2007 Consolidated Accounts

UNIPOL
GRUPPO
FINANZIARIO

Unipol Gruppo Finanziario 2007 Consolidated Accounts

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Translation from the original Italian text

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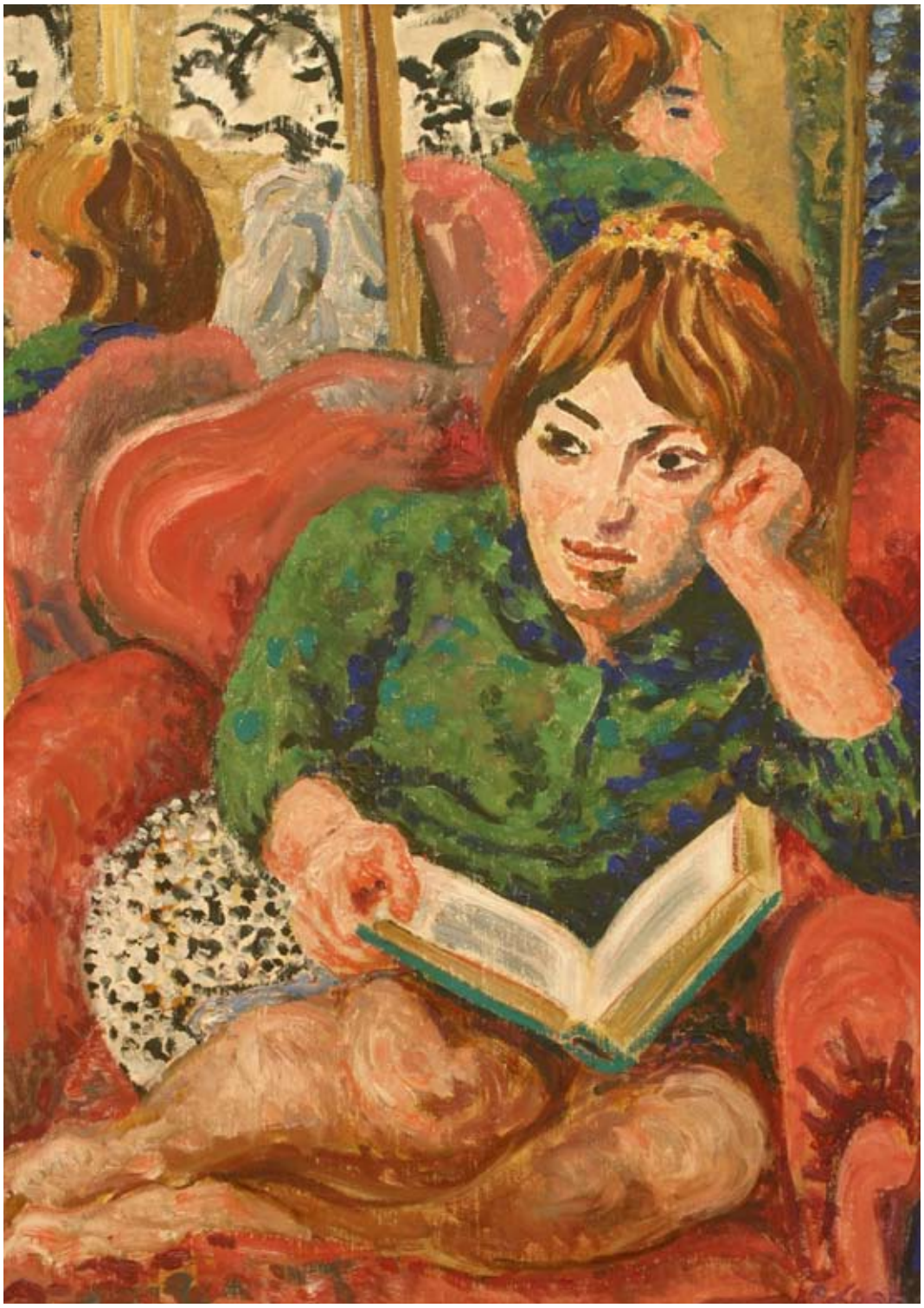
Company's Boards and Officials

	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 Sergio Nasi Marco Pedroni Giuseppe Politi Francesco Vella Marco Giuseppe Venturi Luca Zaccherini Mario Zucchelli
	Secretary of the Board of Directors		Roberto Giay
General Manager			Carlo Cimbri
Board of Statutory Auditors	Chairman		Roberto Chiusoli
	Members		Domenico Livio Trombone Giorgio Picone
	Alternates		Cristiano Cerchiai Giovanni Battista Graziosi
External Auditors			K.P.M.G. spa

