to Class I – Traditional policies (-11%), Class V – Capital redemption policies (-8%) and Class VI – Pension funds (-68.4%). It will be remembered that in 2005 income from pension funds had benefited from the issuing of the contract for the Cometa pension fund for €179m, which could not be replicated in 2006. In addition several low-yield capital redemption policies were not renewed. On the other hand there was an increase in Class III – Unit- and index-linked policies (+34.9%).
As at 31 December 2006 income from Life policies received via Unipol Banca banking outlets was €180m (€179m as at 31/12/2005).
Unipol Assicurazioni's Life direct income was made up of €1,518m in insurance premiums (€1,717m as at 31/12/2005) and €11m in investment products (€43m as at 31/12/2005).

The subsidiary **Aurora Assicurazioni** had Life direct income of €1,200m (-5.6% compared with 31/12/2005). Class I – Traditional policies (+17%) and Class III – Unit- and index-linked policies (+59.1%) were up whilst Class V – Capital redemption policies (-31.7%) was down. Income from Class VI – Pension funds – was not particularly significant.
Aurora Assicurazioni's Life direct income was made up of €1,191m in insurance premiums (€1,236m as at 31/12/2005) and €9m in investment products (€35m as at 31/12/2005).
Income received via the banking channel (branches of the former Reti Bancarie, now incorporated into the Banca Popolare Italiana) amounted to €220m (€153m as at 31/12/2005).

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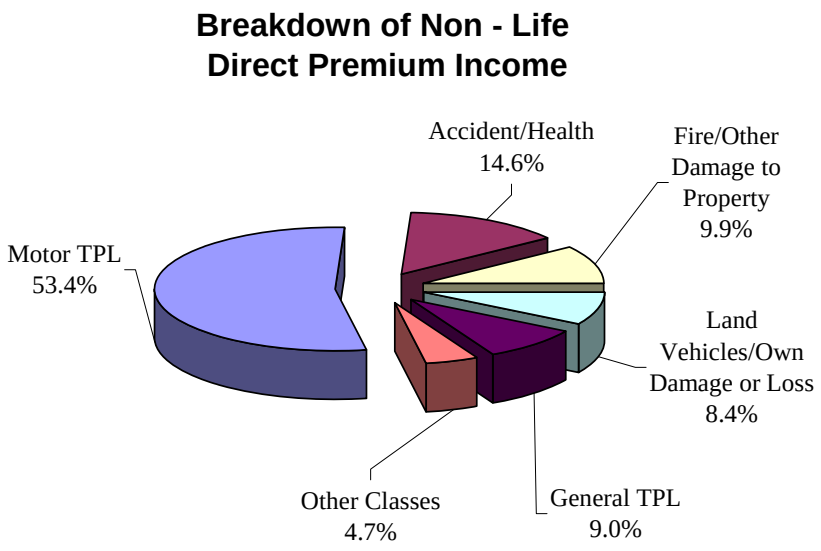
The **bancassurance** companies (BNL Vita and Quadrifoglio Vita), which were 50% owned, achieved total income of €3,986m, an increase of 6.3% compared with 31 December 2005. The proportion pertaining to the Group under proportional consolidation amounted to €1,993m.

BNL Vita achieved direct income of €3,148m (+4.6% compared with 31/12/2005), 50% of which, i.e. €1,574m, pertained to the Group. Class III – Unit- and index-linked policies (+57%) was up whilst Class I – Traditional policies (-23.7%) and Class V – Capital redemption policies (-30.4%) were down. Investment products, all in Class III, amounted to €3m (€1,109m as at 31/12/2005), the variation compared with 31 December 2005 being due to the presence of a greater insurance risk in the new products sold.

As at 31 December 2006 **Quadrifoglio Vita** had achieved direct income of €838m, an increase of 13.1% compared with 31 December 2005, 50% of which, i.e. €419m, pertained to the Group. Particularly high increases were recorded in Class I – Traditional policies (+23.2%) and Class III – Unit- and index-linked policies (+18.5%). Class V – Capital redemption policies – was slightly down (-4.9%).
Investment products, all in Class III, amounted to €11m (€74m as at 31/12/2005).

Non-Life business

Total premium income in the Non-Life portfolio as at 31 December 2006 amounted to €4,086m (+2.8% compared with 31/12/2005).
Direct premium income alone amounted to €4,061m (+2.9% compared with 31/12/2005). Premium income from inward reinsurance amounted to €25m (-4.6% compared with 31/12/2005).
There were increases in almost all classes of business, though at varying levels: Motor TPL +2.4%, Accident and Health +5.6%, General TPL +4.1% and Fire and Other Damage to Property +1.6%.



The traditional sector of the **composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved direct premium income of €3,591m (+2.9% compared with 31/12/2005).

Unipol Assicurazioni's direct premium income as at 31 December 2006 amounted to €1,476m, +3.3% compared with 31 December 2005 (+2.7% in Motor TPL and +4% in the other classes). In Motor TPL the rise in premium income was a result of growth in the customer portfolio, in particular of the acquisition of major company 'fleets'. The outstanding increase in the other classes was 10% in Accident and Health as a result of the acquisition of major group policies for additional health benefits or accident cover.

As at 31 December 2006 **Aurora Assicurazioni** achieved direct premium income of €2,115m, an increase of 2.6%, in both Motor business and the other classes. In particular in the Motor TPL class the rise in the numbers of new customers was achieved by measures to make the product more competitive. Growth in Other Damage to Property (+7.1%), which was linked to complementary Fire cover, and in General TPL (+5.1%) was good.

* * *

The **specialist companies** (Linear, Unisalute and Navale) wrote direct premiums of €470m (+2.8%).

Linear achieved direct premium income of €165m, an increase of 1.2%, in line with the growth recorded by the Motor insurance market as a whole. The market share of Linear, one of the direct companies, should be around 16%. 60% of the premium income for the period was obtained over the telephone (€99m) and the remaining 40% via the Internet (€66m).
Unisalute performed much better than the sector as a whole to achieve direct premium income of €93m (+14% compared with 31/12/2005). Thus it increased its market share (approximately 4.7%) though its position in fifth place remained unchanged.
The Non-Life company **Navale Assicurazioni** achieved direct premium income as at 31 December 2006 of €212m, substantially in line with the previous year (-0.2%). Mention should also be made of the work of reforming portfolios with negative technical performances begun in previous years.

Reinsurance

Inward reinsurance

Non-Life and Life inward reinsurance premium income amounted to a total of €29m compared with €30m in the previous financial year and consisted of €25m of premium income for Non-Life business (€26m in 2005) and €4m for Life business (€3m in 2005).

Outward reinsurance

The strategy of protecting against the risks underwritten by the companies in the Group was carried out through Non-Life reinsurance schemes, which for the principal types of cession were largely based on proportional types of cover in the case of almost all the classes subject to reinsurance.

On the other hand, in accordance with market practice and procedures, non-proportional types of cover were adopted to protect the exposures arising out of both the portfolios and the retentions in Motor TPL, Land vehicles – own damage or loss, General TPL, Fire, Accidents, Goods in Transit and Other Damage to Property relating to Hail.
In the case of risks underwritten in Life business 'surplus' types of cover were mainly adopted where sums assured exceeded the retention levels of the individual companies in the Group.
In the case of both Non-Life and Life reinsurance the companies in the Group took out cover with leading professional reinsurers deemed by the principal rating agencies to be financially very sound, in order to reduce the counterpart risks to a minimum.
In the case of direct Group business the premiums ceded totalled €342m compared with €337m ceded in the previous financial year.

As a result of the good technical performance achieved by the Group during the year, the mix of Non-Life direct cessions generated a positive result overall for the reinsurers, though less so than last year mainly as a result of several major claims that affected non-proportional types of cover. The Group's Non-Life retention index rose to 92.2% compared with 92.1% in the previous financial year.

The result of the direct cessions carried out in Life business was also positive for reinsurers. The Group's Life retention index rose to 99.5% compared with 99.4% in the previous financial year whilst the overall retention index (Non-Life and Life) rose to 96.1% compared with 95.9% in the previous financial year.

Financial performance in insurance business

The Group's insurance business contributed a total of €555m to pre-tax profits, €79m of which pertained to Life business (€105m as at 31/12/2005) and €476m to Non-Life business (€407m as at 31/12/2005).
Total operating expenses incurred as at 31 December 2006 (acquisition and renewal commissions and other acquisition, asset-management and administrative expenses), net of commissions received from reinsurers, totalled €981m (€966m as at 31/12/2005, +1.6%).
The relative incidence on net premium income for the period was 11.7%, a decrease compared with 31 December 2005 (12.3%). The incidence of net operating expenses on net premium income in Non-Life business as at 31 December 2006 was 22.3% (23% as at 31/12/2005) and that in Life business was 3.3% (2.8% as at 31/12/2005).

The loss ratio in Non-Life business, including claims-handling expenses and net of reinsurance items, was 73.1% (71.2% as at 31/12/2005).
The claims frequency in the Motor TPL class remained practically unchanged.

A total of 1,546,423 direct claims were reported, an increase compared with 31 December 2005 of 11.9%, mainly in the Health class.

As at 31 December 2006 the **combined ratio**, based on direct business and inward reinsurance and net of outward reinsurance, was 94.6% (93.8% as at 31/12/2005).

This indicator is derived from the sum of two indices. One is the loss ratio net of outward reinsurance (73.1%) derived from the incidence of net charges relating to claims on net premium income. (Both amounts are recorded in the appendix 'Details of technical insurance items' – Non-Life business.) The other (21.5%) is obtained from the ratio of total operating expenses net of asset-management expenses to net premiums written (recorded in the appendix 'Details of technical insurance items' – Non-Life business). Operating expenses are recorded in the appendix 'Details of insurance business expenses' – Non-Life business.

Litigation

The number of cases brought against the **Parent Company Unipol Assicurazioni** in 2006 relating to Motor TPL was substantially the same as in the previous year but there was a slight increase in the number of cases pending as at 31 December compared with 2005.

During 2006, as a result of the fine imposed in 2000 by the Antitrust Authority, the Company was notified of 154 new cases, though this number fell considerably after the decision of the Court of Cassation of 4 February 2005 (which recognised the authority of the Court of Appeal to pass judgement in such cases). The total cost for 2006 resulting from the judgements handed down was approximately €1.3m (€1.6m in 2005).

It should be mentioned that the subsidiary **Aurora Assicurazioni** received new 30 summonses claiming repayment of part of Motor TPL premiums paid by policyholders. The total cost for 2006 was negligible.

Banking Business

During 2006 the banking sector, which consisted of the Unipol Banca Group, recorded high levels of growth in its own business, where funds managed by the parent company Unipol Banca continued to predominate.

Particularly impressive was the fact that by 31 December 2006 direct customer deposits had reached €7,917m, an increase since 31 December 2005 of 13.9%. Customer funds amounted to €26.4bn (+11.8%) and consisted of €24.2bn of funds under custody and €2.2bn of assets under management.
Lending to customers was up, amounting to €6,657m as at 31 December 2006, an increase of more than €1bn since 31 December 2005 (+20.9%). Unipol Banca's lending was mainly to small and medium-sized enterprises and to individuals, whilst Unipol Merchant's lending was aimed at larger companies and corporate financing intended mainly for industrial investments.
It should be pointed out that despite a business cycle that continues to be problematic the increasingly cautious lending policy enabled the low incidence of net bad and doubtful loans on total lending to customers to be maintained at 0.62%, well below the average figure for the banking system as a whole (1.36%).

The 2006 financial year ended with a **net pre-tax profit** of €55m (€6m as at 31/12/2005).

The following table shows the principal items in the income statement for banking business, set out in accordance with the layout specified for banks.

BANKING BUSINESS *(Amounts in €m)*	31/12/2006	31/12/2005	*Var. %*
Net interest income	168	126	*32.9*
Net income from commissions and fees	75	74	*0.2*
Other net financial income	11	0	
Gross operating income	**254**	**201**	***26.3***
Value adjustments/readjustments for impairment of financial assets	(23)	(31)	
Financial management - net profit	**230**	**170**	***35.2***
Operating expenses	(175)	(164)	*6.8*
Cost/income	*69.0%*	*81.6%*	
Pre-tax profit (loss)	**55**	**6**	***754.7***

Net interest income as at 31 December 2006 amounted to €168m, a significant increase of 32.9% owing to the widening of the spread between rates received and rates paid and to the substantial increase in funds managed, both customer deposits and lending to customers. Gross operating income reached €254m, an increase of 26.3% compared with same period of 2005.
Operating expenses amounted to €175m, an increase of 6.8%. The cost/income ratio (the incidence of operating expenses on gross operating income) was down 12.6 percentage points to 69%, a significant performance which is in line with the market best practice.

Staffing

As at 31 December 2006 the insurance companies in the Group had 4,757 employees, 92 of whom were on fixed-term contracts. This was a net decrease of one since 31 December 2005. The variations that took place during the year reflected internal mobility within the insurance companies in the Group.
There were 4,543 full-time equivalent (FTE) employees.

As at the same date the Unipol Banca Group had 1,838 employees (+191 since 31/12/2005), 49 of whom were on fixed-term contracts. There were 1,811 full-time equivalent employees.

Thus as at 31 December 2006 the Group had a total of 6,595 employees (+190 since 31/12/2005).

	31/12/2006	31/12/2005	*Var.*
Unipol	1,987	1,736	*251*
Aurora	1,852	2,061	*-209*
Other companies	918	961	*-43*
Total insurance sector	**4,757**	**4,758**	***-1***
Unipol Banca	1,785	1,589	*196*
Unipol Merchant	50	55	*-5*
Other finance companies	3	3	*0*
Total banking sector	**1,838**	**1,647**	***191***
Total Unipol Group	**6,595**	**6,405**	***190***

It should be mentioned that during 2006 the Group launched a training programme named 'Let's Build the Future Together' as part of the professional development of all senior executives.

The objective of the programme is to launch a new vision, new guidelines and the new skills required to cope with organisational change, which is of particular strategic importance for the future of the Group, and with the changing market.

In parallel with the development of the new multiyear business plan this training programme inspires participants to find solutions to new problems that are in line with international best practices. The initiative is also very valuable for Group integration and interdepartmental skills transfer in line with the new business model adopted by the Group.

The Group's senior executives, working intensively and using participative teaching methods, have set up 16 intercompany and interdepartmental working groups which are producing results that can be applied in the fields of market innovation, product innovation and innovation of operational procedures.

IT Systems

Insurance sector

During 2006 the Group's IT Systems continued the initiatives already launched in the previous year and at the same time developed several new projects within the Parent Company and the other insurance companies in the Group. The most important activities are summarised below.

- In Life business the contract for revamping the Group's Life software package was finalised and begun. This project involves entirely rewriting the Life software in accordance with the latest technology with the aim of providing a functional package that is more flexible, powerful and comprehensive and enables business performance to be improved through the use of the most advanced technology and the creation of economies of scale within the software systems.
- The Group initiative to introduce IT innovations in the Non-Life, Claims and Commercial departments of Unipol and Aurora continued and is expected to be completed by 2008.
- Measures were carried out to consolidate several IT projects within the network of agencies covering hardware, software and systems application. There is also an initiative to integrate the IT systems of the Unipol and Aurora networks to provide more support in the area of marketing. The procedures for adopting the software package identified, developing an implementation plan, involving the pilot locations and all the other preparations this requires are currently being evaluated.
- Mention should also be made of the following additional activities: renewing the technology platform of the Aurora agencies, reinforcing security of access by adopting identity management, increasing the level of security in the data-processing centres in Bologna and Milan and providing the entire Group with an e-learning platform.

Banking business

During the year the principal task was the usual one of improving the Company's IT system and organisational set-up by introducing new procedures for constantly adapting the Bank and Group structure to the market and to the business plan.
The principal measures taken to adapt systems and procedures to banking legislation or regulations related to the new procedure for dealing with the provision of information to and the checks required by the tax authorities , the new legislation on late payment of cheques and the consequent fines, the compulsory payment of F24s (for tax and social security contributions) by electronic methods, the changes (introduced by the Bersani Decree) to the procedures and the deadlines for communications relating to the rules on transparency, and the migration to the new Interbank Corporate Banking system (CBI).

In addition numerous measures were taken to enable administrative processes and procedures to be more automated and to provide operators with more IT facilities.

Planning and implementing the transfer of the companies in the Banking Group to the new registered office in Piazza Costituzione was certainly the most important activity from the technical and structural point of view. This work involved reorganising the infrastructure of all the Bank's departments and constructing two EDP centres in order to improve the reliability and availability of technological services.

Unipol Group Sales Network

The Unipol Group offers a full range of insurance, banking and asset management products through a composite sales network covering the whole of Italy.

In particular the **composite companies** in the Group have the benefit of a network of agencies which as at 31 December 2006 consisted of 1,716 agencies (25 fewer than as at 31/12/2005), 581 of which were Unipol Assicurazioni agencies and 1,135 Aurora agencies. In addition, both Unipol Assicurazioni and Aurora Assicurazioni placed Life products direct through networks of banking outlets (Unipol Banca and Reti Bancarie, now BPI, respectively).

As regards the Non-Life **single-purpose companies**, Unisalute operated in Health and Assistance by selling managed care group policies direct to businesses, associations and various other bodies. The Company sold its individual policies via the Internet, by telephone and through its network of agencies (87 agencies, 85 of which were Unipol agencies with a Unisalute mandate, compared with 73, 71 of which belonged to Unipol, as at 31/12/2005). In addition Unisalute products were sold through the sales outlets of Unipol Banca and of four other credit institutions.
In Motor business, Linear operated through the call-centre and via the Internet.
Navale operated through 207 non-exclusive agencies and 262 brokers.

Turning to the **bancassurance** companies, Quadrifoglio Vita used the network made up of 295 outlets of the Banca Agricola Mantovana (MPS Group) whilst BNL Vita sold its products through approximately 700 outlets belonging to the BNL Group.

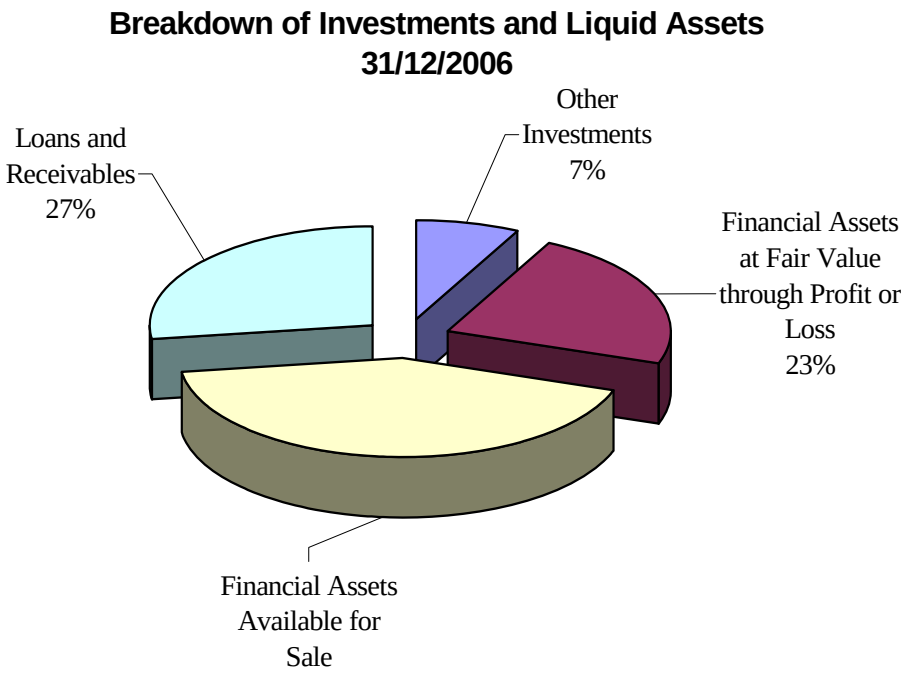
As regards **banking business**, as at 31 December 2006 Unipol Banca had 265 points of sale (250 as at 31/12/2005), 146 of which were combined with insurance agencies, 39 finance shops and 418 financial advisers. The company also made use of direct sales channels (telephone and Internet banking) and the principal Unipol agencies (which were gradually being joined by the Aurora agencies) which sold traditional banking products.
Unipol Merchant – Banca per le Imprese, a subsidiary of Unipol Banca, is the bank in the Unipol Banca banking group that specialises in medium-term corporate financing and also operates in merchant banking and investment banking. The principal sales channel for Unipol Merchant's products and services is represented by Unipol Banca's network of branches.

Group Property and Financial Management

Investments and liquid assets

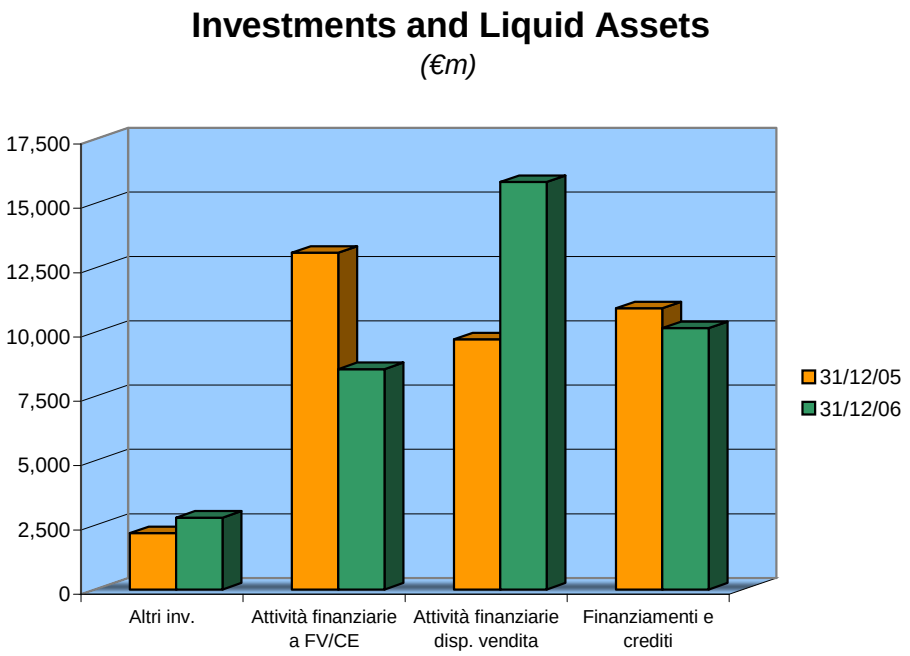
As at 31 December 2006 the level of the Group's investments and liquid assets had reached a total of €37,350m, an increase of €1,425m compared with the position as at 31 December 2005 (+4%).
Investments and liquid assets in the insurance sector amounted to €31,553m (€30,778m in 2005) and accounted for 84.5% of total investments, whilst those in the banking sector amounted to €8,695m (€7,835m in 2005), 94% of which were loans and receivables from customers and banks.

The guidelines for asset management in the insurance sector in 2006 continued to focus on both short-term investments in cash and trading on the bond and share markets.
The need to improve returns on the bond portfolio was pursued by operating in options with no speculative content and trading in securities, both enabling the volatile interest rates recorded during the period to be translated into a financial benefit.
The bond portfolio experienced a decrease in the weighting of investment in structured securities and thus a change in the risk profile.
The share portfolio focused on high-liquidity high-yield shares, and in order to reduce their volatility more than a third of the share component was hedged. Most of the shares belonged to the Eurostoxx 50 and the remainder to the usual European share indices.



The Group's investments subdivided according to type and comparisons with the position as at 31 December 2005 are set out in the following table:

INVESTMENTS AND LIQUID ASSETS (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Buildings	299	0.8	352	1.0	-15.2
Shareholdings in subsidiaries, associates and joint ventures	39	0.1	28	0.1	36.2
Investments held to maturity	1,038	2.8	949	2.6	9.3
Loans and receivables	10,157	27.2	10,926	30.4	-7.0
-Loans and receivables from banking customers	*6,640*	*17.8*	*5,486*	*15.3*	*21.0*
-Interbanking loans and receivables	*1,507*	*4.0*	*2,027*	*5.6*	*-25.7*
-Deposits with ceding undertakings	*21*	*0.1*	*27*	*0.1*	*-20.9*
-Other loans and receivables	*1,989*	*5.3*	*3,386*	*9.4*	*-41.3*
Financial assets available for sale	15,838	42.4	9,723	27.1	62.9
Financial assets at fair value through profit or loss	8,566	22.9	13,085	36.4	-34.5
- held for trading	*3,898*	*10.4*	*8,888*	*24.7*	*-56.1*
- designated at fair value through profit or loss	*4,668*	*12.5*	*4,197*	*11.7*	*11.2*
Cash and cash equivalents	1,414	3.8	861	2.4	64.2
TOTAL INVESTMENTS AND LIQUID ASSETS	**37,350**	100.0	**35,925**	**100.0**	**4.0**



Investments in property

Investments in land and buildings as at 31 December 2006 amounted to €299m, a decrease of €53m (-15.2%) since 31 December 2005.