Carlo Levi
young woman in an armchair

Unipol private collection



Introduction

Macroeconomic background

In the second half of 2007 the international macroeconomic background was characterised by the crisis affecting the subprime loans sector, which had caused substantial volatility in the financial markets.
There was so much fear of a slowdown in the growth of the principal economies that it was believed that a recession was imminent, especially in the United States.
In the third quarter of 2007 Italian GDP recorded an annual increase of 1.9%. At the same time, with an annual increase of 2.7%, rates of growth in the Eurozone as a whole continued to be higher than in Italy.
The gradual increase in the price of oil, which on 2 and 3 January 2008 rose above the psychological barrier of 100 dollars per barrel (100.09 dollars on 3/1/2008), was reflected in the trend in energy costs and therefore in inflation.
Though constantly on the up, inflation in Italy in 2007 grew more slowly than in the Eurozone as a whole and in December the trend in prices in Italy rose to 2.6%, compared with 2.4% the previous month. In the Eurozone as a whole inflation was 3.1%, unchanged since November.
The average annual figure for inflation for Italy was 1.8% and for the Eurozone it was 2.1%.
In the third quarter of 2007 the number of people seeking work fell still further, bringing the unemployment rate in Italy down to 5.6% from 6.8% at the end of 2006.

Financial markets

By August the subprime loans crisis in the United States and in the UK affected not only the trends in all the financial markets but also the Central Banks, which had to intervene in the markets with several injections of cash.
On 17 August the US discount rate was reduced by half a point, from 5.75% to 5.25%. The FED Funds base rate, unchanged at 5.25% since June 2006, was also gradually reduced, the latest cut-back on 30 January 2008 bringing it down to 3.00%.
After the monetary squeezes applied in the first part of 2007 some of the principal Central Banks favoured a wait-and-see policy. In fact, the ECB and Japanese base rates have been steady since June 2007 at 4% and 0.50% respectively.
Only the Bank of England, following the lead of the Federal Reserve, reduced its official rate, from 5.75% to 5.50%, on 6 December 2007.
The short-term rate in the Eurozone as a whole (3-month Euribor) rose significantly during 2007, to 4.68% at the end of the year from 3.72% at the end of 2006. Medium- to long-term rates also rose, with the Italian government 10-year rate up from 4.20% at the end of 2006 to 4.65% at the end of 2007.
The entire stock exchange year, and in particular the second half of 2007, was characterised by a particularly volatile performance in all the principal share markets. From the beginning of 2007 the Milan Stock Exchange recorded negative growth of 7.8% whilst that in the Eurozone as a whole was +6.7%. The New York Stock Exchange (+6.4% S&P index) and that of London (+3.8%) turned in positive performances whilst the Tokyo Stock Exchange recorded a fall of 1.1%.
Of particular significance was the figure for the Frankfurt Stock Exchange, which during the year rose by 22.3%.
The Euro gradually strengthened against the Dollar, reaching a new series of record highs. At the end of 2007 the exchange rate was 1.47 compared with 1.32 at the beginning of the year.

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The first two months of 2008 were characterised by constant increases in the cost of raw materials (oil and gold in particular) and by the devaluation of the Dollar against the Euro. Oil continued to set new records, reaching a historical maximum of 106.54 dollars per barrel on 7 March, and the Euro reached a high of 1.5459 dollars.
The trend in prices in Italy was also up in the first two months of 2008, the figure for January being 3.0% higher than for the same period of 2007. The provisional figure for February indicates a further increase to +3.1%.
At the end of January the Federal Reserve cut half a point off the FED Funds base rate, which now stands at

3.0%, followed by the Bank of England, which reduced its official rate from 5.50% to 5.25%. Rates remained unchanged in the Eurozone.
As at 7 March 2008 Italian short-term rates were down compared with the figure at the end of 2007 (4.5% compared with 4.68%), as were medium- and long-term rates (4.34% compared with 4.65%).
In general the international stock markets have fallen consistently since the beginning of the year. By 7 March the Milan Stock Exchange had lost 16.08% since the beginning of the year whilst the average in the Eurozone as a whole was -18.71%, the New York Stock Exchange was down 11.92%, Tokyo 16.49% and London 11.72%.