This net decrease was generated by divestments of €6m relating to the sale of the tourist complex in Maratea (PZ), an office block in Pordenone and several commercial and residential properties, by changes of use of €61m, and, on the positive side, by increases and improvements of €15m.
Including property used for corporate business the Group's property assets amounted to €675m. On 31 December 2005 property assets had amounted to €669m, €352m of which was accounted for by investments in property and €317m by property used for corporate business.

Shareholdings in subsidiaries, associates and joint ventures

On 31 December 2006 investments in subsidiaries, associates and joint ventures totalled €39m (€28m as at 31/12/2005), €10m of which related to two participating interests, Nuova Unipol Assicurazioni and Nuova Aurora Assicurazioni (each with share capital of €5m), which were set up at the end of December 2006 to cover the insurance activities of Unipol Assicurazioni and Aurora Assicurazioni respectively as part of the project to reorganise the Unipol Group. These shareholdings are still inactive. The remaining €29m related almost exclusively to associates.

Investments held to maturity

On 31 December 2006 investments held to maturity amounted to €1,038m (+9.3% compared with 31/12/2005). This category included fixed-rate bonds acquired to match special Life tariffs.

Loans and receivables

On 31 December 2006 loans and receivables amounted to €10,157m compared with €10,926m as at 31 December 2005 (-7%).
The main contribution to this item was from banking business, with €6,640m of receivables from customers (+21% compared with 31/12/2005) and €1,507m of receivables from banks (-25.7% compared with 31/12/2005).
Other loans and receivables fell from €3,386m as at 31 December 2005 to €1,989m as at 31 December 2006. On 31 December 2005 this item had included the term deposit set up in order to guarantee the bid for the BNL ordinary shares of €2,970m, which closed in February 2006.

Financial assets available for sale

Financial assets available for sale amounted to €15,838m as at 31 December 2006 (+62.9% compared with 31/12/2005), the increase being mainly attributable to the change in the way in which securities were classified.
Among the changes occurring during the year were the sale of the shareholding in Banca Antonveneta to ABN AMRO NV for €288m and, as already mentioned, the sale of Unipol Assicurazioni and Aurora Assicurazioni's 14.89% shareholding in BNL to BNP Paribas for a total countervalue of €1,322m.
On 14 December 2006 a total return equity swap contract on the Banca Popolare Italiana shares held by the subsidiary Aurora Assicurazioni was entered into with Mediobanca (14,080,000 shares representing 2.063% of the capital). This contract was terminated on 15 January 2007. (See the Notes to the Accounts, section 3, para. 4.5, for further details of this operation).

Financial assets recorded at fair value through profit or loss

The financial assets in this category were divided into assets held for trading and assets designated to be recorded at fair value through profit or loss.
As at 31 December 2006 this item amounted to €8,566m (-34.5% compared with 31/12/2005), the decrease being due to the change in the way in which securities were classified.
It was made up of €3,898m of assets held for trading (-56.1%) and €4,668m of assets designated at fair value, where the investment risk is borne by the policyholder (+11.2%).

Cash and cash equivalents

Cash and cash equivalents amounted to €1,414m (€861m as at 31/12/2005, +64.2%). The increase compared with last year was due, inter alia, to greater recourse being made to 'hot money' operations.

Capital gains and investment income

As at 31 December 2006 net investment income and capital gains amounted to €1,163m (€957m as at 31/12/2005, +21.5%).
Among net income from financial assets available for sale it is worth noting that some of the €36m of capital gains arose out of the merger of Reti Bancarie with the Banca Popolare Italiana (BPI) and some from the sale of 0.9% of the shareholding in BPI held by Unipol Assicurazioni, and that €139m of capital gains resulted from the sale of the Antonveneta shares to ABN AMRO (€59m) and of Unipol Assicurazioni and Aurora Assicurazioni's BNL ordinary shares to BNP Paribas (€80m).
This item also includes the €82m write-down carried out on the Hopa shareholding, the value of which fell to €0.955 per share.

Details of the net capital gains and investment income are set out in the table below:

NET INVESTMENT INCOME (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Investments in property	5	0.4	117	10.7	-95.6
Income from shareholdings in subsidiaries, associates and joint ventures	2	0.1	45	4.2	-96.1
Net income from investments held to maturity	49	3.6	35	20.7	42.6
Net income from loans and receivables	399	28.9	225	15.6	77.9
Net income from financial assets available for sale	594	43.1	170	15.6	250.2
Net income from financial assets recorded at fair value	302	21.9	482	44.4	-37.2
Balance on cash and cash equivalents	28	2.0	13	1.2	109.9
Total net income from financial assets, cash and cash equivalents	**1,380**	**100.0**	**1,086**	100.0	27.1
Net income/charges from financial liabilities recorded at fair value	(30)		(0)		
Net income/charges from other financial liabilities	(187)		(129)		45.2
Total net income/charges from financial liabilities	**(217)**		**(129)**		**68.7**
Total net income/charges from financial assets and liabilities	**1,163**		**957**		**21.5**

Shareholders' Equity

On 31 December 2006 the shareholders' equity pertaining to the Group, including the profit for the period, amounted to €5,358m (€5,552 as at 31/12/2005). The shareholders' equity pertaining to minority interests amounted to €515m (€491m as at 31/12/2005).
The decrease was mainly due to the decrease in the reserve for gains and losses on financial assets available for sale, which fell from €81m as at 31 December 2005 to -€70m as at 31 December 2006, and to the decrease in the capital reserves as a result of the Parent Company Unipol Assicurazioni distributing €94m of extraordinary dividend from the share premium reserve.

On 31 December 2006 the Parent Company's share capital was €2,360,144,410 and was made up of 1,460,524,546 ordinary shares and 899,619,864 preference shares.
Under IAS the shareholders' equity of Unipol Assicurazioni as at 31 December 2006 amounted to €5,289m (€5,437m as at 31/12/2005).

As at 31 December 2006 the Parent Company Unipol Assicurazioni held no own shares. As at the same date the other subsidiaries in the Group held no shares in the controlling company.

Technical Provisions and Financial Liabilities

On 31 December 2006 Technical provisions and financial liabilities totalled €34,422m (€32,686m in 2005, +5.3%). The details are shown in the following table (amounts in €m):

TECHNICAL PROVISIONS AND FINANCIAL LIABILITIES
(Amounts in €m)

	31/12/2006	31/12/2005	Var. %
Non-Life technical provisions	7,393	7,147	3.4
Life technical provisions	16,650	15,103	10.2
TOTAL TECHNICAL PROVISIONS	**24,042**	**22,249**	**8.1**
Financial liabilities at fair value	**3,121**	**3,723**	**-16.2**
- Investment contracts - insurance companies	*2,952*	*3,632*	*-18.7*
- Other	*169*	*91*	*85.6*
Other financial liabilities	**7,258**	**6,713**	**8.1**
- Investment contracts - insurance companies	*399*	*615*	*-35.0*
- Subordinate liabilities	*788*	*648*	*21.5*
- Payables to banking customers	*5,364*	*4,552*	*17.8*
- Interbanking payables	*52*	*163*	*-67.9*
- Other	*654*	*735*	*-11.0*
TOTAL FINANCIAL LIABILITIES	**10,379**	**10,436**	**-0.5**

As at 31 December 2006 technical provisions amounted to €24,042m, an increase of 8.1% since 31 December 2005, and were made up of €7,393m of Non-Life technical provisions (€7,147m as at 31/12/2005, +3.4%) and €16,650m of Life technical provisions (€15,103m as at 31/12/2005, +10.2%).

Total Financial liabilities amounted to €10,379m (-0.5% compared with 31/12/2005), €3,352m of this amount being financial liabilities relating to investment policies issued by the insurance companies (€4,247m as at 31/12/2005).

Financial liabilities recorded at fair value through profit or loss amounted to €3,121m (-16.2%) and mainly consisted of investment contracts issued by insurance companies where the investment risk was borne by the policyholder (€2,952m).

Other financial liabilities amounted to €7,258m (+8.1%) and were made up of payables to banking customers of €5,364m (+17.8%), investment policies issued by insurance companies of €399m (-35%), subordinated debenture loans of €788m (+21.5%, the increase being due to the subordinated debenture loans issued by Unipol Banca being classified differently in the previous year) and other liabilities of €654m (-11%).

Reconciliation Table between the Group Profit for the Period and Shareholders' Equity and the Corresponding Figures for the Parent Company

RECONCILIATION TABLE *(Amounts in €m)*	Capital and reserves	Profit for the period	Shareholders' equity as at 31/12/2006
Unipol Assicurazioni - IAS/IFRS-compliant balances	**5,104**	**185**	**5,289**
Difference between net book value and capital, reserves and profit for the period of consolidated interests	(808)	224	(584)
Difference arising from consolidation	648		648
Difference posted to other asset items (buildings, etc.)	9		9
Valuation of companies included by the equity method	3	2	4
Elimination of infra-group dividends	130	(130)	0
Infa-group transactions	(9)	0	(9)
Consolidated balances - Group	**5,076**	**281**	**5,358**
Minority interests	435	80	515
Total consolidated	**5,511**	**362**	**5,873**

Group Net Profit as at 31 December 2006

Group net profit amounted to €281m and was made up as follows:

GROUP NET PROFIT *(Amounts in €m)*	31/12/2006	31/12/2005	Var. %
Total book profits (Parent Company and consolidated interests)	**491**	**485**	**1.3%**
Consolidation adjustments:			
Derecognition of dividends within the Group	(130)	(171)	
Other adjustments	1	(31)	
Total consolidation adjustments	**(129)**	**(202)**	
Consolidated profit	**362**	**283**	**28.0%**
Minority interests	(80)	(28)	
Net profit - Unipol Group	**281**	**254**	**10.5%**

Significant Events after the End of the Financial Year

In addition to what has already been mentioned relating to the project to reorganise the Group, the following events have also taken place:

- On 15 January 2007, with the termination of the total return equity swap contract on 14,080,000 shares in the Banca Popolare Italiana held by the subsidiary Aurora Assicurazioni, this shareholding was sold once and for all and provided a capital gain of approximately €19m.

- On 1 February 2007 BNL Vita and BNL Spa signed a new agreement for the exclusive distribution of insurance products. The expiry date of the agreement was fixed as 31 December 2011 but it may be renewed for subsequent periods of five years. As a result of the new agreement, as from 1 March 2007 management of BNL Vita's assets has been entrusted to the Unipol Group. In addition Unipol Assicurazioni is about to conclude the purchase from BNL of a 1% shareholding in the capital of BNL Vita which will raise Unipol Assicurazioni's participating interest from the current 50% to 51%.

- On 5 February 2007 '*2diCuore*' (Two of Hearts) was introduced. This is something totally new on the Italian market since it combines a current account and a Motor TPL policy in a single solution and consequently offers customers considerable added value in terms of convenience, simplicity and time-saving. The new product includes:
  - an ad hoc current account, with terms that are amongst the most convenient on the market;
  - a Motor policy that is one of the most innovative on the market since it uses the latest satellite system to provide assistance for the vehicle and the people in it in the event of an accident (*Unibox* and *Aurobox*).

- On 9 March 2007 Banca Agricola Mantovana Spa (BAM) notified the Unipol Group that it was cancelling its bancassurance agreement with it. Under this agreement, once the prescribed legal authorisation had been obtained BAM was required to buy the 50% shareholding in Quadrifoglio Vita Spa held by Unipol Assicurazioni Spa at a price to be determined by an independent adviser.

Business Outlook

In the first few months of 2007 business proceeded normally, with growth in premium income in the bancassurance sector and a reduction in corporate capital redemption policies. Non-Life premium income grew at the same rate as in 2006.

It should be mentioned that the trend in the loss ratio in Non-Life business will be affected by the coming into effect on 1 February 2007 of the Direct Reimbursement procedure for Motor TPL claims where there is damage to the vehicle and non-serious injuries to the driver (Presidential Decree 254 of 18/7/2006). The idea is to make claims-handling faster and more transparent, to the advantage of policyholders.

The Unipol Group has adapted its procedures in order to seize the opportunities presented by the new claims-settlement system and to be able to react swiftly to any new trends in monitoring economic performance in the Motor TPL class. However, the fact that the system is so new will mean that statistics will lack uniformity for a while.

In addition it should be mentioned that a decree is about to be converted into law that:

- allows the customer to cancel a multiyear Non-Life contract during the life of the policy;
- provides for the same no-claims bonus to be granted to a policyholder acquiring a second vehicle;
- provides for the extension of the multimandate to all classes of Non-life business. This will be compulsory as from 1 January 2008.

These provisions will have a substantial impact on the Companies and on their sales networks, and although their financial effects cannot yet be quantified they will inevitably make it necessary to redefine the strategies of the individual Companies.

On the whole at the moment there are no particular significant events, other than those that fall within normal company policy, that are likely to lead to an improvement in profitability.

Bologna, 15 March 2007

The Board of Directors

2006 Consolidated Accounts

Company **Compagnia Assicuratrice UNIPOL S.p.A.**

Share capital subscribed **€ 2,360,144,410** **Paid-up** **€ 2,360,144,410**

Registered Offices in BOLOGNA - Via Stalingrado 45

Companies' Register in Bologna 00284160371

CONSOLIDATED ACCOUNTS

FINANCIAL STATEMENTS

2006 Financial Year

(Amounts in €m)

BALANCE

ASSETS

€m		31/12/2006	31/12/2005
1	**INTANGIBLE ASSETS**	**1,335.7**	**1,443.4**
1.1	Goodwill	1,303.8	1,411.2
1.2	Other intangible assets	31.9	32.3
2	**TANGIBLE ASSETS**	**433.6**	**371.3**
2.1	Property	375.9	317.3
2.2	Other tangible assets	57.7	54.0
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**657.4**	**678.2**
4	**INVESTMENTS**	**35,936.0**	**35,064.5**
4.1	Investments in property	298.9	352.3
4.2	Shareholdings in subsidiaries, associates and joint ventures	38.6	28.4
4.3	Investments held to maturity	1,037.8	949.4
4.4	Loans and receivables	10,157.0	10,926.1
4.5	Financial assets available for sale	15,837.8	9,723.2
4.6	Financial assets recorded at fair value through profit or loss	8,565.9	13,085.1
5	**SUNDRY RECEIVABLES**	**1,176.9**	**1,142.9**
5.1	Receivables arising out of direct insurance operations	808.9	785.9
5.2	Receivables arising out of reinsurance operations	104.8	112.0
5.3	Other receivables	263.2	244.9
6	**OTHER ASSETS**	**696.4**	**534.7**
6.1	Non-current assets or assets of a disposal group held for sale		
6.2	Deferred acquisition costs	70.2	68.8
6.3	Deferred tax assets	366.2	176.3
6.4	Current tax assets	45.3	48.3
6.5	Other assets	214.6	241.3
7	**CASH AND CASH EQUIVALENTS**	**1,413.6**	**860.8**
	TOTAL ASSETS	**41,649.6**	**40,095.8**

SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

€m		31/12/2006	31/12/2005
1	**SHAREHOLDERS' EQUITY**	**5,873.0**	**6,042.9**
1.1	**pertaining to the Group**	**5,357.7**	**5,551.7**
1.1.1	Capital	2,360.1	2,360.1
1.1.2	Other equity		
1.1.3	Capital reserves	2,296.8	2,391.3
1.1.4	Accumulated earnings and other reserves	456.8	432.5
1.1.5	(Own shares)		
1.1.6	Reserve for net exchange rate differences		
1.1.7	Profits or losses on financial assets available for sale	-70.3	80.5
1.1.8	Other profits or losses recorded in the equity direct	32.9	32.9
1.1.9	Profits (loss) for the year pertaining to the Group	281.3	254.5
1.2	**pertaining to minority interests**	**515.2**	**491.1**
1.2.1	Capital and reserves pertaining to minority interests	470.9	462.2
1.2.2	Profits or losses recorded in the equity direct	-35.9	0.9
1.2.3	Profits (loss) for the year pertaining to minority interests	80.3	28.1
2	**AMOUNTS SET ASIDE**	**45.0**	**37.9**
3	**TECHNICAL PROVISIONS**	**24,042.4**	**22,249.4**
4	**FINANCIAL LIABILITIES**	**10,379.2**	**10,436.4**
4.1	Financial liabilities recorded at fair value through profit or loss	3,121.2	3,723.0
4.2	Other financial liabilities	7,257.9	6,713.4
5	**PAYABLES**	**520.2**	**410.9**
5.1	Payables arising out of direct insurance operations	46.5	68.3
5.2	Payables arising out of reinsurance operations	18.6	57.7
5.3	Other payables	455.1	285.0
6	**OTHER LIABILITIES**	**789.8**	**918.3**
6.1	Liabilities of a disposal group held for sale		
6.2	Deferred tax liabilities	210.3	223.5
6.3	Current tax liabilities	52.9	74.5
6.4	Other liabilities	526.7	620.3
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**41,649.6**	**40,095.8**

INCOME STATEMENT

€m		31/12/2006	31/12/2005
1.1	Net earned premiums	8,380.6	7,899.2
1.1.1	*Gross earned premiums*	*8,717.0*	*8,233.5*
1.1.2	*Earned premiums ceded*	*-336.4*	*-334.2*
1.2	Commissions and fees receivable	112.0	120.9
1.3	Income and charges arising out of financial instruments recorded at fair value through profit or loss	272.0	481.5
1.4	Income arising out of shareholdings in subsidiaries, associates and joint ventures	1.9	45.5
1.5	Income arising out of other financial instruments and investments in property	1,268.0	751.5
1.5.1	*Interest receivable*	*901.3*	*473.6*
1.5.2	*Other income*	*57.0*	*36.2*
1.5.3	*Profits realised*	*308.9*	*240.0*
1.5.4	*Unrealised profits*	*0.9*	*1.7*
1.6	Other receipts	96.1	94.2
1	**TOTAL INCOME AND PROCEEDS**	**10,130.6**	**9,392.8**
2.1	Net charges relating to claims	7,826.9	7,206.9
2.1.2	*Amounts paid and changes in technical provisions*	*8,073.3*	*7,424.3*
2.1.3	*Reinsurers' share*	*-246.4*	*-217.4*
2.2	Commissions and fees payable	35.7	42.9
2.3	Charges arising out of shareholdings in subsidiaries, associates and joint ventures	0.2	0.0
2.4	Charges arising out of other financial instruments and investments in property	378.6	321.3
2.4.1	*Interest payable*	*186.9*	*131.0*
2.4.2	*Other charges*	*12.7*	*17.8*
2.4.3	*Losses realised*	*70.3*	*41.9*
2.4.4	*Unrealised losses*	*108.6*	*130.7*
2.5	Operating expenses	1,155.8	1,118.4
2.5.1	*Commissions and other acquisition expenses*	*758.4*	*732.2*
2.5.2	*Investment management expenses*	*25.4*	*22.5*
2.5.3	*Other administrative expenses*	*372.0*	*363.7*
2.6	Other costs	142.5	221.6
2	**TOTAL COSTS AND CHARGES**	**9,539.7**	**8,911.2**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXATION	**590.9**	**481.6**
3	Taxation	229.4	199.1
	PROFIT (LOSS) FOR THE YEAR NET OF TAX	**361.5**	**282.5**
4	PROFIT (LOSS) PERTAINING TO DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	**361.5**	**282.5**
	pertaining to the Group	**281.3**	**254.5**
	pertaining to minority interests	80.3	28.1

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

€m			As at 31-12-2004	Amendment to the closing balances
Shareholders' equity pertaining to the Group	Capital		916.5	
	Other equity			
	Capital reserves		1,179.3	
	Accumulated earnings and other reserves		251.2	
	(Own shares)			
	Provision for net exchange rate differences			
	Profits or losses on financial assets available for sale		17.6	
	Other profits or losses recorded in the equity direct	Profits or losses on instruments held for hedging a financial flow		
		Profits or losses on instruments held for hedging a net investment in a foreign account		
		Provision arising out of changes in the shareholders' equity of the participating interests		
		Provision for write-up of intangible assets		
		Provision for write-up of tangible assets	36.6	
		Income and charges relating to non-current assets or to a group in the course of being sold held for sale		
		Other provisions		
	Net profit (loss) for the year		241.9	
	Total pertaining to the Group		**2,643.1**	
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests		218.2	
	Profits or losses recorded in the equity direct		0.5	
	Net profit (loss) for the year		23.5	
	Total pertaining to minority interests		**242.2**	
Total			**2,885.3**	

Amounts allocated	Transfers to the profit and loss account	Other transfers	As at 31-12-2005	Amendment to the closing balances	Amounts allocated	Transfers to the profit and loss account	Other transfers	As at 31-12-2006
1,443.7			2,360.1					2,360.1
1,211.9			2,391.3				-94.4	2,296.8
313.7		-132.5	432.5		24.3			456.8
99.5	-36.6		80.5		-103.7	-47.1		-70.3
-3.7			32.9					32.9
12.6			254.5		281.3		-254.5	281.3
3,077.7	**-36.6**	**-132.5**	**5,551.7**		**202.0**	**-47.1**	**-348.9**	**5,357.7**
244.0			462.2		8.7			470.9
0.4			0.9		-30.6	-6.1		-35.9
4.5			28.1		80.3		-28.1	80.3
248.9			**491.1**		**58.3**	**-6.1**	**-28.1**	**515.2**
3,326.6	**-36.6**	**-132.5**	**6,042.9**		**260.3**	**-53.2**	**-376.9**	**5,873.0**

CASH FLOW STATEMENT (indirect method)

€m	31/12/2006	31/12/2005
Profits (loss) for the year before taxation	**590.9**	**481.6**
Change in non-monetary items	**1,128.0**	**3,405.1**
Change in provision for Non-Life unearned premiums	67.7	27.1
Change in provision for outstanding claims and in other Non-Life technical provisions	202.3	403.0
Change in mathematical provisions and in other Life technical provisions	1,543.8	3,183.6
Change in deferred acquisition costs	-1.5	2.6
Change in amounts set aside	7.1	6.3
Non-monetary income and charges arising out of financial instruments, investments in property and shareholdings	-316.7	-300.5
Other changes	-374.7	83.0
Change in receivables and payables generated by operations	**75.3**	**90.1**
Change in receivables and payables arising out of direct insurance and reinsurance operations	-76.6	20.8
Change in other receivables and payables	151.9	69.3
Tax paid	**-143.4**	**-146.4**
Net liquid assets generated/absorbed by monetary items pertaining to investment and financial operations	**4,000.9**	**424.0**
Liabilities arising out of financial contracts issued by insurance companies	-894.9	147.5
Payables to banking customers and interbanking payables	700.9	472.2
Loans and receivables from banking customers and interbanking loans and receivables	-610.4	-1,895.5
Other financial instruments recorded at fair value through profit or loss	4,805.3	1,699.9
TOTAL NET LIQUID ASSETS ARISING OUT OF OPERATIONS	**5,651.7**	**4,254.5**

Net liquid assets generated/absorbed by investments in property	54.6	89.9
Net liquid assets generated/absorbed by shareholdings in subsidiaries, associates and joint ventures	-10.2	33.3
Net liquid assets generated/absorbed by corporate financing and receivables	1,402.6	-1,982.2
Net liquid assets generated/absorbed by investments held to maturity	-88.4	-194.2
Net liquid assets generated/absorbed by financial assets available for sale	-6,181.2	-4,711.5
Net liquid assets generated/absorbed by tangible and intangible assets	45.5	157.8
Other net cash flows generated/absorbed by investment operations		178.3
TOTAL NET LIQUID ASSETS ARISING OUT OF INVESTMENT OPERATIONS	**-4,777.1**	**-6,428.5**

Net liquid assets generated/absorbed by equity instruments pertaining to the Group	-64.7	2,700.2
Net liquid assets generated/absorbed by own shares		
Distribution of dividends pertaining to the Group	-287.9	-132.5
Net liquid assets generated/absorbed by capital and reserves pertaining to minority interests	-28.1	244.4
Net liquid assets generated/absorbed by subordinate liabilities and participating financial instruments	139.5	-3.5
Net liquid assets generated/absorbed by sundry financial liabilities	-80.7	-0.4
TOTAL NET LIQUID ASSETS ARISING OUT OF CORPORATE FINANCING OPERATIONS	**-321.8**	**2,808.2**

Effect of exchange rate differences on cash and cash equivalents		

CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	860.8	226.7
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	552.8	634.1
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,413.6	860.8

As a result of the change in the way securities are classified as from the end of 2005, net liquid assets arising out of operating activity were affected by sales that are no longer included in the category 'Other financial instruments recorded at fair value through profit or loss', which come under 'Financial assets available for sale' and are classified as new investments.

The undersigned declare that the financial statements are free from irregularity or error.

The Company legal representatives (*)

The Chairman (**)

Pierluigi Stefanini (**)

(**)

The Statutory Auditors

Umberto Melloni

Luigi Capè

Carlo Cassamagnaghi

(*) In case of foreign undertakings - signature by the general representative in Italy

(**) Please indicate the functions of the signatory.

Notes to the Accounts

NOTES TO THE ACCOUNTS

1. GENERAL DRAFTING CRITERIA

The Unipol Assicurazioni Group, consisting of the Parent Company Unipol Assicurazioni and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance business, may issue investment contracts and may set up and manage open-end pension funds. It also operates in banking business.

The Parent Company Unipol Assicurazioni is a joint-stock company registered in Italy and is listed on the Milan Stock Exchange.
The registered office is at Via Stalingrado 45, Bologna.

As provided for by EC Regulation 1606/2002, the Unipol Group's consolidated accounts for the year ended 31 December 2006 were drawn up in accordance with the IAS/IFRS in force on the date the accounts closed, as issued by the IASB and endorsed by the European Union, with the relative interpretations issued by IFRIC.

Unless otherwise specifically indicated all the amounts recorded in these Notes to the Accounts are quoted in €m.

The layout (balance sheet, income statement, statement of changes in the shareholders' equity, cash flow statement and other tables) conforms to the provisions of ISVAP Ruling 2404 of 22 December 2005 (Provisions relating to the layout of consolidated accounts drawn up in accordance with international accounting standards).

1.1 Basis of consolidation

The Unipol Group's consolidated accounts as at 31 December 2006 are the result of adding the figures of the Parent Company Unipol Assicurazioni to those of all the subsidiaries, both direct and indirect (IAS 27): six insurance companies, a banking Group consisting of six companies, two property companies, two financial holding companies and a service company, excluding the subsidiaries that are considered too small to be significant.
The jointly controlled companies (two bancassurance companies) were consolidated using the proportional method (IAS 31) whilst the associates, in which holdings were between 20% and 50%, and the subsidiaries that were considered not to be significant, were valued using the equity method (IAS 28).

The shareholdings consolidated on a line-by-line basis and proportionally and the shareholdings valued using the equity method are listed in the tables showing the Basis of consolidation and Details of unconsolidated shareholdings respectively, which are appended to the Notes to the Accounts.

Changes in the basis of consolidation

Operations carried out during 2006 and other variations related to:

- a fall from 89.53% to 79.53% in Unipol Assicurazioni spa's shareholding in the subsidiary Unipol Banca spa as a result of the increase in the share capital carried out in December 2005 and recorded on 5 January 2006: Unipol Assicurazioni's direct shareholding fell from 82.86% to 69.54% whilst Aurora Assicurazioni's shareholding rose from 10% to 14.99%;
- an increase in Unipol Assicurazioni's shareholding in Navale Assicurazioni spa from 99.8% to 99.83%;
- the acquisition by Unipol Banca spa of further shares in Unipol Merchant spa, raising its shareholding from 81.82% to 86.15% (+4.33%);
- an increase in the share capital of BNL Vita spa from €130m to €160m. Unipol Assicurazioni subscribed and paid for its own shareholding thus keeping its stake unchanged (50%);
- on 28 December 2006 and 29 December 2006 Unipol Assicurazioni and the subsidiary Aurora Assicurazioni set up Nuova Unipol Assicurazioni spa and Nuova Aurora Assicurazioni spa respectively as part of the project to reorganise the Group. The paid-up share capital of each company amounted to €5m. The two companies had not started to operate as at 31 December 2006.

On 15 February 2006 MMI Vita Spa, a company wholly owned by Navale Assicurazioni spa, was renamed Navale Vita spa.

Reference date

The reference date for the consolidated accounts is 31 December 2006, the date the annual accounts of the Parent Company Unipol Assicurazioni closed. All the consolidated undertakings closed their accounts on 31 December with the exception of the associate Pegaso Finanziaria spa, which closed its latest accounts on 30 June 2006 and for which interim accounts up to the date of the consolidated accounts were used. Reformulations of the individual accounts of each consolidated company were used for the purpose of drawing up the consolidated accounts, adjusted in accordance with IAS/IFRS international accounting standards as applied by the Parent Company Unipol Assicurazioni and approved by the Boards of Directors of the companies concerned.

1.2 Consolidation criteria

Companies consolidated on a line-by-line basis

This method of consolidating the subsidiaries provides for the consolidation on a line-by-line basis of the assets, liabilities, income and charges of the consolidated undertakings as from the date they were acquired, the elimination of the book value of the shareholding from the Parent Company's accounts and, in the case of partial shareholdings, the recording of the amount of the shareholders' equity and the operating result pertaining to minority interests.

The amount of the shareholders' equity pertaining to minority interests is recorded under Shareholders' equity as 'Shareholders' equity pertaining to minority interests', whilst the relevant amount of the consolidated result is shown under 'Profit (loss) for the year pertaining to minority interests'.

The accounts of the subsidiaries are consolidated on a line-by-line basis with the exception

of those of two companies that are so small that the equity method is used. Three single-purpose companies were also consolidated on a line-by-line basis. These were the special purpose vehicles (SPVs) used by Unipol Banca for securitisation schemes which, whilst not being subsidiaries, are consolidated as laid down in SIC 12 since all the risks and benefits linked to holding junior notes issued by the SPVs are substantially retained.
As they are not yet operational, the two new companies, Nuova Unipol Assicurazioni and Nuova Aurora Assicurazioni, were consolidated using the equity method.

Companies consolidated on a proportional basis
This method of consolidating the jointly controlled companies provides for the recognition of the assets, liabilities, income and expenditure of the consolidated undertakings in proportion to the shareholding, and for the derecognition of the book value of the participating interest.
As at 31 December 2006 two shareholdings were consolidated using the proportional method.

Companies consolidated using the equity method
When this method is used the value of the shareholding is adjusted according to the relevant fraction of the shareholders' equity, including the operating result and all the adjustments made when consolidation is on a line-by-line basis.

Goodwill
If the cost of acquiring shareholdings in subsidiaries and associates exceeds the net fair value of the assets, liabilities and identifiable potential liabilities, the surplus is recorded as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future financial benefits arising out of activities that cannot be identified individually and recorded separately.
In the years following the year of acquisition, goodwill is valued at cost, net of any losses of value that have accumulated.
In the event that the Group's shareholding in the shareholders' equity of the company acquired exceeds the cost of acquisition, the difference is recorded in the income statement directly.

Elimination of operations within the Group
When the consolidated accounts are drawn up the amounts receivable and payable between companies included in the consolidation, the income and charges relating to operations carried out between these companies and the profits and losses resulting from operations carried out between these undertakings and not yet realised with parties external to the Group are eliminated.

1.3 Business report

The layout of the business report is based on the major types of business in which the Group operates:

- Non-Life insurance business
- Life assurance business
- Banking business.

No business report based on geographical areas has been produced since the Group

operates mainly at the national level and there appears to be no significant difference in the risks and benefits, in consideration of the type of business activity carried out, that can be correlated with the economic situation in the individual regions.

2. ACCOUNTING STANDARDS ADOPTED

The accounting standards and the most significant criteria used in drawing up the consolidated accounts are set out below.

2.1 Intangible assets – IAS 38

In accordance with the provisions of IAS 38 only intangible assets that can be identified and controlled by the undertaking, from which the undertaking will derive financial benefits in future, can be capitalised.
The following assets are recorded as intangible assets with a specific useful life and therefore depreciated:

- goodwill paid for the acquisition of Life portfolios: the value of the policies acquired is determined by estimating the current value of the future cash flows of the existing policies. The Group depreciates this value throughout the expected residual life. This valuation is reviewed annually.
- costs incurred for the acquisition of software licences, amortised over three years;
- expenses relating to building work on property belonging to third parties, amortised throughout the life of the relative rental agreements.

Goodwill paid when acquiring/merging companies is also included among intangible assets, as already mentioned in paragraph 1.2. As this goodwill has an indefinite useful life it is not written down but is valued at least once a year, or each time there is any indication of potential impairment (permanent loss of value), by means of an impairment test, in which case the permanent loss of value is recorded in the income statement and cannot be taken into account again in subsequent years.

2.2 Tangible assets – IAS 16

This item includes property used for corporate business, plant and machinery and fixtures and fittings.
The Group has adopted the criterion of the amortised cost for recognising and valuing this category of assets.
Depreciation, which is carried out each year on a straight-line basis on the estimated residual useful life, begins when the property is available and ready for use and ends when the property has come to the end of its useful life (which for buildings is estimated at 30 years). In the case of wholly-owned property (land and buildings) depreciation is carried out only on the building.
The consolidated property companies include in the book value the investment charges incurred when borrowing capital specifically for acquiring and renovating property, if this can be justified.
The costs of improvements and conversions are capitalised if they result in an increase in the useful life of the assets and in their profitability.

Land and buildings that have suffered permanent losses of value are written down.
The values recorded for the property owned by the subsidiary Aurora include the differences arising from consolidation occurring at the time of acquisition in order to reflect the value of the property at the time it was acquired.

2.3 Investments in property – IAS 40

Investments in property are recorded by applying the criterion of the amortised cost, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable value of property is estimated to be less than the book value (or zero) it is amortised annually on a straight-line basis, based on the recoverable value and the presumed useful life (estimated to be 30 years). This mainly affects the complex that houses the Jolly Hotel in Rome (via Pio IV) in view of its particular nature and purpose.
If the recoverable value of the property is estimated to exceed the book value, no depreciation is carried out. In the case of the Group this affects residential property.
In the case of wholly-owned property (land and buildings) the depreciation is carried out only on the building.
The costs of improvements and conversions are capitalised if they result in an increase in the useful life of the assets and in their profitability.

Land and buildings that have suffered permanent losses of value are written down. The market value is determined at least once a year by means of expert valuations carried out by outside companies.
The values recorded in the case of the property owned by the subsidiaries Aurora and Navale Assicurazioni include the differences arising from consolidation occurring at the time of acquisition in order to reflect the value of the property at the time it was acquired.

2.4 Financial assets - IAS 32 and 39

IAS 39 provides that debt instruments, equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:

- Financial assets recorded at fair value through profit or loss
- Financial assets available for sale
- Financial assets held to maturity
- Loans and receivables.

There is a specific criterion for recognising and valuing each of these categories.

It should be mentioned that the Group records financial transactions on the date they are valued.

Financial assets recorded at fair value through profit or loss

Investments in this category are subdivided in two further subitems:

- financial assets held for trading;
- financial assets to be recorded at fair value through profit or loss, where the assets linked to financial liabilities assessed at fair value are classified (investments relating to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising out of pension fund management).

The fair value is calculated, in descending order of priority, on prices recorded in active markets, prices provided by market operators or the internal valuation models generally used in the financial world.
The differences (positive or negative) between fair value and book value are recorded through profit or loss. The fair value of listed securities is represented by the market value on the date the accounts are drawn up.

Financial assets available for sale
Investments classified as securities available for sale are recorded at fair value. The differences compared with the book value must be recognised in the shareholders' equity in a special reserve for unrealised profits/losses (net of tax).
The fair value of securities available for sale is calculated, in descending order of priority, on prices recorded in active markets, on prices provided by market operators or on the internal valuation models generally used in the financial world. The fair value of listed securities is represented by the market value on the date the accounts are drawn up.
The amortised cost of the debt securities in this category is calculated according to the effective rate of return and is recorded in the income statement. The comparison with the fair value is made after the proportion of the amortised cost for the financial year has been recognised.
If a security available for sale incurs a loss of value such as to make it impossible to recuperate the investment, the unrealised accumulated loss previously recorded in the shareholders' equity is recorded in the income statement.

This category includes strategic shareholdings (less than 20% of the share capital, of commercial or company strategic importance), the securities arising out of the securitisation schemes carried out by Unipol Banca and the holdings held for the purpose of merchant banking business.

Investments in equity instruments not listed on active markets for which it is not possible to make a reliable assessment of the fair value are valued at cost (net of any write-downs).

Financial assets held to maturity
Investments in securities held to maturity are recorded at cost less depreciation, if necessary written down to take account of permanent losses of value.
The Group classifies most of the fixed-yield bonds acquired to match special Life tariffs in this category.

Loans and receivables
Receivables in this category consist of contracts for which the Group holds a right to the cash flows arising out of the loan agreement. They are characterised by fixed or ascertainable payments and are not listed on an active market.
This item consists mainly of receivables from customers and banks due to the companies in the banking Group. This category also includes mortgage loans and credit facilities issued by the insurance companies, reinsurers' deposits, reverse repurchase agreements, term deposits exceeding 15 days, receivables for agents' recoupments and unlisted debt securities largely subscribed by the Group.
It also includes bonds that can be converted into unlisted shares held for the purposes of merchant banking and subject to the implicit derivative being unbundled.

In accordance with the provisions of IAS 39 loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable direct.

Following initial recognition, receivables are valued at the amortised cost, which is represented by the value at which they are initially recognised net of repayments, plus or minus any difference between the initial value and the value on maturity because of

depreciation calculated in accordance with the criterion of effective interest and less any reduction because of any decrease in value and irrecoverableness.
Applying the effective interest rate enables the financial effect of a loan to be spread evenly over its expected life. In fact the effective interest rate is the rate that discounts back all the future cash flows of the loan and establishes a current value corresponding to the value granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual duration of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance early redemptions and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the operation (original interest rate). This original rate does not vary over time and is also used following any contractual amendments to the interest rate or events that in fact mean that the loan becomes interest-free (for instance if a collective creditor action takes place).

The amortised cost method is applied only to loans with an original duration of at least eighteen months, on the assumption that in the case of shorter contracts applying this method does not involve significant variations in the calculation of the financial effect. Loans with a duration of less than eighteen months and those that have no fixed maturity date or are revocable are therefore valued at their historic cost.

On the reference date for each set of accounts or interim financial statement, the loans are checked in order to identify those for which there is objective evidence of loss of value owing to events that have occurred since they were first recognised.
In particular in the case of loans and receivables in the banking sector, which make up a large part of this category, valuation procedures differ depending on whether the loans are performing or non-performing.
Loans are considered to be impaired if they are deemed to be doubtful, substandard or restructured loans, or if they are more than 180 days overdue, in accordance with current Banca d'Italia instructions. These non-performing loans (with the exception of substandard and/or overdue loans for insignificant individual amounts) are subjected to a process of analytical valuation consisting in discounting back (at the original effective interest rate) the cash flows expected by way of principal and interest, taking account of any benefits pertaining to the loan. The negative difference between the current value of the loan ascertained in this way and its book value (amortised cost) at the time it is valued constitutes a value adjustment, and it is this that is recorded in the income statement.

The original value of the loan is readjusted in subsequent years only in the event that the reasons that led to the relative loss being recorded no longer exist. Value readjustments may be recorded up to an amount that attributes to the financial asset a value not exceeding the value that it would have had if the amortised cost method were applied without prior value adjustments.

Receivables for which there is no individual objective evidence of loss (in general performing loans, including receivables from counterparties resident in risky countries and substandard and/or overdue loans for insignificant individual amounts) are valued by the group method according to standardised category of credit risk based on type of customer and type of product. The value of the contingent loss according to standardised category is calculated by applying percentage loss indices ascertained by analysing the performance of

each category over previous periods of at least three years.
The value adjustments ascertained in accordance with the group method are allocated to the income statement. In subsequent periods any additional value adjustments or readjustments are determined using the differential method by reference to the entire loan portfolio valued as a whole.
Receivables assigned are derecognised only if the assignment involves the substantial transfer of the risks and benefits pertaining to them. If this is not the case the receivables continue to be recorded in the accounts even though ownership of them has been legally transferred.
The presumption is that all the risks and benefits are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand the presumption is that all the risks and benefits are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and benefits (in the event that the Group retains more than 10% but less than 90% of the risks/benefits), the receivables are derecognised provided the Group retains no control over them at all. Otherwise the fact that some control over the receivables assigned is retained means that they are retained in the accounts in proportion to the level of residual involvement.

Derivatives
Derivatives are initially recorded at the purchase cost representing the fair value and subsequently assessed at fair value. The fair value of derivatives is based on prices gathered from regulated markets or provided by operators, on models used for valuing options (basing hypotheses on market and economic conditions) or on models used for discounting back future cash flows.

Derivatives may be classified as 'trading' or 'hedging'. In the case of hedging operations IAS 39 lays down administratively cumbersome and complex rules for drawing up appropriate documentation to be used to check the effectiveness of the cover from the time it is activated and throughout its entire duration (hedge accounting).

The Group classifies derivatives in the 'trading' category since it is administratively difficult to demonstrate the efficacy of the cover as governed by IAS 39, with the sole exception of the fair value hedging operations carried out by the subsidiary Unipol Banca on its own issues of fixed-rate bonds.

Costs linked to increases in capital
Costs directly attributable to issuing instruments representing capital are deducted from the capital net of tax effects.

2.5 Cash and cash equivalents – IAS 7

Cash and cash equivalents include cash in hand, cash in current accounts with credit institutions available on demand and term deposits for periods not exceeding 15 days.

2.6 Contingent liabilities and contingent assets – IAS 37

Amounts are set aside for risks and charges only when they are deemed necessary to meet an obligation arising out of a past event and when it is likely that the amount of resources required can be reliably estimated.

2.7 Insurance contracts – IFRS 4

Classification of contracts

Insurance contracts coming under IFRS 4 are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.

An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows.

Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.

Some insurance and investment contracts may include discretionary profit-sharing.

All the Non-Life policies in the portfolio as at 31 December 2006 were classified as insurance policies.

As in the previous year, the principal criteria used for classifying Life products as insurance contracts were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant 'additional benefits' compared with those that would have been payable if the insured event had not taken place. The threshold of significant insurance risk was deemed to be 10%;
- the presence of options or guarantees, such as the coefficient of conversion into an annuity with guaranteed rates.

Some contracts provide for discretionary profit-sharing (Discretionary Participation Feature – DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must comply with specific contractual terms and represent a significant part of the total payments. In particular contracts subject to revaluation and linked to segregated accounts were classified as investment products with DPF and were therefore valued and recorded as insurance contracts.

A contract classified as an insurance contract remains an insurance contract until it expires, whereas an investment contract may be subsequently classified as an insurance contract if the necessary conditions arise.

However, the following types of contract were classified as investment contracts and had no DPFs. For this reason, under the provisions of paragraph 3 of IFRS 4, contracts of this type do not produce premium income but are valued and recorded in accordance with the rules of IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero.

In the case of unit-linked products the loading and the acquisition commissions relating to the asset management service are recognised and amortised separately throughout the

duration of the contract. In the case of index-linked policies, which are not managed over time but only administered, it is not necessary to carry out these deferments.

2.8 Non-Life technical provisions

Provision for unearned premiums

The provision for unearned premiums relating to direct insurance is established analytically for each policy using the pro-rata temporis method, on the basis of gross written premiums less acquisition commissions and the other acquisition costs that are chargeable direct. In the case of multiyear contracts the amount of depreciation for the year is deducted.

If the conditions for it apply, the provision for unearned premiums also includes the provision for unexpired risks based on the forecast of the loss ratio for the current year's claims.

In the case of the Credit class the flat-rate procedure provided for by the Ministerial Decree of 23 May 1981 was applied to premiums received before 1992, whilst the pro-rata temporis method was applied to contracts issued from 1992 onwards.

In the case of the Bond class the provision for unearned premiums was calculated using the pro-rata temporis method combined with the criteria laid down in ISVAP Ruling 1978 of 4 December 2001.

The total amount set aside is intended to meet the charges arising out of the part of the risk pertaining to subsequent years.

The reinsurers' share of the provisions for unearned premiums is calculated by applying to the premiums ceded the same criteria as those used for calculating the provision for unearned premiums for direct business.

Provision for increasing age

The provision for increasing age is calculated as a flat rate of 10% on the contracts in the Health class in the portfolio having the features provided for in Article 37, paragraph 8 of Legislative Decree 209 of 7 September 2005 (Insurance Code).

Provision for outstanding claims

The provision for outstanding claims for direct business is established analytically by estimating the presumed cost of all the claims outstanding at the end of the financial year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the payout requirements and the relative direct and claims-handling expenses. Only in the case of Motor TPL claims reported during the financial year is the provision valued using the criterion of the average cost of sufficiently large groups of similar claims (damage to property and personal injury) backed up by historical data and forecasts specific to the individual undertakings.

The provision for outstanding claims also includes the amounts set aside for claims incurred but not reported, based on past experience of claims IBNR for previous financial years.

The reinsurers' share of the provision for outstanding claims reflects the sums recovered from them, the level being laid down in the individual treaties or contractual agreements.

Provision arising out of the adequacy test for Non-Life technical provisions

The Non-Life technical provisions were subjected to the test provided for by IFRS 4 (Liability Adequacy Test – LAT), the outcome of which was that there was no need to add to them apart from what was already established as a result of the valuation of the provision for unexpired risks.

2.9 Life business technical provisions

The amount recorded in the accounts is calculated in accordance with the provisions of Article 36 of Legislative Decree 209 of 7 September 2005 (Insurance Code).

Mathematical provisions

The mathematical provisions are calculated using the forecasting method (the difference between the average current value of the insurer's future liabilities and the average current value of the contracting party's future liabilities) using the same technical bases as those used for calculating the pure premiums with no deduction for policy acquisition expenses, with reference to actuarial assumptions (technical rates of interest, demographic assumptions of elimination through death or disability) and taking account of all the guaranteed benefits, the profit-sharing offered and the policy options. The mathematical provision also includes the amounts of premium accrued during the financial year and cannot be less than the surrender value on the valuation date. The value of the provision on the date the accounts are drawn up is established by linear interpolation between the provisions on the policy anniversaries immediately preceding and following this date.

In the case of contracts, the return on which is dependent on investments or indices where the policyholder bears the risk and those arising out of pension funds, the technical provisions are calculated with reference to the commitments forecast in the contract and to the provisions of Article 41 of Legislative Decree 209 of 7 September 2005 (Insurance Code), and in the case of index-linked policies in particular the mathematical provisions are calculated on the basis of the price of the underlying securities, whilst in the case of unit-linked policies the mathematical provisions are calculated by multiplying the number of units by the prices of the funds concerned on the date they are calculated.

In the case of pension funds and in particular in the case of contracts that offer a guaranteed minimum return on payments when the agreement expires or on the occurrence of events such as retirement, death or disability, the mathematical provision may be increased by a further provision required to cover the additional value risk of the underlying assets. This supplement is calculated by taking into account any differences between the guaranteed minimum values and the values of the underlying assets during the guarantee period estimated stochastically and by discounting back the result on the date the provisions are calculated.

The mathematical provisions are calculated analytically for each individual insurance contract taking into account the policies in force on the date the accounts are drawn up, their respective start dates and all the liabilities assumed under the insurance contracts.

In order to ensure that the portfolio is complete and properly constituted, the following checks are carried out:

- ascertaining that the portfolio used to calculate the provisions is properly constituted by selecting a sample of all the policies outstanding at the end of the year and checking their most significant features;
- checking that the portfolio is complete by selecting a sample of all the policy numbers

issued in order to ascertain whether the policy is still in force or has been cancelled;

- checking that the final contracts issued during the financial year are among the contracts outstanding and that the first contracts issued during the following year are not included; if the contract is in force on the date the accounts are drawn up, checking that it has been taken into consideration in the calculation of the mathematical provision; if this is not the case, checking that it has not been included in this calculation.

In accordance with specific provisions issued by the Supervisory Board the mathematical provisions are supplemented by the following additional provisions:

Supplementary provisions based on demographics

An additional provision has been set up to supplement the provision held as a hedge against liabilities to policyholders whose benefit is in the form of a life annuity or in the form of a lump sum with guaranteed coefficients of conversion into an annuity.