Insurance business

During 2007 the Italian insurance market continued to perform much as it had done in the previous year: after the fall of 3% in 2006, premium income for 2007 showed a further slowdown, though the rate differed according to sector.
In accordance with the figures published by ISVAP, in the first nine months of 2007 income amounting to €72bn, fell by 5.5% compared with same period of 2006.
By September Non-Life premium income was up 1.3%, although MV TPL was 0.7% down as a consequence of the regulations contained in the Bersani decrees and of the tariff flexibility that has been typical of the sector over the past few years.
Life premium income recorded a decrease of 9%, in particular in the traditional classes (I and V), which were down by 19% and 49% respectively. As regards the remaining classes, the policies in Class III (linked) were up 17% whilst in Class VI (pension funds) there was a twofold increase in premium income and it is expected that a further huge increase will be recorded for the fourth quarter linked to supplementary types of pension. In fact it will be recalled that by 30 June 2007 approximately 10 million employees in the private sector had decided whether to entrust their staff-leaving indemnity to a supplementary pension scheme (occupational pension fund, open-end pension fund, pension plan based on insurance).
The latest figures for income from new individual Life policies show a reduction of 14% between the beginning of the year and November 2007. Performance in the various classes continued to show a considerable drop in traditional business (particularly in the case of capital redemption, owing to the reappearance of the corporate phenomenon) with poor performance in Class I and Class V (down 28% and 62% respectively since the beginning of the year). The performance of linked policies (Class III) was up 8% but slowed down at the end of the year as a consequence of the effects of the introduction of the Mifid rules, which acted as a brake on the work of several operators on products in Class III.
All channels showed a drop in income, in particular the direct channel (which was more affected by the fall in corporate business).
One feature of the current financial year is the substantial growth in cross-border Life business, i.e. premiums written in Italy by branches, registered abroad, of several large Italian banking groups (companies resident abroad but managed by Italian entities). Even including this business, which in November amounted to €8.4bn, performance in the sector was still negative (-5.5%).
In view of current trends Prometeia has revised its assumptions for the end of the 2007 financial year downwards. The forecasts are that total premium income will be down by approximately 4% compared with 2006, with lower levels of Life premium income (approximately -7%) and very limited growth in Non-Life business (approximately +1.5%) owing to the negative performance in MV TPL and, in non-MV classes, to a reduction in the contribution of the corporate segment because of the business cycle not being positive and the continuing competitiveness of the market.

Banking and assets under management

Italian families' disposable income continued to fall during 2007. At the same time there was a reduction in the propensity to save. The result was a reduction in the flow of amounts set aside for investment. Overall total financial assets held by individuals should have increased by 4.3% during 2007.
There was still a distinct preference for cash, encouraged by the performance of the financial markets in the second half of the year. Savers began to favour Government bonds and banking bonds. 2007 was another poor year for asset management instruments. Investment funds business recorded negative net income of more than €53bn. Even insurance products should fall as a proportion of total financial assets for the first time since the 1990s.
So far the subprime crisis has had little effect on Italian banking business. The demand for credit by non-financial companies continues to show sustained growth, partly because of the acceleration in levels of investment and partly because of the performance in the bond markets which has discouraged the demand for this type of corporate financing. In the case of individuals, however, there has been a slowdown in the increase in applications for credit facilities for house purchase, which reflects the stagnation in the property market. However, the increase in the demand for loans in Italy is still higher than the average in the Eurozone

as a whole. The increase in demand for consumer credit appears to be down, which is a reflection of the climate of distrust among consumers.
Overall growth in total bank lending in 2007 was approximately 10%.
Up to the present time the quality of Italian banks' receivables has shown no sign of deterioration. The ratio between net doubtful debts and receivables shows a reduction of approximately ten basis points compared with 2006. However, the drastic fall in the securitisation scheme market, which also involves the sale of non-performing receivables, could act as a brake on these trends.
In the final months of the year, partly because of the volatility in the financial markets, there was an upturn in growth in domestic banking income. Nevertheless in 2007 it was mainly to other countries that Italian banks turned their attention when seeking a supply of funds. Borrowing on foreign markets, in particular via short-term instruments, is growing at rates close to 30% and in 2007 represented more than 28% of the entire income of the Italian banking system.
Once again issues of bonds (+12.2%) were at the sharp end of the growth in domestic income. The huge increase in repo operations (+19% compared with 2006) is closely linked to the upset caused by the bursting of the subprime bubble in the United States.
In view of the tensions that have been a feature of the interbank market since the summer the need to achieve a balance between the timing of the sources of supply and that of lending to customers is now beginning to make itself felt.