This supplementary provision has been calculated by the companies in the Group comparing the demographics used in the tariff with the latest demographic tables such as the RG48 subdivided according to gender, the IPS55 for men and the SIMPS71. Coefficients that reflect each individual company's propensity to choose the annuity offered are applied to the levels of provision obtained in this way.

Additional provisions

The additional provision is set up as a hedge against the death guarantee contained in the index-linked and unit-linked contracts in Class III.

This additional provision is calculated by applying the death rate for the age of the policyholder (or the average age of the policyholders) taken from the demographic tables contained in the technical note to the sum assured at risk of each company.

In the case of unit-linked contracts issued until 2000 in particular, Unipol Assicurazioni applies to the sum assured at risk the provision coefficient for term insurance relating to the age reached by the policyholder and to the remaining period of the policy, calculated using the death rates taken from the demographic table contained in the technical note. In the case of contracts issued after 2000 the death benefits provision is not calculated because the premium is taken weekly from the management fee and expenses for the week.

Provision for expenses

In the case of policies with a premium payment period shorter than the period of the insurance (single premium, low annual premium, reduced) a provision is set aside for expenses calculated on the basis of the operating loadings held as a hedge against future operating charges.

In the case of index-linked tariffs the provision for operating expenses has been set up using the difference between the value of the net premium and the initial value of the policy less the initial marketing cost incurred by the undertaking. This amount, which is valid throughout the life of the policy, has been set aside for the remaining period of each individual contract.

Additional provision for declining yields

These provisions are used as a hedge against the financial effects of fluctuations in the returns on segregated accounts and take account of the part of the return to be assigned to the policies that because of the temporary mismatch is not covered by the return on the investments which is expected to be obtained during the same period.

This provision is important in the case of the segregated accounts that provide for only one annual rate of return, assigned/paid to policyholders for each subsequent period of twelve

months.

Additional provision for financial risks

In accordance with the provisions of ISVAP Ruling 1801G of 21 February 2001, the mathematical provisions have been supplemented with an item held as a hedge against the possible discrepancy between the expected rates of return on the assets matching the technical provisions linked to segregated accounts and liabilities underwritten, in respect of the levels of financial guarantees and the value adjustments to the benefits provided for by the insurance contracts.

Tests have also ascertained that these amounts set aside are also sufficient to satisfy the liability adequacy test provided for in IFRS 4.

Provision for shadow accounting

The shadow accounting technique enables the unrealised capital losses and/or gains on the assets to be recorded as technical provisions for insurance or investment contracts that offer discretionary profit-sharing, as if they had been realised. This adjustment is recorded on the balance sheet or in the income statement depending on whether the capital losses or gains in question are recorded on the balance sheet or in the income statement.

Net capital losses are recorded in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full.

Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the financial effects of the operations in question.

2.10 Financial liabilities – IAS 39

This item includes the financial liabilities recorded at fair value through profit or loss and the financial liabilities valued at amortised cost.

Financial liabilities recorded at fair value through profit or loss

The financial liabilities in this category are subdivided into two further subitems:

- financial liabilities held for trading, which include negative items on derivatives and bank financial liabilities held for trading;
- financial liabilities recorded at fair value through profit or loss, which include the financial liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders, where the insurance risk is less than 10% and where there is no discretionary profit-sharing.

Financial liabilities valued at amortised cost

This item includes amounts due to other banks and to banking clients, deposits received from reinsurers, debt securities issued, other corporate financing obtained and liabilities on Life contracts with a financial content where the insurance risk is less than 10% and where there is no discretionary profit-sharing (some types of product matched by specific assets).

2.11 Deferred tax assets and liabilities – IAS 12

Whenever there is a temporary difference deferred tax assets are recorded insofar as there is a probability that taxable income for which they can be used will be achieved, except in the cases provided for in paragraph 24 of IAS 12.

Whenever there are any tax losses deferred tax assets are recorded insofar as there is a

probability that taxable income for which they can be used will be available in the future. Deferred tax liabilities are recorded whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.

Deferred tax assets and liabilities must be valued using the tax rates that are expected to apply during the year in which the tax asset will be realised (or the tax liability will be paid off) based on the tax rates (and the tax legislation) laid down in rulings in force or substantially in force on the date the accounts are drawn up.

2.12 Employee benefits – IAS 19

The amount of staff-leaving indemnity accrued until 31 December 2006 that will not be transferred to external entities in accordance with the provisions of Legislative Decree 252/2005 relating to supplementary pension schemes comes under the category of employee benefits to be classified as a guaranteed benefits scheme. The amount due to employees has therefore been calculated using actuarial techniques and discounted back as at the accounting date, using the 'Credit unit projection method' (a method based on benefits accrued in proportion to length of employment).
It should be mentioned that in applying this procedure the variables used have also been adjusted to take account of the effects of the new legislation.

The effect of the healthcare policy for senior executives, which also comes under the category of employee benefits and is a defined-benefit guarantee, has also been ascertained.

2.13 Receipts and other income

Net premium income

This item includes the earned premiums relating to insurance policies and financial instruments that include discretionary profit-sharing, net of reinsurance cessions.
Premiums are written at the time they are due. Earned premiums are obtained by adding the provision for unearned premiums.

Commissions and fees receivable

This item includes commissions and fees receivable for financial services provided. It includes fees receivable arising out of banking business and the loadings for the year relating to Life policies where the insurance risk is below 10% and where there is no discretionary profit-sharing. In the case of unit-linked policies the acquisition loadings relating to the asset management service provided are recognised and deferred throughout the duration of the contract.

Net income arising out of financial instruments recorded at fair value through profit or loss

This item includes profits and losses realised, interest, dividends, charges and positive and negative changes in value of financial assets and liabilities recorded at fair value through profit or loss.

Income arising out of shareholdings in subsidiaries, associates and joint ventures

This item includes income from shareholdings in subsidiaries, associates and joint ventures recorded in the corresponding asset item.

Income from financial instruments and other investments
This item includes income arising out of investments that do not come under the previous two categories. Mainly included are interest receivable on 'Loans and receivables' and on securities classified as financial assets available for sale and held to maturity, other investment income, including dividends and rental income from property held for investment purposes, and profits realised as a result of the sale of financial assets or liabilities and of investments in property.

Other receipts
This item includes income arising out of the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the Company's tangible and other assets. It also includes other net technical income relating to insurance policies, exchange rate differences allocated to the income statement as per IAS 21, profits realised and value readjustments relating to tangible and other assets.

2.14 Costs and other charges

Charges relating to claims
This item includes the sums paid out during the period for claims, matured policies and surrendered policies and the amount of variations in the technical provisions relating to policies that fall within the scope of IFRS 4, net of amounts recovered and of reinsurance cessions.

Commissions and fees payable
This item includes commissions and fees payable for financial services received. It includes the fees payable arising out of banking business and the commissions relating to Life policies where the insurance risk is below 10% and where there is no discretionary profit-sharing. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the duration of the policy to meet deferred acquisition loadings.

Charges arising out of shareholdings in subsidiaries, associates and joint ventures
This item includes charges arising out of shareholdings in subsidiaries, associates and joint ventures recorded in the corresponding asset item.

Charges arising out of other financial instruments and investments in property
This item includes charges arising out of investments in property and financial instruments other than shareholdings and financial instruments classified as 'Assets recorded at fair value through profit or loss'. It mainly includes interest payable on financial liabilities, other investments charges, costs relating to investments in property such as joint-ownership charges and maintenance expenses that do not increase the value of the investment, losses made as a result of the elimination of financial assets or liabilities and investments in property, depreciation and falls in value (impairment).

Operating expenses
This item includes commissions and other acquisition expenses relating to insurance policies, investment management expenses, other administrative expenses and depreciation (running costs and staff costs that are not allocated to charges relating to claims, insurance policy acquisition expenses nor to investment management expenses).

Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, losses realised and depreciation relating to tangible and intangible assets, not allocated to other cost items.

2.15 Corporation tax for the year

Unipol Assicurazioni and the other subsidiaries that fulfil the requirements of Article 117 et seq. of Presidential Decree 917/1986 and of the Ministerial Decree of 9 June 2004 (Navale, Smallpart and Unieuropa) have opted for the Group consolidated taxation system (for the purposes of IRES) in their capacity as consolidated companies. The option is valid for 2004 – 2005 – 2006.

The consolidating company for taxation purposes is Finsoe spa.

On 23 December 2004 these undertakings signed an agreement with Finsoe covering the economic, financial and procedural aspects governing the option in question.

Consequently IRAP and the charges/income linked to the transfer to the consolidating company of the tax profits for the purposes of IRES are recorded under taxes in the income statement on the basis of the taxable income and in accordance with legislation, with account being taken of the exemptions applicable and of the tax credits due, and of the terms of the agreement with the consolidating company.

Deferred tax assets and liabilities, based on the temporary differences between the book profit and tax profit of the individual consolidated companies (arising or deducted during the year, relating to sundry assets and the provision for taxation respectively) and on the consolidation adjustments, have also been recorded. If there are any tax losses, deferred tax assets are recorded insofar as there is a probability that taxable income for which they can be used will be available in future.

2.16 Earnings per share – IAS 33

The basic earnings per share are calculated by dividing the net profit allocated to shareholders who hold ordinary shares in the Parent Company Unipol Assicurazioni by the weighted average of the ordinary shares in circulation during the year.

The diluted earnings per share are calculated by dividing the net profit allocated to shareholders who hold ordinary shares in the Parent Company Unipol Assicurazioni by the weighted average of any additional ordinary shares that would be in circulation if all the potential ordinary shares were converted and thus the equity were diluted.

2.17 Use of estimates

When drawing up the accounts, Head Office has had to formulate valuations, estimates and assumptions that affect the application of the accounting standards and the amounts of the assets, liabilities, costs and income recorded in the accounts. However, it should be noted that as these are estimates the results obtained will not necessarily be those shown here.

These estimates and assumptions are regularly revised. Any variations revealed as a result of reviewing the estimates are recorded during the period in which the review is carried out and in relevant future periods.

3. NOTES ON THE BALANCE SHEET

Comments and further information on the items on the balance sheet and the variations that took place compared with the previous financial year are given below. (The numbering of the notes relates to the numbering used on the balance sheet.)

ASSETS

1. Intangible assets

1.1 Goodwill

This item amounts to €1,303.8m (-€107.4m compared with 2005) and €800.2m of it relates to goodwill recorded as a result of participating interests in companies acquired before 1 January 2004, in particular:

- €708.7m relating to Aurora Assicurazioni, €60.1m less than in the previous financial year. This variation was due to the reclassification as deferred tax assets of the goodwill relating to the tax benefit obtained when Meieaurora was incorporated into Winterthur (now Aurora Assicurazioni) in 2004;
- €44m relating to BNL Vita, unchanged since the previous financial year;
- €8m relating to Navale Assicurazioni, unchanged since the previous financial year;
- €24.2m relating to Unipol Banca, substantially unchanged since the previous financial year;
- €11.8m relating to Linear, unchanged since the previous financial year;
- Other goodwill amounting to €3.5m.

Also included is:

- goodwill of €416.3m generated when banking outlets were acquired, unchanged compared with the previous financial year;
- goodwill of €67.7m (€97.8m in 2005) for the deficit arising out of the merger (portion of the goodwill pertaining to minority interests generated as a result of the incorporation of Meieaurora into Winterthur, now Aurora Assicurazioni). This variation was due to the reclassification as deferred tax assets of the goodwill relating to the tax benefit obtained under the merger;
- other goodwill with a specific useful life (Life portfolios and commercial agreements) of €19.6m (€32.3m in 2005). Particular mention should be made of the fact that at the end of 2006, on the basis of the expected future financial benefits under the commercial agreement between Aurora Assicurazioni and the former Reti Bancarie (now Banca Popolare Italiana), a reduction in value of goodwill amounting to €4.1m was recorded in the income statement under Other costs, together with the depreciation for the year (€8m).

1.2 Other intangible assets

This item, totalling €31.9m (-€0.3m compared with 2005), was made up of expenses for renovating rental property amounting to €31.1m and costs incurred when purchasing software amounting to €0.8m.

2. Tangible assets

As at 31 December 2006 tangible assets, net of amortisation funds, amounted to €433.6m (+€62.3m compared with 2005), €375.9m of which was property used for corporate business (€317.3m in 2005) and €57.7m was other tangible assets (€54m in 2005). This increase is mainly attributable to Property as a result of transfers from Property investments.

The variations that occurred after 1 January 2006 are set out in the following tables:

Property used for corporate business
(Amounts in €m)

	Gross book value	*Provision for depreciation and impairment*	*Net book value*
Balance as at 31/12/2005	**338.3**	**21.0**	**317.3**
Increases	71.1		71.1
Decreases	-1.3		-1.3
Depreciation for the period		8.6	-8.6
Changes in the provision		2.6	-2.6
Balance as at 31/12/2006	**408.1**	**32.2**	**375.9**

Other tangible assets
(Amounts in €m)

	Office furniture and machinery	*Vehicles*	*Plant and fixtures and fittings*	*Total*
Balance as at 31/12/2005	**136.8**	**1.9**	**48.0**	**186.6**
Increases	17.5	0.3	5.3	23.2
Decreases	-4.8	-0.3	-1.9	-7.1
Balance as at 31/12/2006	**149.4**	**1.9**	**51.3**	**202.7**
Prov. for depr. as at 31/12/2005	**102.0**	**1.2**	**29.1**	**132.3**
Increases	12.0	0.3	6.4	18.7
Decreases	-3.8	-0.2	-1.9	-5.9
Prov. for depr. as at 31/12/2006	**110.2**	**1.2**	**33.6**	**145.0**
	.			
Net value as at 31/12/2005	**34.8**	**0.7**	**18.8**	**54.3**
Net value as at 31/12/2006	**39.2**	**0.7**	**17.7**	**57.7**

3. Technical provisions – Reinsurers' share

The balance on this item was €657.4m and was €20.8m down compared with 2005. Details are set out in the relevant appendix.

4. Investments

Total investments (property, shareholdings and financial investments) amounted to €35,936m as at 31 December 2006 (€35,064.5m as at 31/12/2005, +€871.5m).

4.1 Investments in property

As at 31 December 2006 investments in property amounted to €298.9m (-€53.4m compared with 2005).
The following changes occurred after 1 January 2006:

Investments in property (Amounts in €m)	Gross book value	Provision for depreciation and impairment	Net book value
Balance as at 31/12/2005	**371.5**	**19.2**	**352.3**
Increases	15.4		15.4
Decreases	-9.1	-2.7	-6.4
Transfers to other categories	-61.1		-61.1
Depreciation for the period		1.2	-1.2
Balance as at 31/12/2006	**316.7**	**17.8**	**298.9**

The transfer to other categories mainly relates to the property in Piazza Costituzione, Bologna (Unipol Banca's new registered office), which changed from property for the use of third parties to property used for corporate business.

The current value of investments in property of €343.2m was based on expert valuations commissioned from third parties.

4.2 Shareholdings in subsidiaries, associates and joint ventures

Holdings in subsidiaries, associates and joint ventures as at 31 December 2006 amounted to €38.6m (+€10.2m). The variation compared with the previous financial year was mainly due to the subscription of the entire share capital of €10m in the newly-founded companies Nuova Unipol Assicurazioni spa and Nuova Aurora Assicurazioni spa. Being inactive as at 31 December 2006 these companies were not consolidated.

Financial assets (items 4.3, 4.4, 4.5 and 4.6)

Financial assets amounted to €35,598.5m as at 31 December 2006 (+€914m compared with 2005). The details, subdivided according to category and type of investment, are recorded in the attached statement 'Details of financial assets'.

4.3 Investments held to maturity

This category mainly consisted of fixed-income bonds acquired to match Life special tariffs, which the Group could and intended to hold until maturity. As at 31 December 2006 they amounted to €1,037.8m (€949.4m as at 31/12/2005).

The fair value of these securities as at 31 December 2006 amounted to €1,022.6m.

Investments held to maturity accounted for 2.9% of Financial assets.

4.4 Loans and receivables

These amounted to €10.157m (-€769.1m compared with 2005) and were made up as follows:

Loans and receivables (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Loans and receivables from banking customers	6,639.6	65.4	5,486.0	50.2	21.0
Interbanking loans and receivables	1,506.8	14.8	2,026.9	18.6	-25.7
Deposits with ceding undertakings	21.2	0.2	26.7	0.2	-20.9
Other loans and receivables	1,989.5	19.6	3,386.5	31.0	-41.3
Total loans and receivables	**10,157.0**	100.0	**10,926.1**	100.0	**-7.0**

Other loans and receivables included mortgage loans and credit facilities granted to employees and other entities, loans on Life policies, receivables from agents for portfolio recoupments, reverse repurchase agreements and term deposits exceeding 15 days. Also included were €565.4m of debt securities not listed on active markets and to a large extent subscribed by companies in the Group.

Loans and receivables accounted for 28.5% of Financial assets.

4.5 Financial assets available for sale

Financial assets available for sale as at 31 December 2006 amounted to €15,837.8m (€9,723.2m as at 31/12/2005). The increase compared with 2005 (+62.9%) was the consequence of the change in the classification policy of securities adopted as from the end of 2005, as a result of which a corresponding decrease in Assets held for trading was recorded.

Amongst listed equities recorded at fair value, mention should be made of the sale of the shareholding in Banca Antonveneta to ABN AMRO NV for €288m and the sale by Unipol Assicurazioni and Aurora Assicurazioni of their 14.89% shareholding in BNL to BNP Paribas for a total of €1,322m.

Assets available for sale (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Equity securities valued at cost	27.9	0.2	26.1	0.3	6.8
Listed equity securities recorded at fair value	1,384.6	8.7	2,025.4	20.8	-31.6
Unlisted equity securities recorded at fair value	154.4	1.0	246.8	2.5	-37.4
Debt securities	14,060.7	88.8	7,421.4	76.3	89.5
Units in UCITS	210.1	1.3	3.5	0.0	
Total assets available for sale	**15,837.8**	100.0	**9,723.2**	100.0	**62.9**

Unlisted equities recorded at fair value included the Hopa shareholding of €93m (€175m in 2005), which recorded a loss arising out of valuation of €82m. (The price per share fell from €1.8 to €0.955, this value being in line with the estimated amount of the company's adjusted shareholders' equity as at 31/12/2006).

It should be mentioned that on 30 September 2006, as a result of the merger by incorporation of Reti Bancarie spa into Banca Popolare Italiana spa (BPI), the subsidiary Aurora Assicurazioni, which held 8.01% of this company, received 2.063% of BPI's share capital in exchange.
In view of the legislation and the by-laws applicable to the shareholding in BPI, which required divestment of the amount of share capital exceeding 0.5%, on 14 December 2006 a total return equity swap agreement was entered into with Mediobanca spa on the 14,080,000 shares held by Aurora Assicurazioni. At the same time Unipol Assicurazioni reduced its shareholding in BPI from 1.4% to 0.5%. This sale of 0.9% resulted in a capital gain of €14m.
On 15 January 2007, in view of the security's excellent performance on the stock exchange, the total return equity swap agreement was terminated and therefore the shareholding was eliminated from the books. This operation brought the total capital gain for 2007 to €19m.

Financial assets available for sale accounted for 44.4% of Financial assets.

4.6 Financial assets recorded at fair value through profit or loss

These amounted to €8,565.9m as at 31 December 2006 (€13,085.1m in 2005). €3,897.8m of them were assets held for trading (€8,887.8m in 2005) and €4,668.1m were assets designated by the Group to be recorded at fair value (€4,197.3m in 2005). This second category included financial assets matching insurance or investment contracts issued by the Group where the investment risk was borne by the policyholders and those arising from pension-fund management.

Financial assets recorded at fair value through profit or loss
(Amounts in €m)

	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Financial assets held for trading					
Listed equity securities recorded at fair value	175.8	4.5	381.5	4.3	-53.9
Debt securities	3,510.7	90.1	8,342.4	93.9	-57.9
Units in UCITS	92.6	2.4	81.6	0.9	13.5
Derivatives	118.7	3.0	76.0	0.9	56.2
Other financial assets	0.0	0.0	6.3	0.1	-100.0
Total	**3,897.8**	100.0	**8,887.8**	100.0	**-56.1**
Financial assets designated at fair value through profit or loss					
Listed equity securities recorded at fair value	25.1	0.5	13.0	0.3	92.2
Debt securities	3,380.0	72.4	2,514.4	59.9	34.4
Units in UCITS	1,121.2	24.0	1,620.3	38.6	-30.8
Derivatives	90.7	1.9	14.3	0.3	
Other financial assets	51.1	1.1	35.2	0.8	45.0
Assets available for sale	**4,668.1**	100.0	**4,197.3**	100.0	**11.2**
Total financial assets at fair value	**8,565.9**		**13,085.1**		**-34.5**

The decrease in Financial assets held for trading (-56.1%) was a consequence of the change in the classification policy of securities adopted as from the end of 2005, as a result of which a corresponding increase in Assets available for sale was recorded.

Financial assets recorded at fair value through profit or loss accounted for 24% of Financial investments.

5. Sundry receivables

Total receivables, which amounted to €1,176.9m, were down by €34m compared with 2005, as follows:

Sundry receivables (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Receivables arising out of direct insurance operations	808.9	68.7	785.9	68.8	2.9
Receivables arising out of reinsurance operations	104.8	8.9	112.0	9.8	-6.5
Other receivables	263.2	22.4	244.9	21.4	7.5
Total sundry receivables	**1,176.9**	100.0	**1,142.9**	100.0	**3.0**

Other receivables consisted of €87.4m in residual receivables from the Inland Revenue for the amounts paid for substitute tax on the mathematical provisions provided for by Legislative Decree 209 of 25 September 2002 (€100.8m in 2005), €99.5m in other receivables from the Inland Revenue (€62.3m in 2005) and miscellaneous receivables of €76.3m (€81.8m in 2005).

6. Other assets

This item is broken down as follows:

Other assets (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Deferred acquisition costs	70.2	10.1	68.8	12.9	2.2
Deferred tax assets	366.2	52.6	176.3	33.0	107.7
Current tax assets	45.3	6.5	48.3	9.0	-6.2
Other assets	214.6	30.8	241.3	45.1	-11.1
Total other assets	**696.4**	100.0	**534.7**	100.0	**30.2**

€43.2m of deferred acquisition costs related to Non-Life business (€40m in 2005) and €27m to Life business (€28.8m in 2005).

Details of deferred tax assets are given in the section relating to corporation tax. €76.7m relating to the tax benefit obtained as a result of the incorporation in 2004 of Meieaurora into Winterthur (now Aurora Assicurazioni) was reclassified under this item.

Other assets include €28.6m of deferred fees payable, prepayments and accrued income of €10.5m and miscellaneous receivables relating to banking business of €87.7m.

7. Cash and cash equivalents

At the end of the year these amounted to €1,413.6m (+€552.8m compared with 31/12/2005). The increase compared with the previous year was due, inter alia, to greater recourse being made to hot-money operations.

LIABILITIES

1. Shareholders' equity

1.1 Shareholders' equity pertaining to the Group

Shareholders' equity, excluding the amounts pertaining to minority interests, was divided up as follows:

Shareholders' equity pertaining to the Group (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Share capital	2,360.1	44.1	2,360.1	42.5	0.0
Equity reserves	2,296.8	42.9	2,391.3	43.1	-3.9
Accumulated earnings and other reserves	456.8	8.5	432.5	7.8	5.6
Profits/losses on financial assets available for sale	-70.3	-1.3	80.5	1.5	-187.3
Other profits and losses recorded in the equity direct	32.9	0.6	32.9	0.6	0.0
Net profit (loss) for the financial year	281.3	5.3	254.5	4.6	10.5
Total shareholders' equity pertaining to the Group	**5,357.7**	100.0	**5,551.7**	100.0	**-3.5**

As at 31 December 2006 the share capital of the Parent Company Unipol Assicurazioni, which was fully paid up, amounted to €2,360.1m and was made up of 1,460,524,546 ordinary shares and 899,619,864 preference shares with no nominal value.

The movements recorded during the year compared with the previous year are set out in the appended Statement of changes in the shareholders' equity.

The principal changes related to:

- the distribution of a total of €193.5m of the profits for 2005 of the Parent Company Unipol Assicurazioni;
- a decrease of €94.4m in the share premium reserve in order to distribute a further dividend, as resolved by the Ordinary Shareholders' Meeting held on 3 May 2006;
- a decrease of €150.8m in the reserve for Profits and losses on financial assets available for sale.

The item 'Accumulated earnings and other reserves' included the differences arising out of offsetting the book value of the shareholdings against the corresponding fraction of the shareholders' equity of the consolidated companies, after allocations were made to the asset items of these undertakings and to goodwill. This item also included the consolidation adjustments made in accordance with the Parent Company's accounting standards and as a result of the elimination of dividends within the Group.

Own shares or units

The Parent Company Unipol Assicurazioni did not carry out any operations on its own shares during the year and as at 31 December 2006 there were no shares in the portfolio (i.e. as was the case as at 31/12/2005).

2. Provisions

Amounts set aside came to €45m as at 31 December 2006, an increase of €7.1m compared with 2005, and related to amounts allocated to the provision for future charges.

It should be mentioned that there was no news during the year in question about the action for revocation launched by the Extraordinary Commissioner of Parmalat against Unipol Banca and against all the credit institutions that had ever had any dealings with this foodstuffs group, but an amount of €1m was set aside purely as a precaution.

3. Technical provisions

These totalled €24,042.4m, an increase of €1,793m compared with 2005. Their composition and the relative variations are shown in the following table:

Technical provisions
(Amounts in €m)

	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Provision for Non-Life unearned premiums	1,496.6	20.2	1,429.0	20.0	4.7
Provision for Non-Life outstanding claims	5,888.0	79.6	5,710.2	79.9	3.1
Other Non-Life technical provisions	8.2	0.1	7.6	0.1	7.6
Total Non-Life provisions	**7,392.8**	**100.0**	**7,146.8**	**100.0**	**3.4**
Life mathematical provisions	14,770.4	88.7	14,437.4	95.6	2.3
Provision for Life sums to be paid	99.9	0.6	92.5	0.6	8.0
Technical provisions where the investment risk is borne by policyholders and arising out of pension fund management	1,777.5	10.7	560.0	3.7	217.4
Other Life technical provisions	1.9	0.0	12.8	0.1	-85.3
Total Life provisions	**16,649.6**	**100.0**	**15,102.6**	**100.0**	**10.2**
Total technical provisions	**24,042.4**		**22,249.4**		**8.1**

The increase in Technical provisions where the investment risk is borne by the policyholders and arising out of pension fund management is attributable not only to normal business growth but also to the greater presence of significant insurance risks in the products in Class III (Unit- and index-linked) sold during 2006 compared with 2005.

4. Financial liabilities

Details of financial liabilities are set out in the relative appendix.

4.1 Financial liabilities recorded at fair value through profit or loss

This item is subdivided into financial liabilities held for trading amounting to €169m (€90.6m in 2005) and financial liabilities to be recorded at fair value through profit or loss amounting to €2,952.2m (€3,632.4m in 2005). The latter category includes investment contracts issued by insurance companies where the investment risk is borne by the policyholders and where the insurance risk borne by the Group does not exceed 10% (mainly unit- and index-linked types of policy). The decrease is due to the greater presence of significant insurance risks in the Class III products (unit- and index-linked) sold during

2006 compared with 2005.

4.2 Other financial liabilities

Details are set out in the table below:

Other financial liabilities (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Financial liabilities held for trading					
Subordinate liabilities	787.6	10.9	648.1	9.7	21.5
Liabilities arising from financial contracts issued by insurance companies	399.3	5.5	614.5	9.2	-35.0
Deposits received from reinsurers	194.5	2.7	203.2	3.0	-4.3
Debt securities issued	459.9	6.3	531.9	7.9	-13.5
Payables to banking customers	5,364.2	73.9	4,552.3	67.8	17.8
Interbanking payables	52.4	0.7	163.3	2.4	-67.9
Total other financial liabilities	**7,257.9**	**100.0**	**6,713.4**	**100.0**	**8.1**

Subordinate liabilities amounted to €787.6m (+€139.5m compared with 2005, most of the increase being subordinated debenture loans of the subsidiary Unipol Banca which in 2005 were classified as debt securities issued) and related to credit facilities issued by the following companies (nominal value in €m):

- Unipol Assicurazioni 600
- Unipol Banca 135
- BNL Vita 50
- Quadrifoglio Vita 24

The amount of €787.6m included 50% of the credit facilities issued by Quadrifoglio and BNL Vita, since these companies were consolidated using the proportional method, the accrued interest and the issue expenses.
Both the subordinated debenture loans issued by the Parent Company have a nominal value of €300m and a twenty-year maturity and are listed on the Luxembourg Stock Exchange.
The level of subordination is comparable to Tier II (supplementary capital, made up of second-rank capital items).
The first loan, issued in May 2001, has a fixed rate of interest of 7% until the exercise date of the early repayment clause (as from the tenth year) and a variable rate thereafter.
The second, which was fully subscribed by institutional investors on 28 July 2003, has an annual fixed rate of 5.66% for the first 10 years and a variable rate thereafter.
The subordinated debenture loans of the other companies in the Group amounted to €209m, €57m of which was issued in 2002, €59m in 2003, €18m in 2004 and €75m in 2005. They are unlisted and have a five-year maturity.
The level of subordination is comparable to Tier II.

Liabilities arising from financial contracts issued by insurance companies fell from €614.5m to €399.3m as at 31 December 2006. These were investment contracts issued by insurance companies where the insurance risk borne by the Group does not exceed 10% (policies matched by specific assets).

Deposits received from reinsurers fell from €203.2m to €194.5m as at 31 December 2006, a decrease of €8.7m.

Debt securities issued amounted to €459.9m (€531.9m as at 31/12/2005) and consisted exclusively of securities issued by the subsidiary Unipol Banca.

Payables to banking customers amounted to €5,364.2m (€4,552.3m as at 31/12/2005) and were amounts payable by the Unipol Banca Group.

Amounts due to other banks totalled €52.4m (€163.3m as at 31/12/2005). This item related to amounts payable by the Unipol Banca Group.

5. Payables

This item amounted to €520.2m (€410.9m in 2005).

5.1 Payables arising out of direct insurance operations

These amounted to €46.5m (-€21.8m compared with 2005) and related mainly to payables to agents and other intermediaries of €28.9m, amounts due on current account to Companies of €8.5m, and other amounts due for direct insurance operations of €9.1m.

5.2 Payables arising out of reinsurance operations

This balance amounted to €18.6m, a decrease of €39.1m compared with 2005, and consisted almost exclusively of the reinsurance operations carried out by Unipol, Aurora, Navale and BNL Vita.

5.3 Other payables

These rose by €170.2m over the previous year to a total of €455.1m and were made up of:

Other payables
(Amounts in €m)

	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Amounts due for taxation borne by policyholders	77.9	17.1	74.5	26.1	4.5
Amounts due for sundry tax charges	51.7	11.4	23.8	8.4	116.8
Amounts due to suppliers	51.2	11.3	44.7	15.7	14.5
Staff-leaving indemnity	77.5	17.0	90.6	31.8	-14.4
Amounts due to welfare bodies	9.9	2.2	13.1	4.6	-25.0
Sundry payables	187.0	41.1	38.2	13.4	
Total other payables	**455.1**	**100.0**	**285.0**	**100.0**	**59.7**

Sundry payables included €146.3m relating to the countervalue received for the total return equity swap operation on BPI shares.

6. Other liabilities

These fell by €128.5m compared with 2005 and were made up of:

Other liabilities (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Current tax liabilities	52.9	6.7	74.5	8.1	-29.0
Deferred tax liabilities	210.3	26.6	223.5	24.3	-5.9
Commissions on premium income currently being collected	60.1	7.6	102.1	11.1	-41.1
Deferred fees receivable	62.9	8.0	55.1	6.0	14.1
Accrued liabilities	8.9	1.1	9.6	1.0	-7.7
Other liabilities	394.7	50.0	453.5	49.4	-13.0
Total other liabilities	**789.8**	**100.0**	**918.3**	**100.0**	**-14.0**

Current tax liabilities related to payables to Finsoe spa, the consolidating company for tax purposes, or to the Inland Revenue (in the case of Linear, BNL Vita and the Unipol Banca Group which had not joined the scheme).

Details of deferred tax liabilities are contained in the paragraph relating to corporation tax.

Other liabilities included €203.7m for miscellaneous payables relating to banking business.

4. NOTES ON THE INCOME STATEMENT

Comments and further information on the items in the income statement and the variations that took place compared with the previous year are given below. (The numbering of the notes relates to the numbering used in the income statement.)

INCOME

1.1 Net premium income

Net premium income reached €8,380.6m in 2006, an increase compared with the previous year of 6.1%.

Gross earned premiums amounted to €8,717m (+5.9% on 2005).

Net premium income *(Amounts in €m)*	31/12/2006	31/12/2005	*Var. %*
Non-Life earned premiums	**4,018.2**	**3,992.4**	**0.6**
Non-Life written premiums	*4,086.0*	*3,974.3*	*2.8*
Change in the Non-Life provision for unearned premiums	*-67.8*	*18.1*	*-475.5*
Life written premiums	**4,698.8**	**4,241.1**	***10.8***
Gross earned premiums	**8,717.0**	**8,233.5**	***5.9***
Non-Life earned premiums ceded	**-312.0**	**-310.5**	**0.5**
Non-Life premiums ceded	*-317.4*	*-312.8*	*1.5*
Change in the Non-Life provision for unearned premiums - Reinsurers' share	*5.4*	*2.3*	*131.3*
Life premiums ceded	**-24.4**	**-23.8**	***2.6***
Earned premiums ceded	**-336.4**	**-334.2**	***0.7***
Total net premium income	**8,380.6**	**7,899.2**	**6.1**

1.2 Commissions and fees receivable

At the end of the year fees receivable amounted to €112m (€120.9m in 2005) and were represented by:

- commissions relating to banking business carried out by the banking companies in the Group amounting to €88.4m (€82.4m in 2005);
- commissions relating to investment contracts issued by Group insurance companies (loadings) amounting to €21.3m (€33m in 2005);
- other commissions amounting to €2.3m (€5.5m in 2005).

1.3 Income and charges arising out of financial instruments recorded at fair value through profit or loss

These amounted to €272m (€481.5m in 2005) and were made up as follows:

Net income from financial instruments recorded at fair value through profit or loss *(Amounts in €m)*			
	31/12/2006	**31/12/2005**	***Var. %***
Net interest income	319.9	413.3	*-22.6*
Profits realised	225.1	356.6	*-36.9*
Losses realised	-110.2	-124.0	*-11.1*
Unrealised profits	150.7	178.8	*-15.7*
Unrealised losses	-359.6	-350.2	*2.7*
Other income	74.2	39.8	*86.5*
Other charges	-28.2	-32.7	*-13.8*
Total	**272.0**	**481.5**	*-43.5*

The fall in net income from financial instruments recorded at fair value through profit or loss was due not only to the way the market had performed but also to the change in the way securities were classified, which during 2006 meant that they were classified as assets available for sale.

1.4 Income from shareholdings in subsidiaries, associates and joint ventures

This item amounted to €1.9m (€45.5m in 2005) and arose almost exclusively out of the companies consolidated using the equity method whereas during 2005 it had been affected by the capital gains realised from the sale of the shareholding in Finec Holding (€12.9m) and of a 19.98% shareholding in Aurora (€29.7m).

1.5 Income arising out of other financial instruments and investments in property

This item amounted to €1,268m (€751.5m in 2005) and was made up of:

Income from other financial instruments and investments in property (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Interest:	**901.3**	*71.1*	**473.6**	*63.0*	**90.3**
from investments held to maturity	49.3		33.1		*49.0*
from loans and receivables	412.7		248.5		*66.1*
from financial assets available for sale	410.4		176.5		*132.5*
from sundry receivables	0.9		2.3		*-63.7*
from cash and cash equivalents	27.9		13.1		*112.6*
Other income:	**57.0**	*4.5*	**36.2**	*4.8*	**57.6**
from investments in property	13.1		13.3		*-1.8*
from loans and receivables	10.9		3.6		*203.3*
from financial assets available for sale	33.0		19.1		*73.2*
from cash and cash equivalents	0.0		0.2		*0.0*
Profits realised:	**308.9**	*24.4*	**240.0**	*31.9*	**28.7**
from investments in property	1.1		109.1		*-99.0*
from investments held to maturity	0.0		1.5		*0.0*
from loans and receivables	0.8		8.2		*-89.9*
from financial assets available for sale	306.9		121.2		*153.3*
Unrealised profits and value readjustments:	**0.9**	*0.1*	**1.7**	*0.2*	**-51.0**
from financial assets available for sale	0.2		1.7		
other	0.6		0.0		
Total	**1,268.02**	*100.0*	**751.5**	*100.0*	*68.7*

Of gains realised from financial assets available for sale particular mention should be made of €22m arising out of the merger of Reti Bancarie with Banca Popolare Italiana, €59m from the sale of the Antonveneta shares to ABN AMRO NV, €80m from the sale of the BNL ordinary shares by Unipol Assicurazioni and Aurora Assicurazioni to BNP Paribas, and €14m from the sale of 0.9% of Banca Popolare Italiana.

1.6 Other receipts

This item amounted to €96.1m (€94.2m in 2005) and was made up of €27.2m of other technical income, €10m of sums released from provisions, €4.7m of exchange rate differences receivable, €18.6m of contingent profits (€15.4m of which related to Navale Assicurazioni and was recorded as a result of agreements to acquire the Non-Life companies in the MMI Italia Group) and other receipts amounting to €35.6m.

CHARGES

2.1 Net charges relating to claims

This item totalled €7,826.9m (€7,206.9m in 2005) and was made up as follows:

Net charges relating to claims *(Amounts in €m)*	31/12/2006	31/12/2005	*var. %*
Amounts paid and changes in technical provisions:	**8,073.3**	**7,424.3**	**8.7**
Non-Life business - sums paid	2,806.8	2,708.0	*3.6*
Non-Life business - change in provision for outstanding claims	172.6	418.5	*-58.8*
Non-Life business - change in sums recovered	-60.4	-306.9	*-80.3*
Non-Life business - change in other technical provisions	2.5	0.3	
Life business - sums paid	3,503.9	1,491.6	*134.9*
Life business - change in sums to be paid	11.1	2.1	*431.3*
Life business - change in mathematical provisions	650.3	2,814.8	*-76.9*
Life business - change in other technical provisions	52.0	-50.3	*-203.4*
Change in provisions where the investment risk is borne by policyholders and arising out of pension fund management	934.4	346.2	*169.9*
Reinsurers' share:	**-246.4**	**-217.4**	**13.3**
Non-Life business - sums paid	-213.0	-219.5	*-3.0*
Non-Life business - change in provision for outstanding claims	7.0	-12.2	*-157.3*
Non-Life business - change in sums recovered	-6.7	33.8	*-119.8*
Non-Life business - change in other technical provisions	-0.1	-1.5	*-95.7*
Life business - sums paid	-15.3	-14.5	*5.5*
Life business - change in sums to be paid	-1.6	1.0	*-264.0*
Life business - change in mathematical provisions	-16.8	-4.4	*280.6*
Total	**7,826.9**	**7,206.9**	**8.6**

2.2 Commissions and fees payable

This item amounted to €35.7m (€42.9m in 2005) and consisted of:

- fees payable relating to the business activities of the banking companies in the Group amounting to €14.5m (€16.9m in 2005);
- acquisition costs linked to investment contracts issued by the insurance companies in the Group amounting to €21.2m (€26m in 2005).

2.3 Charges arising out of shareholdings in subsidiaries, associates and joint ventures

This item amounted to €0.2m.

2.4 Charges arising out of other financial instruments and investments in property

This item amounted to €378.6m (€321.3m in 2005) and was made up of:

Charges arising out of other financial instruments and investments in property (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Interest:	**186.9**	*49.4*	**131.0**	*40.8*	*42.7*
from other financial liabilities	186.4		128.2		
from amounts due	0.6		2.7		
Other charges:	**12.7**	*3.4*	**17.8**	*5.5*	*-28.2*
from investments in property	6.0		4.2		
from loans and receivables	2.3		4.9		
from financial assets available for sale	3.6		8.4		
from other financial liabilities	0.9		0.3		
Losses realised:	**70.3**	*18.6*	**41.9**	*13.0*	*67.9*
from investments in property	1.9		0.5		
from financial assets available for sale	68.4		41.4		
Unrealised losses and falls in value:	**108.6**	*28.7*	**130.7**	*40.7*	*-16.9*
from investments in property	1.2		1.3		
from loans and receivables	23.1		30.4		
from financial assets available for sale	84.3		99.0		
Total	**378.6**	*100.0*	**321.3**	*100.0*	*17.8*

Unrealised losses and falls in value of financial assets available for sale mainly consisted of €82.2m of write-down of the shareholding in Hopa (€79m in 2005).

2.5 Operating expenses

This item totalled €1,155.8m (€1,118.4m in 2005).

Operating expenses in the insurance sector amounted to €981.1m and were made up of:

Operating expenses (Amounts in €m)	NON-LIFE 2006	NON-LIFE 2005	Var. %	LIFE 2006	LIFE 2005	Var. %	TOTAL 2006	TOTAL 2005	Var. %
Acquisition commissions	485.0	497.8	*-2.6*	53.4	33.9	*57.5*	538.4	531.7	*1.3*
Other acquisition expenses	160.2	129.4	*23.8*	41.5	29.8	*39.4*	201.7	159.2	*26.7*
Change in deferred acquisition expenses	-3.2	0.6		2.0	3.0		-1.2	3.7	
Renewal commissions	98.9	114.2	*-13.4*	13.4	14.3	*-6.5*	112.3	128.5	*-12.6*
Commissions and profit sharing from reinsurers	-88.2	-78.2	*12.8*	-4.5	(5.6)	*-19.6*	-92.8	-83.8	*10.7*
Investment management expenses	15.4	16.0	*-3.4*	10.3	8.7	*18.0*	25.7	24.7	*4.2*
Other administrative expenses	159.0	165.2	*-3.8*	37.9	36.3	*4.4*	196.9	201.6	*-2.3*
Total	**827.0**	**845.1**	*-2.1*	**154.0**	**120.5**	*27.9*	**981.1**	**965.6**	*1.6*

Operating expenses relating to banking business amounted to €180.9m (€166.1m in 2005).

2.6 Other costs

This item amounted to €142.5m (€221.6m in 2005) and was made up of:

Other costs (Amounts in €m)	31/12/2006	Comp. %	31/12/2005	Comp. %	Var. %
Other technical charges	28.9	20.3	38.2	17.2	-24.4
Losses on receivables	5.5	3.9	4.5	2.0	21.5
Other costs	108.1	75.9	178.9	80.7	-39.6
Total	**142.5**	100.0	**221.6**	100.0	-35.7

Other technical charges, net of reinsurance cessions, amounted to €12.1m in the case of Non-Life business (-€12.1m compared with 2005) and €16.8m in the case of Life business (+€2.8m compared with 2005).
Other costs included €29.1m of residual charges pertaining to 2006 relating to the bid for BNL.

3. Corporation tax

The following table shows the transactions that took place at Group level relating to the amounts withdrawn and set aside for deferred tax assets and liabilities in accordance with the provisions of IAS 12.

Breakdown of 'corporation tax' (Amounts in €m)	31/12/2006			31/12/2005		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxation	**168.6**	**33.6**	**202.2**	**136.2**	**35.6**	**171.8**
Deferred tax assets and liabilities:						
Outflows from deferred tax assets	45.2	5.1	50.3	31.5	3.1	34.6
Outflows from deferred tax liabilities	-21.9	-2.0	-23.9	-19.6	-1.6	-21.2
Inflows to deferred tax assets	-69.1	-5.3	-74.4	-68.6	-7.4	-76.0
Inflows to deferred tax liabilities	68.0	7.3	75.2	77.7	12.2	89.9
Total	**190.8**	**38.6**	**229.4**	**157.2**	**41.9**	**199.1**

The consolidated tax rate fell from 41.3% in 2005 to 38.8% in 2006, mainly because of the increase in income subject to legislation on participation exemption.

Table of major differences for the purposes of deferred taxes *(Amounts in €m)*		
	31/12/2006	**31/12/2005**
	Tax effect	**Tax effect**
ASSETS		
Intangible assets	79.8	34.0
Tangible assets	4.0	0.6
Financial instruments	187.1	79.1
Sundry receivables	1.0	13.9
Amounts set aside	4.5	0.7
Technical provisions	28.8	24.7
Other deferred tax assets	61.1	23.3
Total deferred tax assets	**366.2**	**176.3**
LIABILITIES		
Intangible assets	18.2	65.4
Tangible assets	15.1	32.3
Financial instruments	51.9	44.6
Technical provisions	77.0	40.1
Payables	3.5	1.1
Other deferred tax liabilities	44.6	40.1
Total deferred tax liabilities	**210.3**	**223.5**

5. OTHER INFORMATION

5.1 Impairment test

IAS 36.10 provides that the impairment of assets must be carried out at least once a year on intangible assets that have an indefinite useful life, including the goodwill acquired when companies merge, and the impairment test must be carried out to ensure that the value at which they are booked does not exceed the value that can be recouped.

Unipol carried out this test on the goodwill relating to the acquisitions carried out in insurance and banking subsidiaries recorded in the accounts.

As there had been no changes since the previous financial year, the Cash Generating Units (CGU, units that generate cash flows), to which the goodwill was allocated, were not changed:

- **Non-Life CGU** consisting of Aurora (Non-Life business), Navale, Unisalute and Linear;
- **Life CGU** consisting of Aurora (Life business), BNL Vita and Quadrifoglio;
- **Banking CGU** which consisted of Unipol Banca.

In the case of **Non-Life CGU** the valuation method used was a DDM type of method (Dividend Discount Model) under which the capital surplus/deficit is valued in comparison with the minimum requirements laid down by the Supervisory Authorities. The DDM method establishes the value of the economic capital as the current value of the dividends that could be distributed to shareholders. The potential dividends may not necessarily coincide with the dividends that will actually be paid out but with the liquid assets remaining after the company has met the requirements relating to policies governing investment and maintaining the level of the shareholders' equity for supervisory purposes. The amount of adjusted shareholders' equity that exceeds the estimate of the minimum solvency coefficient therefore assumes the nature of 'surplus capital' that in theory is available.

The assumptions used in drawing up the model are set out below:

Net profits	deemed to be the planned net profits
Payout	deemed to be the planned payout
Projection period	Five expected dividend flows were discounted back
Rate of discounting back	A rate of discounting back of 8% was used and can be broken down as follows: • risk-free rate 4.10% • beta coefficient 0.78 • risk premium 5% The average figure for the 10-year BTP (Long-Term Treasury Bond) for the period June – December 2006 was used for the risk-free rate. As regards the beta coefficient: - the 5-year Beta Bloomberg for listed companies (excluding Life-only companies) was used for the beta coefficient.

	The risk premium was deemed to be 5%, in accordance with common practice among financial analysts and the profession in general.
G factor	IAS 36.37 specifies that «entities will have difficulty in exceeding the average historical growth rate over the long term (say, twenty years) for the products, industries, country or countries in which the entity operates, or for the market in which the asset is used». For example it is considered that during the period 2007-2011: - In the insurance sector the annual average growth rate in premium income is expected to be: • Non-Life business 3.6% • Life business 8.8% • overall 7.1%. - The average variation in GDP is expected to be 3.8% in nominal terms and 1.4% in real terms. - The consumer price index is expected to be around 1.9%. In view of this it was deemed appropriate to use a G factor of 2%, in line with the 'professional practices' carried out in the case of recent valuations using the DDM method for finance companies (Banks and Insurance).
Sustainable dividend	deemed to be an average dividend for the period
Any capital surplus/deficit	deemed to be that indicated in the Companies' plan.

In the case of **Life CGU** the value of the goodwill that can be recouped was deemed to be the value of the existing in-force business portfolio, plus the value of new business, this method being in keeping with the method used in valuing Life business. As at 31 December 2005 the value of the goodwill attributed to Life CGU had also been quantified using the DDM method.

Value of the goodwill that can be recouped	The results of the value of the in-force and new business were those that arose out of the application of the internal actuarial procedure (known as MOSES) and were certified by an independent valuer. This hypothesis provided for a yield from the segregated accounts of 4.25% and a rate of discounting back of 6.50%. The following assumptions were made for new business: • 5 years of reoccurrence in the case of Aurora Vita; • 5 years of reoccurrence in the case of BNL Vita; • 1 year of reoccurrence for Quadrifoglio Vita.

As in the case of Non-Life CGU, the method of valuation used for the **Banking CGU** was a DDM type of method which calculates the capital surplus/deficit compared with the minimum requirements laid down by the Supervisory Authorities.

The assumptions used in drawing up the model are set out below:

Net profits	deemed to be the planned net profits
Payout	deemed to be the planned payout
Projection period	Five expected dividend flows were discounted back.

Rate of discounting back	A rate of discounting back of 8% was used, broken down as follows: • risk-free rate 4.10% • beta coefficient 0.78 • risk premium 5% The average figure for the 10-year BTP (Long-Term Treasury Bond) for the period June – December 2006 was used for the risk-free rate. As regards the beta coefficient: - the 5-year Beta Bloomberg was applied to a sample deemed significant that included the mid-size listed Banks with capitalisation of less than €5bn, excluding the specialist banks. In view of the limited number of shares on the market that was a feature of several of these banks and of the consequent reduced significance of the Beta Bloomberg, the beta coefficient recalculated by Prometeia was also used for these. The risk premium was deemed to be 5%, in accordance with common practice among financial analysts and the profession in general.
G factor	Considering, for example, that during the period 2007-2011: - in banking business the annual average growth rate: • of lending to customers is expected to be 6.6% • of customer deposits is expected to be 3.9% • of net interest income (for 2007-2008) is expected to be 8.4% • of gross operating income (for 2007-2008) is expected to be 6.5%, - the average variation in GDP is expected to be 3.8% in nominal terms and 1.4% in real terms, - the consumer price index is expected to be around 1.9%. In view of this it was deemed appropriate to use a G factor of 2%, in line with the 'professional practices' carried out in the case of recent valuations using the DDM method for finance companies (Banks and Insurance).
Sustainable dividend	deemed to be the dividend for the final year of the plan
Any capital surplus/deficit	The capital surplus was obtained by comparing the Bank's consolidated Tier 1 (obtained from the ratio between the basic equity and the weighted risk assets), with a minimum Tier 1 deemed to be 6%.

The valuations carried out revealed that the value of the goodwill that can be recouped recorded in the accounts as a result of past business acquisitions continued to exceed its book value as at 31 December 2006.

In addition the goodwill recorded in the accounts of Unipol Banca following three business mergers, the object of which was to acquire banking outlets, represented the payment made by the Bank in advance for future financial benefits arising out of the mergers in question.

The impairment test on the goodwill recorded in the accounts as at 31 December 2006 was carried out by ascertaining the value in use of the goodwill and comparing it with the

relative book value. Goodwill was allocated to Unipol Banca's entire banking activity as a cash-generating unit.
The value in use was estimated by discounting back the income flows established on the basis of several factors:

- the latest budget and multiyear plan;
- long-term growth in the entire banking sector;
- a rate of discounting back corresponding to the average of the discount rates used by financial analysts to value assets in the banking sector.

This analysis revealed that there were no permanent losses of value (impairment losses) of the goodwill recorded in the accounts of Unipol Banca as at 31 December 2006 and there was no indication of any changes that could affect the results of the analysis and lead to the value that can be recouped being less than the book value. A similar valuation was carried out on the goodwill of the principal subsidiary, Unipol Merchant SpA.

5.2 Exposure to financial risks

Insurance Sector

Exposure to financial risks

The financial risk was managed by periodically monitoring the principal indicators of exposure to the interest rate risk, the market price risk, the credit risk and the liquidity risk. The duration of the portfolio, which is an indicator of the company's exposure to the interest rate risk, was 4.79 years as at 31 December 2006 (2.91 years as at 31/12/2005).

As far as the market price risk is concerned the indicator of sensitivity to the share market in the Eurozone (beta coefficient) was 0.83, significantly below 1 and therefore indicative of a share exposure with a limited overall risk.

It was also possible to quantify the credit risk and use it as a significant indicator: the bond component was almost entirely (97%) concentrated in the 'investment grade' segment (Baa or higher according to Moody's and BBB or higher according to Standard & Poor).
In particular, approximately 11% of the debt securities were rated triple A, approximately 62% double A and approximately 24% single A.

The liquidity risk was limited by the portfolio consisting almost entirely of listed securities. Approximately 75% of these were represented by securities listed on regulated markets.

Sensitivity analysis

In order to assess the exposure of the Group's profits and losses and assets and liabilities to the variation in interest rates a sensitivity analysis was carried out by establishing the effects on the accounts of the following two scenarios:

- 1% increase in interest rates (+100 cents)
- 1% fall in interest rates (-100 cents).

The simulation took account only of the effect on the market price of the securities in the portfolio and therefore the impact on the income statement in the case of securities classified as assets recorded at fair value and on the balance sheet in the case of securities classified as assets available for sale.
The first scenario (an increase in interest rates) would have led to a fall in profits in the region of €224m whereas the equity reserves would have fallen by approximately €500m.
The second scenario (a fall in interest rates) would have led to a rise in the profits in the region of €225m whereas the equity reserves would have risen by approximately €973m.

These variations were considered gross of the fiscal effects and no account was taken of any shadow accounting effect on the securities allocated to the Life segregated accounts.

Derivatives

In accordance with the provisions issued by the ISVAP in its Ruling 297 of 19 July 1996 and in line with the guidelines laid down by the Boards of Directors of the companies in the Group, during 2006 derivatives were used only for the purpose of hedging the market price risk or the currency risk or in order to optimise management, excluding purposes that were purely speculative.

These purposes were achieved using the specific derivatives provided for in the above-mentioned resolutions of the Boards of Directors and related to securities that were in the portfolio at the time the relative contract was concluded and throughout its entire duration. In addition each operation was carried out with banking or comparable counterparties of proven reliability.

Risk Management

The aim of risk management was to identify, quantify and manage the principal financial risks to which the Group was exposed. Therefore methods and instruments were used to monitor and assess the risk.
These instruments enabled the risks underwritten by the Group to be managed quantitatively thus helping to bring about a reduction in profit volatility and enabling financial resources to be allocated in the best possible way.

Interest rate risk

The portfolios' exposure to the interest rate risk was monitored by using the following instruments:

- duration and convexity: indicators based both on the traditional assumption of the yield curve being flat (duration and convexity via yield to maturity) and on the yield curve observed on the market;
- sensitivity analysis: a valuation of the repercussions on profits and losses and assets and liabilities of variations in the interest rate curve. The analysis was carried out using both a deterministic (specific rate curve scenarios and stress testing) and stochastic approach based on dynamic models of the structure according to maturity (VaR calculated using the Monte Carlo method).

Market price risk

The portfolios' exposure to the market price risk was monitored by using the following instruments:

- *beta coefficient*: an indicator of the portfolio's sensitivity to the share market in the Eurozone;
- sensitivity analysis: a valuation of the repercussions on profits and losses and assets and liabilities of variations in the benchmark market (Eurozone). The analysis was carried out using an approach that was both deterministic and stochastic.

Currency risk

The portfolios were not exposed to the currency risk since the few securities denominated in currencies other than the Euro were covered by this risk (forward sale).

Credit risk

The portfolios' exposure to the credit risk was monitored using the following instruments:

- breakdown of the portfolio according to rating (Moody's and Standard & Poor);
- sensitivity analysis: the effect on the returns (credit spread) of changes in the grading of the securities and the consequent impact on the portfolio value were estimated by means of a transition matrix provided by the internal Analysis Office

(with the probability being estimated heuristically) using the Monte Carlo method. The result of the analysis was a calculation of the 'value at credit risk' based on the probability distribution of the possible values of the portfolio.

Liquidity risk
The portfolios' exposure to the liquidity risk was monitored using the following instruments:

- breakdown of the portfolio according to the level of liquidity of the securities – liquid, little traded or unlisted;
- bid–ask spread: The daily bid–ask spread of each security in the portfolio and its volatility were calculated. The weighted average of the volatility and the range (max-min) provided two indicators of the liquidity risk.

Banking Business

Credit risk
In general the Banking Group's (therefore Unipol Banca's and Unipol Merchant's) exposures to the credit risk mainly related to traditional technical types of loan to individuals (for instance mortgage loans and secured loans) and to businesses (for instance factoring, advances subject to final payment and foreign operations) providing for liens on property (mortgages and/or pledges) and personal security (normally guarantees).
The guarantees described above were an integral part of the grant of the loans and as such were taken into account at the time the counterparties' credit ratings were assessed, subject to assessment of the ability of the applicants for the loans to fulfil their commitments irrespective of the security offered. Thus acquisition of the security was not allowed to influence the outcome of the counterparty's credit rating.

As far as impaired financial assets were concerned, the criteria relating to classifying receivables applied by the Banking Group were in line with international accounting standards and with the instructions laid down by the Banca d'Italia.
In particular, international accounting standards specify several objective cases of losses that must be classified as non-performing receivables, such as:

- if the debtor has significant financial difficulties;
- infringement of the contractual agreements such as failure to comply with one of them or a missed payment of the interest or the principal;
- a strong probability of the debtor becoming bankrupt or being subject to some other kind of financial restructuring.

The criteria for changing the classification of the quality of debtors can be summarised as follows

- bad and doubtful loans: this classification includes balance sheet exposures in relation to borrowers in a state of insolvency, even if not legally declared, or in broadly equivalent situations, regardless of any provisions for loss established by the company. For this purpose, the existence of any guarantees (liens on property or personal guarantees) posted to support the loan is disregarded. Positions where the anomalous situation is caused by factors pertaining to Country risk are excluded;

- substandard loans: This category includes exposure (demand loans, interest-bearing bonds, certificates of deposit and endorsement credit) in the case of parties in objectively temporary difficulties that are expected to be overcome after a suitable period of time. In this case the existence of any security (personal guarantees or liens on property) covering the debts is ignored. This category excludes items the anomalous situation of which is attributable to exposure to country risk;
- restructured loans: This classification comprises exposures (loans, interest bearing coupons, certificates of deposit and letters of credit) relating to borrowers in a temporary situation of objective difficulty, which may feasibly end in a reasonable period of time. For this purpose, the existence of any guarantees (personal guarantees or liens on property) posted to support the loan is disregarded. Positions where the anomalous situation is caused by factors pertaining to Country risk are excluded;
- past-due: This classification comprises exposures (mortgage loans, securities, current accounts, etc.) to those debtors (other than those classified as bad/doubtful, substandard or amongst the restructured exposures) which, at the reference date for reporting, have loans which are overdue or over-limit for more than 180 days. Exposures where the anomalous situation is caused by factors pertaining to Country risk are excluded from the report. The past due or over-limit status must be of a continuous nature and the proportion of past due or over-limit exposures must be equal to or greater than 5 per cent of the entire exposure.

Market price risk

As regards market price risks, which are defined as risks deriving from the fluctuations in value of the Bank's financial instrumetns as a result of variations in market prices and factors, the Unipol Banca Banking Group was also exposed on its items deriving from trading (trading book) and especially from commercial operations and strategic investment choices (banking book).

The instrument used for calculating the market risk on these items is the Value at Risk (VaR) based on the historical simulation approach.

5.3 Supplementary notes on Non-Life business

Procedural note on fixing the level of provisions and assumptions made in the liability adequacy test (LAT)

The process that led to making the assumptions was carried out in such a way as to make a neutral valuation (i.e. neither optimistic nor prudent) of the liabilities with the intention of coming up with an estimate that was as realistic as possible. The source of the figures was internal and the trends were based on annual statistics and monitored monthly throughout the year. As far as possible assumptions were checked against market statistics. If any information was missing, incomplete or unreliable the estimate of the ultimate cost was based on prudent assumptions.

The very nature of insurance business makes it very difficult to forecast the cost of settling a claim with any certainty. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The ultimate cost may vary as the claim proceeds (for example, deterioration in the condition in the event of injury) or in the event of catastrophes. Estimating the ultimate cost appears very difficult and the various elements that make it so complex vary depending on the class in question.

As the Group's work is concentrated in Italy the major exposure to catastrophic risks is represented by natural disasters such as earthquake and flood.

Reinsurance cover was taken out to cover this type of risk, at different levels for each of the Companies in the Group (up to €200m for Aurora, up to €300m for Unipol and up to €39m for Navale), these thresholds being deemed to be sufficiently prudent when worked out using statistical models to simulate the company's exposure in detail.

The provisions for claims reported was estimated using the inventory method. In the case of third-party liability classes the adjusters' estimates were also combined with the results of statistical methods such as the 'Chain Ladder' and the 'Bornhuetter Ferguson' and with valuations based on the average costs for the year (for similar groups with a sufficiently large number of claims).

The Chain-Ladder method is applied to sums paid, incurred claims and inflation-adjusted sums paid. This method is based on historical analysis of claims development factors, which are selected based on the accumulated sums paid, thereby producing an estimate of the ultimate cost per year of occurrence if the claims for that year are not paid in full.

The Chain-Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there is no significantly stable previous period.

The Bornhuetter Ferguson method uses a combination of a benchmark, or *a priori* estimate of the ratio of losses to premium income, and an estimate based on claims incurred (Chain Ladder).

The two estimates are combined using a formula that gives greater weight according to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

These methods extrapolate the ultimate cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recorded by the Group in the past. Should there be a reason for deeming the trends recorded to be invalid some of the factors are modified and the projection is adapted to fit the information we currently hold.

Some examples of what affects the trends could be:

- changes in the claims-handling procedures involving different approaches to making allocations to provisions;
- market trends showing increases higher than inflation (which may be linked to the business cycle or to political, legal or social trends);
- random fluctuations including the impact of 'major' claims.

Claims incurred but not yet reported were estimated on the basis of the historical trends within the company, and the number and the average costs of the claims were estimated separately.

As allowed by the regulations in force, the provisions were not discounted back.

Change in the assumptions made and analysis of model sensitivity

As at 31 December 2006 the estimated value of the cost for 1998-2005 was €20,638m, a slight drop compared with the valuation as at 31 December 2005 for the same years (€20,684m). The new figure took account of the savings recorded on claims that had been settled and of the necessary write-ups of claims that were still outstanding.
The values ascertained by means of the Liability Adequacy Test (LAT) indicated that the provisions were sufficient overall (0.1%) on the assumption that in the type of business concerned (third-party liability classes) inflation was 5%.
The risks arising from insurance contracts are complex and subject to numerous variables that make the task of quantifying the model sensitivity very complicated.
In order to assess the model sensitivity to the change in the assumptions the provisions were valued on the assumption of a 1% increase in the rate of adjustment of the average costs of claims.

Inflation assumed to be greater than 1%
Figures in €m

	Before 1998	1998-2006	Total	Delta %
Reserve Requirements	473	5,370	5,843	
LAT 5%	473	5,365	5,837	-0.1%
LAT 6%	473	5,388	5,861	0.3%

The incidence of the amount of the 602 major claims (exceeding €800,000 in the case of Motor TPL, €400,000 in the case of General TPL and €350,000 in the case of Fire) on the total provisions of the three classes was 14.4%. If there had been a 10% increase in the number of major claims the provisions would have fallen by €58.6m.
The incidence on total provisions of claims handled by other insurers was 5.9%. If these had written up these claims by 5.0% costs would have risen by €16.6m.
In assessing the results of these variations it must be borne in mind that the analyses carried out were of the deterministic type and no account was taken of any correlations.

Loss experience (breakdown of provisions)

The table below, which illustrate the loss experience, shows the estimated first-year costs for each year in which claims were incurred from 1998 until 2006 and the value adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of fuller information about the claim being received.

The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the figures for later years.
Maximum caution must be exercised when extrapolating from the figures in the following table for the purpose of ascertaining the adequacy or inadequacy of provisions.

The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2006 to be adequate in the light of current information. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Loss experience (all classes excluding Assistance)

(figures in €m)

Year in which claims incurred	1998	1999	2000	2001	2002	2003	2004	2005	2006	TOTAL
Estimate of accumulated claims: at the end of the year in which they were incurred:	2.291	2.468	2.541	2.524	2.625	2.715	2.792	2.830	2.946	**23.731**
After one year	2.351	2.440	2.492	2.489	2.546	2.649	2.739	2.783		
After two years	2.337	2.464	2.503	2.472	2.540	2.653	2.744			
After three years	2.363	2.469	2.479	2.469	2.563	2.650				
After four years	2.377	2.501	2.485	2.479	2.568					
After five years	2.392	2.515	2.492	2.477						
After six years	2.411	2.515	2.490							
After seven years	2.413	2.513								
After eight years	2.414									
Estimate of accumulated claims	2.414	2.513	2.490	2.477	2.568	2.650	2.744	2.783	2.946	**23.584**
Accumulated claims paid	2.259	2.293	2.238	2.161	2.173	2.139	2.070	1.842	1.038	**18.213**
Change over the 1st year valuation	123	45	-50	-47	-57	-65	-49	-48	0	
Outstanding as at 31/12/2006	154	220	252	316	395	511	673	941	1.908	**5.370**
Effects of discounting back										
Book value	154	220	252	316	395	511	673	941	1.908	**5.370**

In the table above several values relating to 2005 have been updated from how they appeared in the accounts for 2005 by expenses for the claims for the individual years being allocated differently.
As at 31 December 2005 the loss experience of claims incurred but not reported (IBNR) showed that there was a total shortfall in 2006 of €80.7m or 24.5% of the estimate owing to the emergence of major General TPL claims and to several amounts set aside to cover claims that would be reported very late.

5.4 Supplementary notes on Life business

Procedures for underwriting and managing risk

Mortality risk

The Unipol Group operates a different policy for underwriting risks according to sales channel and type of tariff. Much attention is paid in particular to underwriting term policies where the procedures provide for limits both on the sum assured and on the age of the policyholder. Before this category of policy can be issued a questionnaire must be completed giving details of health, occupation and sporting activities, and, depending on the replies provided, the policy may be issued by the intermediary direct or only after Head Office has added exceptions and possibly applied additional premiums relating to health, occupation or sporting activities. If sums assured or age exceed the underwriting limits assigned to the sales network Head Office is asked to assess the risk by examining, with the help of its medical consultant, the health facts in the particular case. If sums assured exceed certain amounts the risk is assessed in collaboration with the reinsurer.

Only Head Office may issue group term policies, if necessary in collaboration with the reinsurer, the questions relating to health being laid out in a grid based on brackets of sum assured.

The quality of the underwriting carried out by the companies in the Group has ascertained that the actual death rate is well below the theoretical death rate in the Group.

As regards the amounts of death benefits, as already indicated the Group has recourse to risk-premium types of reinsurance cover that are in line both with the nature of the products sold and with the retention levels that are appropriate for the equity structure of the individual companies. The Group's principal Life reinsurers are Swiss Re and Munich Re, both of which are financially very sound.

The Parent Company Unipol Assicurazioni provides risk-premium inward reinsurance for Quadrifoglio Vita but then passes on some of the risks underwritten to its reinsurers. BNL Vita in particular has adopted a reinsurance policy relating to term policies that is based on proportional or 'surplus' agreements depending on the types of policy reinsured.

Annuity option

Some Life assurance contracts offer the customer the possibility of opting for a benefit that can be paid in the form of an annuity instead of a capital sum on maturity. The trend for people to live longer means that these contracts expose the Group to a longevity risk. For some years now this risk has been limited in the case of new contracts by postponing the moment when the annuity coefficient is calculated and the minimum guaranteed rate is fixed to the time when the benefit is paid. More than €27m has been added to the Group's mathematical provisions to take account of policies already in the portfolio for which the annuity rate is guaranteed and is based on demographic trends that have not been updated. This amount is deemed to be adequate since it is based on a propensity to exercise the annuity option that is higher than that currently recorded.

Deferment option

The companies in the Group offer customers with some types of policy the possibility of deferring all or part of the payment of the capital sum assured on maturity for a number of years decided by the policyholder.

The deferment option does not involve additional risks apart from the company's commitment to pay the guaranteed minimum. Therefore for some years now the deferment option in the policy terms has stipulated that the option is based on the terms in

force at the time it is exercised.
The propensity to exercise this option is assessed by analysing the forfeitures applied to the portfolio in order to monitor the liabilities underwritten, with particular reference to the levels of financial guarantee and to the trends in the value adjustments made to the benefits provided for in the contracts.

Guaranteed minimum interest rate option
The companies in the Group market a lot of products that have returns linked to the results obtained from segregated accounts. In most cases these products offer guaranteed minimum revaluation rates and therefore the companies in the Group are exposed to the risk that the returns on the assets invested will fall short of those paid to policyholders. In view of the trend in market interest rates and in compliance with provisions issued by the Supervisory Authority, the guaranteed minimum interest rate offered in the case of the products marketed has been gradually reduced over the last few years until it was down to 2% in 2005.
Therefore the portfolio now contains policies issued in previous years that offer guaranteed minimum rates that are higher than those marketed after 2005. In particular, approximately 26% of the consolidated provisions, all of which relate to policies the returns on which are linked to segregated accounts, offer minimum revaluation rates of 4%, whilst a further 15% of the consolidated provisions guarantee minimum revaluation rates of 3%.

Asset & Liability Management (ALM)
The risk involved in these options is monitored and assessed using methods and instruments that allow the risks underwritten by the Group to be managed quantitatively, thus helping to bring about a reduction in profit volatility and enabling financial resources to be allocated in the best possible way.

In order that an accurate assessment can be made of the impact the financial risks have on the balance sheet and the income statement, Asset Liability Management analyses are carried out, that is the Group's assets and liabilities are looked at together. In this way many of the instruments used for monitoring the exposure to market risks are applied to the assets (securities portfolio) and also to the liabilities (provisions, Company's liabilities net of the policyholders' liabilities).

In particular, the Group's ALM system enables the following analyses to be carried out:
- cash-flow matching: a comparison between the flows in the securities portfolio (coupons and maturing capital) and the flows of liabilities; this analysis enables any problems of liquidity over time to be assessed;
- duration gap: an indicator that enables the sensitivity of the net 'market' value to parallel movements of the interest rate curve to be analysed;
- sensitivity analysis: an assessment of the repercussions of a variation in one or more risk factors (financial, demographic-actuarial) on assets and liabilities. The analysis is carried out using both a deterministic approach and stochastic models in order to ascertain the trend in the principal risk drivers.

The mathematical provisions of the companies in the Group have been supplemented in order to cope with the risk of a possible discrepancy between the expected rates of return on the assets matching the technical provisions linked to segregated accounts and the liabilities underwritten and in order to comply with the provisions of ISVAP Ruling 1801G of 21 February 2001.
The IAS/IFRS also stipulate that a Liability Adequacy Test must be carried out in order to

check that the technical provisions are sufficient to cover the financial benefits offered.
In order to carry out the test on the principal segregated accounts the companies in the Unipol Group used the models already prepared for carrying out the analysis in accordance with Ruling 1801G but extended the valuations until the contractual maturity of the portfolio, excluding tail-ends.

The following elements were taken into account when the analysis was carried out:

- ✓ benefits guaranteed;
- ✓ performance of the existing portfolio;
- ✓ income and expenditure associated with operating the portfolio and paying out benefits.

The LAT showed that no additional amounts needed to be set aside in the consolidated accounts over and above the provisions calculated in accordance with national standards.

Pricing, loadings/other charges and procedures for remunerating the network

In developing product-pricing policies the companies in the Group generally use the traditional structures that provide for loadings on the premium paid and/or recurrent margins linked to keeping the policy in force. These loadings, which are intended to cover the acquisition and renewal costs and the operating costs, are normally quoted as a percentage (which varies according to the amount paid or the accumulated premiums, the age of the policyholder and the duration of the policy) and/or as a fixed sum.
In the case of index-linked tariffs a fixed issue cost is normally quoted plus an implicit loading based on the difference between the nominal value of the bond and the purchase price of the security matching the technical liabilities underwritten by the company, and there is no provision for sources of income after the contract has been issued.
During the life of the contract the companies' recurrent margins normally take the form of partial retrocessions of the gross returns on the segregated accounts or on the securities matching specific provisions and of a fixed minimum return retained by the companies. Where unit-linked products are concerned the recurrent margins take the form of commissions and may be variable or fixed depending on the funds concerned. There are also charges for switching between different funds and these are usually expressed as a fixed amount.
In the case of a considerable proportion of single- or recurrent-premium policies there is a penalty, expressed as a percentage of the sum assured and/or as a fixed sum, if they are surrendered (in whole or in part), especially in the first few years the contract is in force. In the case of most contracts on which an annual premium is paid there is a penalty if they are surrendered in full, expressed as a reduction in the benefit assured, the rate of which depends on the number of years remaining until the policy matures. This rate often depends on how long the contract has been in force and varies according to the guaranteed minimum rate.
If the contract provides for the payment of regular coupons there may be a charge for the payment of these amounts.
If the policyholder cancels the contract there are charges, expressed as a fixed sum, intended to recuperate the expenses incurred in issuing the policy.
Remuneration of the sales network is governed by framework agreements, which are renewed at various times, between the various companies in the Group. Remuneration of the network is based on the individual products marketed and depends on the product

pricing.
Management fees are normally paid for acquiring new policies and maintaining those already in the portfolio. These generally translate into an acquisition commission in the case of new policies and a recurrent commission linked to the existence and level of the policy portfolio.
In particular, contracts on which an annual premium is paid provide for acquisition commissions that are paid in full when the first annual premium is received, though 30% of them are deemed to be due only on receipt of the second annual premium, and renewal commissions that are paid as from receipt of the second annual premium.
Once certain annual income targets have been reached the sales network is normally paid additional commission or bonuses, which are usually based on the acquisition commissions actually paid during the period.

Breakdown of the insurance portfolio

The premium income achieved by Unipol and Aurora was mainly obtained via the network of agencies and Head Office, whilst BNL Vita and Quadrifoglio Vita operated through banking outlets (the network of branches of BNL and BAM respectively). Fifty per cent of the premium income of Quadrifoglio Vita and BNL Vita was consolidated because this was the Unipol Group's percentage shareholding in these bancassurance companies.
It should be mentioned that some of the Life premium income of Unipol and Aurora, amounting to approximately 15% of the total Life premium income of the two companies, was also obtained through banking channels, which mainly consisted of the branches of Unipol Banca and the banks in the BPI Group.
On the basis of this product classification the consolidated direct income for 2006 was split as follows:

Consolidated Life direct income (*)	Unipol Assicurazioni	Aurora Assicurazioni	Quadrifoglio Vita	BNL Vita	Navale Vita	Total
Amounts in €m						
Insurance premiums (IFRS 4)	**1,518**	**1,191**	**413**	**1,572**	**1**	**4,695**
% var. over 2005	*-11.6%*	*-3.7%*	*24.0%*	*65.6%*	*-37.0%*	*10.8%*
Investment products (IAS 39)	**11**	**9**	**5**	**2**	**0**	**28**
% var. over 2005	*-73.6%*	*-73.3%*	*-85.5%*	*-99.7%*	*0.0%*	*-95.9%*
Total Life income	**1,529**	**1,200**	**419**	**1,574**	**1**	**4,723**
% var. over 2005	*-13.1%*	*-5.6%*	*13.0%*	*4.6%*	*-37.0%*	*-3.7%*
Composition:						
Insurance premiums (IFRS 4)	**99.3%**	**99.2%**	**98.7%**	**99.9%**	**100.0%**	**99.4%**
Investment products (IAS 39)	**0.7%**	**0.8%**	**1.3%**	**0.1%**	**0.0%**	**0.6%**

(*) Figures include 50% of the the income of Quadrifoglio and BNL Vita (consolidated income)

As at 31 December 2006 direct Life income for the Unipol Group was €4,723m (insurance products plus investment products), a decrease of 3.8% compared with the same period of the previous year. Direct income achieved by the composite companies (Unipol and Aurora) amounted to €2,729m (57.8% of the consolidated total) whilst the consolidated direct income achieved through the bancassurance channel amounted to €1,993m (42.2% of the consolidated total).

Insurance premiums accounted for 99.4% of total income compared with 86.4% in 2005. The increase was mainly attributable to BNL Vita marketing new unit- and index-linked products characterised by a significant level of insurance risk.

Direct insurance premiums: Type of income	Unipol Assicurazioni	Aurora Assicurazioni	Quadrifoglio Vita	BNL Vita	Navale Vita	Total
Amounts in €m						
Traditional premiums	1,261	1,045	368	703	1	**3,377**
Financial premiums	183	144	45	869	0	**1,242**
Pension funds	74	2	0	0	0	**76**
Insurance premiums (IFRS 4)	**1,518**	**1,191**	**413**	**1,572**	**1**	**4,695**
Investment with DPF	***1,072***	***810***	***367***	***661***	***1***	***2,911***
as a %age	***70.7%***	***68.1%***	***88.7%***	***42.0%***	***100.0%***	***62.0%***

Consolidated direct income from insurance premiums in 2006 was mainly from traditional policies in Class I (linked to human lifespan) and capital redemption policies (Class V), which together came to €3,377m and accounted for 71.9% of total income. These figures included the income from both retail and corporate policies.
Most of the insurance premiums (€2,911m or 62% of the premium income) were from investment products with a DPF element.

In 2006 the Group's income from insurance continued to be strongly characterised by a large number of single premiums, which accounted for 92% of the consolidated total income whilst the remaining 8% was made up of annual or recurrent premiums mainly from traditional Class I policies.

5.5 Operations with related parties

The Parent Company Unipol Assicurazioni had the usual relations with companies belonging to the Group covering coordination and:

- reinsurance and coinsurance with the subsidiaries and associates that carried out insurance activities;
- renting property;
- agency mandates;
- financial management;
- property management;
- IT services;
- secondment of staff;
- claims-handling;
- internal audit services (ISVAP Circular 577/D/2005).

These relations, which did not include any operations that were atypical or unusual, were governed by normal market terms (with the exception of the secondment of staff, for which the only payment was reimbursement of the actual cost, and of the provision of auxiliary services, which were mainly charged on the basis of the costs actually incurred and calculated on the basis of analytical accounting criteria).

Moreover, these auxiliary activities enabled departments to be operated more rationally and the undertakings concerned to be provided with a better level of service.

The Parent Company Unipol Assicurazioni was controlled by Finsoe spa, which held 50.57% of the ordinary share capital, and indirectly by Holmo spa, which held 56.24% of the share capital of Finsoe.

In accordance with Article 2497 et seq. of the Italian Civil Code none of the shareholders of the Parent Company Unipol Assicurazioni carried out any of its administrative and coordination work.

It should be mentioned that Finsoe spa, which held a controlling share in Unipol Assicurazioni spa as defined in Article 2359, para. 1, 1, of the Italian Civil Code, did not carry out any of Unipol Assicurazioni spa's steering or coordination work, either technical or financial.

The following table shows operations with related parties (controlling company, associates and other companies) carried out during 2006, as laid down in IAS 24 and in CONSOB Communication DEM/6064293/2006.

Operations with subsidiaries were not recorded since in drawing up the consolidated accounts operations within the group between companies consolidated on a line-by-line basis and using the proportional method were eliminated as part of the normal process of consolidation.

Information on operations with related parties as at 31 December 2006 *(Amounts in €m)*									
	Direct controlling company	Indirect controlling company	Associates	Other *(4)*	**Total**	Incidence %			
Assets									
4.4 Loans and receivables	115.6		29.2		144.8	0.3	*(1)*	2.6	*(3)*
5.3 Other receivables	0.1	0.0	175.2		175.3	0.4	*(1)*	3.1	*(3)*
Total	**115.7**	**0.0**	**204.4**	**0.0**	**320.1**	**0.8**	*(1)*	**5.7**	*(3)*
Liabilities									
4.2 Other financial liabilities		113.0	16.4		129.4	0.3	*(1)*	2.3	*(3)*
5.3 Other payables	12.2		7.9		20.1	0.0	*(1)*	0.4	*(3)*
Total	**12.2**	**113.0**	**24.3**	**0.0**	**149.4**	**0.4**	*(1)*	**2.6**	*(3)*
Income and proceeds									
1.2 Commissions receivable	0.6				0.6	0.2	*(2)*	0.0	*(3)*
1.5.1 Interest receivable	4.5		0.8		5.3	1.5	*(2)*	0.1	*(3)*
1.6 Other income	0.1		0.3		0.4	0.1	*(2)*	0.0	*(3)*
Total	**5.2**	**0.0**	**1.1**	**0.0**	**6.3**	**1.7**	*(2)*	**0.1**	*(3)*
Costs and charges									
2.2 Commissions payable			0.3		0.3	0.1	*(2)*	0.0	*(3)*
2.4 Interest payable		2.2	0.3		2.5	0.7	*(2)*	0.0	*(3)*
2.5 Operating expenses		0.1	68.7		68.9	19.0	*(2)*	1.2	*(3)*
Total	**0.0**	**2.3**	**69.0**	**0.0**	**71.4**	**19.7**	*(2)*	**1.3**	*(3)*

(1) Incidence calculated on total assets of the consolidated balance sheet

(2) Incidence calculated on the net consolidated result for the period

(3) Incidence calculated on net liquid assets arising out of operations, as shown in the cash flow statement

(4) Here included are jont ventures and natural persons identified as related parties (Directors, Statutory Auditors, General Managers, senior executives with strategic responsibilities, and their family members)

The information relating to directors, statutory auditors, general managers and senior executives with strategic responsibilities does not include remuneration and fees for their appointments or for the work they carried out.

The remuneration payable for 2006 to the Parent Company's directors, statutory auditors and senior executives with strategic responsibilities for carrying out their duties in Unipol Assicurazioni and in other consolidated undertakings amounted to €6.4m, details of which are as follows (in €m):

- directors 3.2
- statutory auditors 0.4
- senior executives with strategic responsibilities 3.3 *(*)*

(*) This amount includes salaries of €2.3m and remuneration of €0.4m, for posts held in subsidiaries, that was not drawn but paid to Unipol Assicurazioni.

5.6 Significant Non-recurring Events and Operations

As already indicated in this report, the following operations were carried out during 2006:

- the sale on 16 March 2006 by Unipol Assicurazioni to ABN AMRO NV, of 10,856,573 Antonveneta shares at a price of €26.50 per share, for a total of €287.7m. The capital gain realised was €58.9m gross of tax;
- the sale on 3 April 2006 by Unipol Assicurazioni and Aurora Assicurazioni to BNP Paribas of 451,820,000 ordinary shares in BNL spa at a price of €2.925 per share, for a total of €1,321.6m. The capital gain realised was €80.4m gross of tax and of the portion pertaining to minority interests.

The market was notified of these operations by means of press releases issued at the appropriate times.

5.7 Items or transactions arising out of atypical and/or unusual operations

It should be noted that there were no atypical and/or unusual operations that, because of their significance or importance, the nature of the counterparties or the procedures for determining the price nor because they occurred close to the end of the year, could give rise to doubts relating to the accuracy and completeness of the information in this consolidated report, a conflict of interest, the safeguarding of the shareholders' equity or the protection of minority shareholders.

5.8 Earnings per share

Basic

	31/12/2006	31/12/2005
Earnings allocated to ordinary shares (in EUR)	171,246,821	155,043,395
Weighted average of ordinary shares outstanding during the fin. year	1,460,524,546	721,096,034
Basic earnings per share (EUR per share)	**0.12**	**0.22**

Diluted

	31/12/2006	31/12/2005
Earnings allocated to ordinary shares (in EUR)	171,246,821	155,043,395
Weighted average of ordinary shares outstanding during the fin. year	1,460,524,546	730,726,724
Diluted earnings per share (EUR per share)	**0.12**	**0.21**

5.9 Proposed dividends

Dividends paid by the Parent Company Unipol Assicurazioni in 2005 amounted to €287.9m (€0.12 per ordinary share and €0.1252 per preference share).

For the financial year 2006 the Board of Directors is proposing to the Ordinary Shareholders' Meeting a dividend of €0.12 per ordinary share and €0.1252 per preference share, €0.045 of which per ordinary and preference share is to be withdrawn from the share premium reserve.

The total amount allocated to dividends is €287.9m, €181.7m of which derives from the profit for the financial year and €106.2m from the share premium reserve.

Bologna, 15 March 2007

The Board of Directors

Notes to the Accounts – Annexes

Company **Compagnia Assicuratrice UNIPOL S.p.A.**

Share capital subscribed **€ 2,360,144,410** **Paid-up** **€ 2,360,144,410**

Registered Offices in BOLOGNA - Via Stalingrado 45

Companies' Register in Bologna 00284160371

CONSOLIDATED ACCOUNTS

NOTES TO THE ACCOUNTS - ANNEXES

2006 Financial Year

(Amounts in €m)

Balance sheet according to type of business

		Non-Life Business		Life Business		Banks		Intersector elimination		Total	
€m		31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
1	**INTANGIBLE ASSETS**	**756.1**	**837.8**	**118.5**	**146.9**	**440.0**	**437.7**	**21.0**	**21.0**	**1,335.7**	**1,443.4**
2	**TANGIBLE ASSETS**	**411.8**	**350.0**	**0.1**	**0.1**	**21.6**	**21.2**			**433.6**	**371.3**
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**522.3**	**546.3**	**135.2**	**132.0**					**657.4**	**678.2**
4	**INVESTMENTS**	**8,384.3**	**8,896.2**	**19,877.9**	**20,088.4**	**8,619.4**	**7,771.8**	**-945.5**	**-1,691.9**	**35,936.0**	**35,064.5**
4.10	Investments in property	297.1	350.5	1.8	1.8					298.9	352.3
4.20	Shareholdings in subsidiaries, associates and joint ventures	639.4	525.8	335.2	318.9	4.8	2.4	-940.8	-818.7	38.6	28.4
4.30	Investments held to maturity	48.4	46.2	989.4	903.2					1,037.8	949.4
4.40	Loans and receivables	728.7	3,025.0	1,266.3	1,236.9	8,164.3	7,532.1	-2.2	-867.9	10,157.0	10,926.1
4.50	Financial assets available for sale	5,520.5	2,846.7	10,266.4	6,819.9	52.9	56.7	-2.0		15,837.8	9,723.2
4.60	Financial assets recorded at fair value through profit or loss	1,150.1	2,102.0	7,018.9	10,807.7	397.4	180.6	-0.6	-5.3	8,565.9	13,085.1
5	**SUNDRY RECEIVABLES**	**936.9**	**918.2**	**223.3**	**226.3**	**18.4**		**-1.7**	**-1.6**	**1,176.9**	**1,142.9**
6	**OTHER ASSETS**	**290.7**	**197.4**	**243.8**	**141.5**	**182.0**	**197.3**	**-20.1**	**-1.5**	**696.4**	**534.7**
6.10	Deferred acquisition costs	43.2	39.9	27.0	28.8					70.2	68.8
6.20	Other assets	247.5	157.4	216.8	112.7	182.0	197.3	-20.1	-1.5	626.2	466.0
7	**CASH AND CASH EQUIVALENTS**	**1,501.4**	**714.8**	**1,789.1**	**1,079.0**	**75.5**	**62.8**	**-1,952.3**	**-995.8**	**1,413.6**	**860.8**
	TOTAL ASSETS	**12,803.4**	**12,460.6**	**22,387.9**	**21,814.2**	**9,356.8**	**8,490.8**	**-2,898.5**	**-2,669.8**	**41,649.6**	**40,095.8**
1	**SHAREHOLDERS' EQUITY**									**5,873.0**	**6,042.9**
2	**AMOUNTS SET ASIDE**	**38.4**	**34.5**	**1.1**	**1.3**	**5.5**	**2.1**			**45.0**	**37.9**
3	**TECHNICAL PROVISIONS**	**7,392.8**	**7,146.8**	**16,649.6**	**15,102.6**					**24,042.4**	**22,249.4**
4	**FINANCIAL LIABILITIES**	**500.1**	**486.5**	**3,763.8**	**4,636.1**	**8,073.3**	**7,184.6**	**-1,958.0**	**-1,870.9**	**10,379.2**	**10,436.4**
4.10	Financial liabilities recorded at fair value through profit or loss	25.0	0.5	2,992.1	3,652.2	104.1	70.4			3,121.2	3,723.0
4.20	Other financial liabilities	475.1	486.1	771.7	984.0	7,969.1	7,114.3	-1,958.0	-1,870.9	7,257.9	6,713.4
5	**PAYABLES**	**408.2**	**325.1**	**46.8**	**52.1**	**67.7**	**36.9**	**-2.5**	**-3.2**	**520.2**	**410.9**
6	**OTHER LIABILITIES**	**323.6**	**379.2**	**233.3**	**223.3**	**250.1**	**316.0**	**-17.2**	**-0.2**	**789.8**	**918.3**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**41,649.6**	**40,095.8**

Income statement according to type of business

		Non-Life Business		Life Business		Banks		Intersector elimination		Total	
€m		**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
02:24	Net premium income	3,706.2	3,681.9	4,674.4	4,217.3					8,380.6	7,899.2
1.1.1	*Gross earned premiums*	*4,018.2*	*3,992.4*	*4,698.8*	*4,241.1*					*8,717.0*	*8,233.5*
1.1.2	*Earned premiums ceded*	*-312.0*	*-310.5*	*-24.4*	*-23.8*					*-336.4*	*-334.2*
04:48	Fees and commissions receivable	2.1	2.2	21.8	38.2	92.5	91.0	-4.4	-10.5	112.0	120.9
07:12	Income and charges arising out of financial instruments recorded at fair value through profit or loss	92.1	142.4	161.0	338.1	19.2	1.4	-0.3	-0.3	272.0	481.5
09:36	Income arising out of shareholdings in subsidiaries, associates and joint ventures	14.3	60.5	6.9	21.6	0.0	0.0	-19.3	-36.7	1.9	45.5
1.5	Income arising out of other financial instruments and investments in property	412.4	252.1	561.5	300.6	381.2	229.9	-87.0	-31.0	1,268.0	751.5
1.6	Other receipts	37.3	55.7	43.6	28.7	15.4	12.8	-0.1	-2.9	96.1	94.2
1	**TOTAL INCOME AND PROCEEDS**	**4,264.3**	**4,194.8**	**5,469.2**	**4,944.4**	**508.3**	**335.1**	**-111.1**	**-81.5**	**10,130.6**	**9,392.8**
2.1	Net charges relating to claims	2,709.5	2,620.6	5,118.1	4,586.5			-0.7	-0.1	7,826.9	7,206.9
2.1.2	*Amounts paid and change in technical provisions*	*2,922.3*	*2,820.0*	*5,151.7*	*4,604.4*			*-0.7*	*-0.1*	*8,073.3*	*7,424.3*
2.1.3	*Reinsurers' share*	*-212.7*	*-199.4*	*-33.6*	*-18.0*					*-246.4*	*-217.4*
2.2	Fees and commissions payable	2.1	2.2	18.1	26.4	17.9	16.6	-2.4	-2.3	35.7	42.9
2.3	Charges arising out of shareholdings in subsidiaries, associates and joint ventures		0.0		0.0	0.5		-0.3		0.2	0.0
2.4	Charges arising out of other financial instruments and investments in property	161.2	169.5	55.4	44.9	244.5	136.0	-82.5	-29.0	378.6	321.3
2.5	Operating expenses	827.0	845.1	154.0	120.5	180.9	166.1	-6.2	-13.3	1,155.8	1,118.4
2.6	Other costs	88.8	150.2	44.4	61.1	9.4	10.4	-0.1	-0.1	142.5	221.6
2	**TOTAL COSTS AND CHARGES**	**3,788.6**	**3,787.5**	**5,390.0**	**4,839.4**	**453.2**	**329.1**	**-92.2**	**-44.8**	**9,539.7**	**8,911.2**
	PROFIT (LOSS) FOR THE FIN. YEAR BEFORE TAXATION	**475.7**	**407.3**	**79.1**	**105.0**	**55.1**	**6.1**	**-19.0**	**-36.7**	**590.9**	**481.6**

Basis of consolidation

Name	State	Head office	Method (1)	Type of business (2)	% Direct holding	% Indirect holding	% Total holding (3)	% Votes available at the ordinary Shareholders' Meeting (4)	% consolidation	Share capital (€)
Compagnia Assicuratrice Unipol Spa	Italy	Bologna	G	1					100.00	2,360,144,410
Aurora Assicurazioni Spa	Italy	S.Donato M. (Mi)	G	1	66.66		66.66		100.00	248,346,783
Compagnia Assicuratrice Linear Spa	Italy	Bologna	G	1	80.00	20.00 Aurora Assicurazioni Spa	93.33		100.00	19,300,000
Navale Vita Spa	Italy	Rome	G	1		100.00 Navale Assicurazioni Spa	99.83		100.00	5,180,108
Navale Assicurazioni Spa	Italy	Milan	G	1	99.83		99.83		100.00	96,250,000
Unisalute Spa	Italy	Bologna	G	1	92.44	6.04 Aurora Assicurazioni Spa	96.47		100.00	17,500,000
Unipol Banca Spa	Italy	Bologna	G	7	69.54	14.99 Aurora Assicurazioni Spa	79.53		100.00	703,500,000
Unipol Merchant - Banca per le Imprese Spa	Italy	Bologna	G	7		86.15 Unipol Banca Spa	68.52		100.00	105,468,007
Unipol Fondi Ltd	Ireland	Dublin	G	11		100.00 Unipol Banca Spa	79.53		100.00	125,001
Unipol SGR Spa	Italy	Bologna	G	8		100.00 Unipol Banca Spa	79.53		100.00	5,000,000
Nettuno Fiduciaria Srl	Italy	Bologna	G	11		100.00 Unipol Banca Spa	79.53		100.00	250,000
Grecale Srl	Italy	Bologna	G	11		60,00 Unipol Banca Spa 40,00 Unipol Merchant Spa	75.13		100.00	10,000
Grecale Abs Srl	Italy	Bologna	G	11		10,00 Smallpart Spa Unipol Banca Spa (*)	10.00		100.00	20,000
Castoro Rmbs Srl	Italy	Milan	G	11		Unipol Banca Spa (*)			100.00	10,000
Atlante Finance Srl	Italy	Milan	G	11		Unipol Banca Spa (*)			100.00	10,000
Midi Srl	Italy	Bologna	G	10	100.00		100.00		100.00	72,000,000
Unifimm Srl	Italy	Bologna	G	10	100.00		100.00		100.00	43,350,000
Dimensione e Sviluppo Immobiliare Spa	Italy	Bologna	G	11		61,00 Smallpart Spa 39,00 Unipol Merchant Spa	87.72		100.00	5,200,000
Smallpart Spa	Italy	Bologna	G	9	100.00		100.00		100.00	32,000,000
SRS Spa	Italy	Bologna	G	9	75.21	24.79 Aurora Assicurazioni Spa	91.74		100.00	13,898,582
Quadrifoglio Vita Spa	Italy	Bologna	P	1	50.00		50.00		50.00	31,500,000
BNL Vita Spa	Italy	Milan	P	1	50.00		*50.00*		50.00	160,000,000

(1) Consolidation method: Consolidated on a line-by-line basis = G, Consolidated using the proportional method = P, Consolidated on a line-by-line basis as per coordinated management = U

(2) 1=Italian insurers; 2= EU insurers; 3=non-EU insurers; 4=insurance holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies; 11=other

participating interest of several subsidiaries the individual products must be added up.

(4) Total percentage of votes available at the ordinary Shareholders' Meeting if different from the direct or indirect holding

(*) Special purpose vehicles (SPV) used for securitisation schemes. Even if they are not controlled, SPV are consolidated as basically all risks and benefits are retained.

Details of unconsolidated shareholdings

Name	State	Head office	Type of business (1)	Type (2)	% Direct holding	% Indirect holding		% Total holding (3)	% Votes available at the ordinary Shareholders' Meeting (4)	Book value (€m)	Share capital (€)
Unieuropa Srl	Italy	Bologna	11	a		98.00	Smallpart	98.00		0.5	510,000
Unisalute Servizi Srl	Italy	Bologna	11	a		100.00	Unisalute	96.47		0.2	52,000
BNL Servizi Assicurativi Srl	Italy	Milan	11	a		100.00	Bnl Vita	50.00		0.1	10,400
Hotel Villaggio Città del Mare Spa	Italy	Terrasini (Pa)	11	b	49.00			49.00		3.5	7,000,000
A.P.A. Spa	Italy	Parma	11	b		46.50	Smallpart	46.50		0.7	1,000,000
Assicoop Ferrara Spa	Italy	Ferrara	11	b		47.40	Smallpart	47.40		0.6	376,635
Assicoop Firenze Spa	Italy	Florence	11	b		44.00	Smallpart	44.00		0.4	1,000,000
Assicoop Imola Spa	Italy	Imola (Bo)	11	b		47.33	Smallpart	47.34		1.2	1,000,000
Assicoop Modena Spa	Italy	Modena	11	b		43.32	Smallpart	43.32		2.7	2,256,800
Assicoop Ravenna Spa	Italy	Ravenna	11	b		49.00	Smallpart	49.00		2.2	3,640,000
Assicoop Romagna Spa	Italy	Forlì	11	b		48.00	Smallpart	48.00		0.7	774,700
Assicoop Sicura Spa	Italy	Bologna	11	b		40.00	Smallpart	40.00		2.3	202,800
Assicoop Siena Spa	Italy	Siena	11	b		49.00	Smallpart	49.00		0.3	510,000
Assicura Spa	Italy	Reggio Emilia	11	b		35.00	Smallpart	35.00		1.1	1,040,000
ZIS Fiera 2 - Consorzio	Italy	Bologna	11	b		31.72	Midi	31.72		0.3	789,185
Nuovi Investimenti Spa	Italy	Bologna	9	b		39.00 10.00	Smallpart Unipol Merchant	45.85		2.8	9,400,000
Euresa Holding SA	Luxembourg		4	b	24.05			24.05		3.4	10,000,000
Pegaso Finanziaria Spa	Italy	Bologna	9	b		45.00	Smallpart	45.00		3.4	7,000,000
SCS Azioninnova Spa	Italy	Bologna	11	b		40.00	Unipol Merchant	27.41		1.0	2,501,250
Promorest Srl	Italy	Castenaso (Bo)	11	b		45.00	Unipol Merchant	30.83		1.3	100,000
Nuova Aurora Assicurazioni Spa	Italy	S.Donato M. (Mi)	1	a		100.00	Aurora Assicurazioni	66.66		5.0	5,000,000
Nuova Unipol Assicurazioni Spa	Italy	Bologna	1	a	100.00			100.00		5.0	5,000,000

(1) 1=Italian insurers; 2= EU insurers; 3=non-EU insurers; 4=insurance holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies; 11=other

(2) a=subsidiaries (IAS 27); b=associates (IAS 28); c=joint ventures (IAS 31); please indicate with (*) the companies classified as available for sale in accordance with IFRS 5 and write the key at the foot of the table

(3) is the product of the percentage holdings relating to all the companies that may come somewhere along the chain between the company that draws up the consolidated accounts and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) Total percentage of votes available at the ordinary Shareholders' Meeting if different from the direct or indirect holding

Details of tangible and intangible assets

€m	At cost	At reassessed value or at fair value	Total book value
Investments in property	298.9		298.9
Other property	375.9		375.9
Other tangible assets	57.7		57.7
Other intangible assets	31.9		31.9

Details of financial assets

	Investments held to maturity		Loans and receivables		Financial assets available for sale		Financial assets recorded at fair value through profit or loss				Total book value	
							Financial assets held for trading		Financial assets recorded at fair value through profit or loss			
€m	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
Equity securities and derivatives valued at cost					27.9	26.1					27.9	26.1
Equity securities at fair value					1,539.1	2,272.2	175.8	381.5	25.1	13.0	1,739.9	2,666.8
listed securities					*1,384.6*	*2,025.4*	*175.8*	*381.5*	*25.1*	*13.0*	*1,585.5*	*2,420.0*
Debt securities	1,037.8	949.4	565.4	68.3	14,060.7	7,421.4	3,510.7	8,342.4	3,380.0	2,514.4	22,554.6	19,295.9
listed securities	*222.9*	*213.8*			*12,706.2*	*7,165.3*	*2,181.2*	*6,792.0*	*1,618.1*	*950.2*	*16,728.4*	*15,121.3*
Units in UCITS					210.1	3.5	92.6	81.6	1,121.2	1,620.3	1,423.9	1,705.4
Loans and receivables from banking customers			6,639.6	5,486.0							6,639.6	5,486.0
Interbanking loans and receivables			1,506.8	2,026.9							1,506.8	2,026.9
Deposits with ceding companies			21.2	26.7							21.2	26.7
Financial items receivable on insurance contracts									51.1	12.6	51.1	12.6
Other loans and receivables			1,423.8	3,215.3						-1.2	1,423.8	3,214.1
Non-hedge derivatives							118.7	76.0			118.7	76.0
Hedge derivatives									90.7	14.3	90.7	14.3
Other financial investments			0.3	102.9				6.3		23.8	0.3	133.0
Total	**1,037.8**	**949.4**	**10,157.0**	**10,926.1**	**15,837.8**	**9,723.2**	**3,897.8**	**8,887.8**	**4,668.1**	**4,197.3**	**35,598.5**	**34,683.8**

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by customers and arising out of pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
€m	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
Assets on the balance sheet	4,244.8	3,837.1	418.5	358.4	4,663.3	4,195.5
Assets within the Group*						
Total Assets	**4,244.8**	**3,837.1**	**418.5**	**358.4**	**4,663.3**	**4,195.5**
Financial liabilities on the balance sheet	2,885.5	3,611.0			2,885.5	3,611.0
Technical provisions on the balance sheet	1,359.0	225.8	418.5	358.4	1,777.5	584.2
Liabilities within the Group *						
Total Liabilities	**4,244.5**	**3,836.8**	**418.5**	**358.4**	**4,663.0**	**4,195.2**

* Assets and liabilities eliminated on consolidation

Details of technical provisions - reinsurers' share

	Direct business		Indirect business		Total book value	
€m	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Non-Life provisions	**515.9**	**539.4**	**6.3**	**6.9**	**522.3**	**546.3**
Provision for unearned premiums	60.9	61.0	0.0	0.1	60.9	61.0
Provision for outstanding claims	455.0	478.4	6.3	6.8	461.3	485.2
Other provisions						
Life provisions	**134.5**	**131.2**	**0.7**	**0.8**	**135.2**	**132.0**
Provision for sums to be paid	5.4	3.9	0.0	0.1	5.5	4.1
Mathematical provisions	128.1	126.8	0.7	0.7	128.8	127.5
Technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management						
Other provisions	0.9	0.4	0.0	0.0	0.9	0.4
Total technical provisions - reinsurers'share	**650.4**	**670.6**	**7.1**	**7.7**	**657.4**	**678.2**

Details of technical provisions

	Direct business		Indirect business		Total book value	
€m	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
Non-Life provisions	**7,345.2**	**7,085.5**	**47.6**	**61.2**	**7,392.8**	**7,146.8**
Provision for unearned premiums	1,489.2	1,422.4	7.3	6.5	1,496.6	1,429.0
Provision for outstanding claims	5,847.7	5,655.5	40.3	54.7	5,888.0	5,710.2
Other provisions	8.2	7.6			8.2	7.6
provisions allocated as a result of the liability adequacy test						
Life provisions	**16,634.1**	**15,088.6**	**15.6**	**14.0**	**16,649.6**	**15,102.6**
Provision for sums to be paid	98.1	90.9	1.8	1.6	99.9	92.5
Mathematical provisions	14,756.6	14,425.0	13.8	12.4	14,770.4	14,437.4
Technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management	1,777.5	560.0			1,777.5	560.0
Other provisions	1.9	12.8	0.0		1.9	12.8
provisions allocated as a result of the liability adequacy test						
deferred liabilities to policyholders	*-112.0*	*-63.3*			*-112.0*	*-63.3*
Total technical provisions	**23,979.2**	**22,174.1**	**63.2**	**75.3**	**24,042.4**	**22,249.4**

Details of financial liabilities

	Financial liabilities recorded at fair value through profit or los				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities recorded at fair value through profit or loss					
€m	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Participating financial instruments								
Subordinate liabilities					787.6	648.1	787.6	648.1
Liabilities arising from financial contracts issued by insurance companies			2,952.3	3,632.0	399.3	614.5	3,351.6	4,246.5
arising from contracts where the investment risk is borne by the policyholders			*2,952.3*	*3,632.0*			*2,952.3*	*3,632.0*
arising from pension fund management								
arising from other contracts					*399.3*	*614.5*	*399.3*	*614.5*
Deposits received from reinsurers					194.5	203.2	194.5	203.2
Financial items payable on insurance contracts								
Debt securities issued					459.9	531.9	459.9	531.9
Payables to banking customers					5,364.2	4,552.3	5,364.2	4,552.3
Interbanking payables					52.4	163.3	52.4	163.3
Other borrowings					0.0	0.1	0.0	0.1
Non-hedge derivatives	168.6	90.6					168.6	90.6
Hedge derivatives	0.4						0.4	
Sundry financial liabilities				0.5				0.5
Total	**169.0**	**90.6**	**2,952.3**	**3,632.4**	**7,257.9**	**6,713.4**	**10,379.2**	**10,436.4**

Details of technical insurance items

€m		31/12/2006			31/12/2005		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUM INCOME		**4,018.2**	**-312.0**	**3,706.2**	**3,992.4**	**-310.5**	**3,681.9**
a	Premiums written	4,086.0	-317.4	3,768.6	3,974.3	-312.8	3,661.5
b	Change in provision for unearned premiums	-67.8	5.4	-62.4	18.1	2.3	20.4
NET CHARGES RELATING TO CLAIMS		**2,922.3**	**-212.7**	**2,709.5**	**2,820.0**	**-199.4**	**2,620.6**
a	Amounts paid	2,807.5	-213.0	2,594.6	2,708.1	-219.5	2,488.6
b	Change in provision for outstanding claims	172.6	7.0	179.6	418.5	-12.2	406.3
c	Change in amounts recovered	-60.4	-6.7	-67.1	-306.9	33.8	-273.1
d	Change in other technical provisions	2.5	-0.1	2.5	0.3	-1.5	-1.2
Life Business							
NET PREMIUM INCOME		**4,698.8**	**-24.4**	**4,674.4**	**4,241.1**	**-23.8**	**4,217.3**
NET CHARGES RELATING TO CLAIMS		**5,151.7**	**-33.6**	**5,118.1**	**4,604.4**	**-18.0**	**4,586.5**
a	Sums paid	3,503.9	-15.3	3,488.6	1,491.7	-14.5	1,477.2
b	Change in provision for sums to be paid	11.1	-1.6	9.5	2.1	1.0	3.0
c	Change in mathematical provisions	650.3	-16.8	633.5	2,814.8	-4.4	2,810.3
d	Change in technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management	934.4		934.4	346.2		346.2
e	Change in other technical provisions	52.0	0.0	52.0	-50.3	0.0	-50.3

Investment income and charges

€m		Interest	Other income	Other charges	Profits realized	Losses realized	Total income and charges realized
Balance on investments		**1,192.4**	**132.8**	**-40.1**	**512.1**	**-180.6**	**1,616.7**
a	Arising out of investments in property		13.1	-6.0	1.1	-1.9	**6.4**
b	Arising out of holdings in subsidiaries, associates and joint ventures		1.9	0.0		-0.1	**1.8**
c	Arising out of investments held to maturity	49.3			0.0		**49.3**
d	Arising out of loans and receivables	412.7	10.6	-2.3	0.8		**421.9**
e	Arising out of financial assets available for sale	410.4	33.0	-3.6	306.9	-68.4	**678.4**
f	Arising out of financial assets held for trading	211.5	69.2	-21.2	177.1	-89.8	**346.8**
g	Arising out of financial assets designated as at fair value through profit or loss	108.5	4.9	-7.0	26.1	-20.4	**112.1**
Balance on sundry receivables		**0.9**	**0.3**				**1.1**
Balance on cash and cash equivalents		**27.9**		**0.0**			**27.9**
Balance on financial liabilities		**-186.4**		**-0.9**	**21.9**		**-165.3**
a	Arising out of financial liabilities held for trading				21.9		**21.9**
b	Arising out of financial liabilities designated at fair value through profit or loss						
c	Arising out of other financial liabilities	-186.4		-0.9			**-187.2**
Balance on payables		**-0.6**					**-0.6**
Total		**1,034.3**	**133.1**	**-40.9**	**534.0**	**-180.6**	**1,479.8**

Unrealised profits		Unrealised losses		Total unrealized income and charges	Total income and charges 2006	Total income and charges 2005
Unrealised capital gains	Value readjustment	Unrealised capital losses	Reduction in value			
148.3	**0.0**	**-413.4**	**-0.1**	**-265.1**	**1,351.6**	**1,072.8**
		-1.2		**-1.2**	**5.1**	**116.6**
	0.0		-0.1	**-0.1**	**1.8**	**45.4**
					49.3	**34.6**
		-23.1		**-23.1**	**398.8**	**225.0**
0.2		-84.3		**-84.1**	**594.3**	**169.7**
68.0		-190.7		**-122.7**	**224.2**	**429.5**
80.1		-114.0		**-33.9**	**78.1**	**52.1**
					1.1	**2.3**
					27.9	**13.3**
3.3		**-54.9**		**-51.6**	**-216.9**	**-128.6**
2.7		-0.1		**2.6**	**24.5**	
		-54.8		**-54.8**	**-54.8**	**0.0**
0.6				**0.6**	**-186.6**	**-128.5**
					-0.6	**-2.7**
151.6	**0.0**	**-468.2**	**-0.1**	**-316.7**	**1,163.1**	**957.1**

Details of insurance business expenses

		Non-Life business		Life business	
€m		**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
Gross commissions and other acquisition expenses		740.9	742.1	110.4	81.1
a	Acquisition commissions	485.0	497.8	53.4	33.9
b	Other acquisition expenses	160.2	129.4	41.5	29.8
c	Change in deferred acquisition expenses	-3.2	0.6	2.0	3.0
d	Renewal commissions	98.9	114.2	13.4	14.3
Commissions and profit sharing received from reinsurers		-88.2	-78.2	-4.5	-5.6
Investment management expenses		15.4	16.0	10.3	8.7
Other administrative expenses		159.0	165.2	37.9	36.3
Total		**827.0**	**845.1**	**154.0**	**120.5**

The undersigned declare that the financial statements are free from irregularity or error.

The Company legal representatives (*)

The Chairman (**)

Pierluigi Stefanini (**)

(**)

The Statutory Auditors

Umberto Melloni

Luigi Capè

Carlo Cassamagnaghi

(*) In case of foreign undertakings - signature by the general representative in Italy

(**) Please indicate the functions of the signatory.

Statutory Auditors' Report

Report of the Board of Statutory Auditors on the Consolidated Accounts for 2006

Dear Shareholders,

With reference to the Consolidated Accounts the Board of Statutory Auditors confirms that:

- as provided for by EC Regulation 1606/2002, the Unipol Group's consolidated accounts for the year ended 31 December 2006 were drawn up in accordance with the IAS/IFRS in force on the date the accounts closed, as issued by the IASB and endorsed by the European Union, with the relative interpretations issued by IFRIC ;
- the layout complies with the provisions of ISVAP Ruling 2404 of 22 December 2005;
- the accounting standards and the valuation criteria have been applied correctly, and in particular that the principles of consolidation and the rules on determining the basis of consolidation and the date to which the figures apply have been observed;
- the Parent Company's organisational and procedural structure is appropriate for managing the flows of information and the operations arising from consolidation;
- the Parent Company observed CONSOB's requirements relating to accounting information on the business performance of the various categories of activity and the business outlook;
- the Report of the External Auditors KPMG S.p.A., which is issued today, contains no criticisms and gives no indication of any irregularities;
- the External Auditors' Reports on the accounts of the subsidiaries comply with the provisions of Legislative Decree 58/1998 and CONSOB Ruling 11971/1999;
- none of the shareholders carries out any of the steering and coordination work, in accordance with Article 2467 et seq. of the Civil Code.

Bologna, 5 April 2007

The Board of Statutory Auditors

External Auditors' Report

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998 and article 102 of legislative decree no. 209 of 7 September 2005

To the shareholders of
Compagnia Assicuratrice Unipol S.p.A.

1 We have audited the consolidated financial statements of the Unipol Group as at and for the year ended 31 December 2006, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the parent's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 13 April 2006 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Unipol Group as at and for the year ended 31 December 2006 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of the Unipol Group as at 31 December 2006, the results of its operations, changes in its equity and its cash flows for the year then ended.

Bologna, 5 April 2007

KPMG S.p.A.

(Signed on the original)

Massimo Tamburini
Director of Audit

Boards and Chief Officials after the Shareholders' Meeting

	Honorary Chairman		Enea Mazzoli
Board of Directors	**Chairman**		Pierluigi Stefanini
	Vice Chairman		Vanes Galanti
	Chief Executive Officer		Carlo Salvatori
	Board Members	Jean Dominique Antoni Sergio Betti Fabio Borghi Rocco Carannante Gilberto Coffari Piero Collina Bruno Cordazzo Sergio Costalli Jacques Forest Fabrizio Gillone Claudio Levorato	Ivan Malavasi Massimo Masotti Enrico Migliavacca Pier Luigi Morara Segio Nasi Marco Pedroni Giuseppe Politi Francesco Vella Marco Giuseppe Venturi Luca Zaccherini Mario Zucchelli
	Secretary to the Board of Directors		Roberto Giay
Group General Manager Insurance Area General Manager			Carlo Cimbri Carmelo De Marco
Board of Statutory Auditors	**Chairman**		Roberto Chiusoli
	Members		Domenico Livio Trombone Giorgio Picone
	Alternate Members		Cristiano Cerchiai Giovanni Battista Graziosi
External Auditors			K.P.M.G. spa

GLOSSARY

The glossary below is intended to make it easier to read the consolidated accounts drawn up in accordance with international accounting standards (IFRS).

Asset allocation
The selection of various financial assets (shares, bonds, cash etc.), based on investment opportunities, expected market performance and expected yield.

Asset & liability management (ALM)
The risk management technique to which insurance companies are exposed for the purpose of obtaining an adequate return on the investment by integrating the management of assets and liabilities. It is based on the sensitivity of assets and liabilities to variations in market conditions.

Available for sale (AFS)
Financial assets available for sale. The category is recorded at fair value on the balance sheet and is deemed by the IFRS to be a remaining category to the other three classes of financial asset provided for by IAS 39 (Held to maturity, Loans and receivables, Fair value through profit or loss).

Bancassurance (bank-insurance)
The term bancassurance relates to agreements between banks and insurers. Though it can take the form of different types of contract and can be integrated at various levels of operation, it typically consists of agreements for the distribution of insurance policies through the network of banking outlets.

Employee benefits
Total employee benefits, that is, all the various kinds of remuneration paid by an undertaking for work carried out by its employees. Under IAS 19 these benefits may be:
- short-term (wages, salaries, paid holidays, medical assistance, housing, company cars) in the case of staff currently employed;
- provided on termination of the employment contract (pensions, welfare benefits, life assurance, medical assistance);
- long-term in the case of staff currently employed (bonuses or leave of absence linked to years of service, sabbaticals, profit-sharing, incentives, etc.);
- due when employment ceases;
- payments based on shares (stock options).

Business combination
This represents the merger of separate business units or activities into a single unit, which is obliged to draft its own financial statements.

Securitisation
The possibility of assigning monetary receivables, both current and future, to a special purpose vehicle that will transform them into securities that can be traded on the financial market. Securitisation was introduced in Italy under Law 130 of 30 April 1999 and is used by the Banks to unfreeze receivables.

Combined ratio
This is an indicator that measures the balance on Non-Life technical business and is made up of the sum of the expense ratio and the loss ratio.

Insurance contract
A contract issued by an insurer involving the insurer in underwriting a significant insurance risk.

Investment contract
A contract issued by an insurer that does not involve the insurer in underwriting a significant insurance risk and therefore does not come under the definition of insurance contract.

Deferred acquisition costs
The costs incurred by the insurer for the acquisition or renewal of multiyear insurance contracts, mainly relating to commissions paid when the policy is taken out and which must be deferred and amortised over the entire duration of the policy.

Amortised cost
The initial recognised value of a financial asset or liability, net of the depreciation on the spread between initial value and value on maturity (trading spread), less any permanent losses of value and any transaction costs directly attributable to acquisition.

Derivative
Financial instrument with the following features:
⇒ its value '*derives*' from the performance of the value of an asset or from the occurrence in the future of an objectively-observable event. The asset, or the event, which may be of any nature or kind, '*underlies*' the derivative;
⇒ it does not require a net initial investment, or at least the investment is less than would be required in the case of other types of agreement that would be expected to respond in a similar way to changes in market factors;
⇒ it is paid for at a future date.
The relationship between the value of the derivative and the underlying asset, which can be ascertained mathematically, constitutes the financial result of the derivative, also known as the 'pay-off'.
Derivatives are mainly used for three purposes:
- to reduce the financial risk of an existing portfolio (hedging purposes);
- to underwrite exposures to risk in order to make a gain (speculative purposes);
- to make a gain with no risk attached by carrying out transactions jointly on the derivative and on the underlying asset so as to take advantage of any differences in value (arbitrage purposes).

Discretionary participation feature (DPF)
A discretionary element for future profit-sharing, represented by the contractual right of the policyholder or of an investor to receive payments in addition to the guaranteed minimum benefits, the level and payment date of which are decided by the insurer, based on the performance of certain contracts, on investment income, on a specific group of assets held by the insurer and on the Company's gains and losses.

Embedded value
The principal method of valuing insurance companies, in particular those operating in Life business, in order to reveal the value of the company's core business and to identify the sources of gain and loss. It is the sum of the adjusted shareholders' equity (market value of the Group's tangible assets) and the value of the current portfolio of Life policies (current value of future profits, after taxation, generated by the portfolio of policies in force on the valuation date net of the cost of maintaining a certain solvency margin).

Expense ratio
The percentage indicator of the ratio between total operating expenses and written premiums, net of reinsurance.

Fair value
The amount for which an asset may be exchanged, or a liability paid off, in a free transaction between informed and independent parties. This concept mainly refers to financial instruments.

Fair value through profit or loss
Financial instruments, acquired or held for trading, recorded at fair value in the income statement.

Hedge accounting
A method of recording hedging operations by means of derivatives that involves recording symmetrically the effects on the income statement arising out of the variations in fair value of the hedging instrument and of the instrument hedged (fair value hedging). This method is applicable if the compulsory condition that hedging should remain in force throughout the life of the derivative agreement is fulfilled.

Held to maturity (HTM)
Fixed-term financial instruments providing for fixed or ascertainable payments that an undertaking intends and has the ability to hold until they mature.

IAS-IFRS
The term IAS (International Accounting Standards) identifies the international accounting standards that were issued by the IASB (International Accounting Standards Board) until 31 March 2004. The term IFRS (International Financial Reporting Standards) identifies the international accounting standards issued by the IASB as from 1 April 2004.

Impairment
The valuation process to be applied to tangible and intangible assets in order to calculate the value that can be recouped.

Index-linked
A Life policy the benefits of which are linked to the performance of a market index, normally a share index. The investment risk is borne by the policyholder.

Liability adequacy test (LAT)
A test of the adequacy of the book value of the technical provisions for insurance contracts, net of the associated deferred acquisition costs, based on discounting back expected future cash flows.

Loans and receivables
Loans and receivables (as governed by IAS 39), excluding commercial receivables.

Loss ratio
The principal indicator of the profitability of an insurance company's operations. It is the ratio between claims and earned premiums for the same financial year, net of reinsurance. It is added to the expense ratio to obtain the 'combined ratio'.

Rating
A summary of the opinion expressed by independent companies such as Moody's and Standard & Poor's of a company's ability to meet its financial liabilities, which may have a considerable effect on the interest rate at which rated companies can obtain capital on the market.

Risk management
The system of the integrated management of the various types of risk – insurance, technical, financial and operational. It consists in the effective planning of the company resources required to protect the economic and financial balance as well as the company's operational capacity when risky events occur, in order to stabilise the cost of the risk in the short and long term by minimising the cost and effects of the risk on the individual financial years.

Return on equity (ROE)
The ratio between the result and the average shareholders' equity for the financial year.

Return on investment (ROI)
The earning capacity of all the financial resources used in a company's business activity. It corresponds to the ratio of operating income to capital invested.

Shadow accounting
The accounting procedure that enables a liability to be recorded (to increase the technical provisions for insurance contracts) in proportion to the adjustments to fair value recorded on the balance sheet and in the income statement, pertaining to policyholders (segregated accounts) and relating to assets classifiable as available for sale.

Unit linked
A Life policy the benefits of which are linked to the performance of an investment fund index (unit). The investment risk is borne by the policyholder.

Earnings per share (basic and diluted)
The index calculated by dividing the profits or the consolidated losses for the financial year by the number of shares in circulation or that can be issued.

Value in use

This is the current value of the cash flows attributable to tangible or intangible assets, including their presumed realisation value.

Recoupable value

This is the fair value or the value in use of a tangible or intangible asset, whichever is the greater. In impairment tests it is compared with the book value (carrying value) of the asset being valued.

Translated from the original Italian by SEL, the translation company owned by the University of Salford, Manchester, UK