Principal new legislation

Let us recall some of the principal legislation introduced in 2007:

- On 1 January 2007 the **'Regulation covering rules on direct payment of losses incurred as a result of road traffic accidents'** (Presidential Decree 254 of 18/7/2006 issued in accordance with Article 150 of Legislative Decree 209 of 2/9/2005 - 'Insurance Code') came into effect. This Regulation applies to accidents occurring as from 1 February 2007 in all cases of damage to vehicles and of non-serious injury to drivers, even when passengers are involved.
- The **supplementary pensions reform** also came into effect on 1 January 2007 in accordance with Legislative Decree 252/2005 (as laid down in Law 296 of 27/12/2006). Under the Decree of 30 January 2007 the Minister of Employment and Social Welfare, in agreement with the Minister of the Economy and Finance, gave employees in the private sector the right to express their wishes about use of the staff-leaving indemnity. They had until 30 June to decide whether to leave the staff-leaving indemnity in their company scheme or to transfer it to a pension scheme of their own choosing.
- On **13 July 2007** ISVAP issued **Regulation 7 relating to the layout of the accounts of insurance and reinsurance companies** that must adopt the international accounting standards referred to in Part VIII (Accounts and accounting records), Chapter I (General provisions relating to accounts), Chapter II (Annual accounts), Chapter III (Consolidated accounts) and Chapter V (Auditing) of Legislative Decree 209 dated 7 September 2005 (Insurance Code). This Regulation, which came into effect as from the 2007 Accounts, is intended to create a single frame of reference for the application of the IAS/IFRS to the accounts of undertakings in the insurance sector.
- On 30 October 2007 the Council of Ministers approved the legislative decree incorporating the **Transparency Directive** (EC Directive 2004/109) and the enforcement measures contained in EC Directive 2007/14. The aim of the directive is the harmonisation of the duty of transparency incumbent upon issuers listed on European regulated markets. In particular, the duties provided for in the directive relate to: the provision of regular financial information, shareholdings, changes to shareholders' rights, the issue of credit facilities, procedures for exercising shareholders' rights, procedures and terms for distributing shares to the public and filing and storing the information required under the directive, the guidelines on abuse of the market and the relevant national legislation.
- The new Intermediaries Regulation (adopted by CONSOB in its ruling 16190 of 29/10/2007) came into effect on 2 November 2007. It incorporates the **MiFID Directive** (2004/39/EC) and its enforcement measures and redefines the code of conduct to be followed in the group management of savings and in the distribution of financial products issued by insurance companies, thereby standardising the types of behaviour expected of intermediaries when offering financial products and services. When distributing these products insurance companies are subject to the code of conduct for 'authorised intermediaries' provided for by this Regulation.
- On 13 December 2007 the Banca d'Italia, CONSOB and ISVAP signed a **Collaboration agreement relating to application of international accounting standards (IAS/IFRS)**. These authorities will collaborate by exchanging information, jointly examining questions of a general nature relating to the application of international accounting standards, sharing the compilation of research documents and seeking common positions on questions that are of interest to national and international accounting institutions or bodies.

In the second half of 2007 ISVAP also submitted for public consultation drafts of numerous regulations of great importance for insurance companies. Below is a summary of the main ones:

- 28 September 2007: Regulation concerning the **checking of solvency and provisions relating to capital adequacy at financial group level** (in accordance with Legislative Decree 142 of 30/5/2005 and with the coordination agreement relating to financial groups entered into by ISVAP, CONSOB and Banca d'Italia on 30/3/2006).
- The draft regulation implements the provisions of the Insurance Code (Articles 217, 218 and 219) relating to the calculation of the solvency of insurance companies and checking the adjusted solvency of holding companies that control insurance companies, insurance companies registered outside the EU and reinsurance companies. In accordance with the provisions relating to identifying and assessing the capital adequacy of financial groups this regulation also imposes the duty of checking solvency on insurance companies controlled by a holding company run as a joint venture belonging to a group whose principal activity is insurance. ISVAP issued the definitive regulation on 12 March 2008 (Regulation 18).
- 11 October 2007: Regulation covering provisions relating to **internal audit, compliance, risk management and outsourcing the work of insurance companies**, in accordance with Articles 87 and 191, para. 1, of Legislative Decree 209 of 7 September 2005 (Private Insurance Code)
  This regulation confers on ISVAP the power of imposing provisions relating to adequacy of the internal

auditing and risk management systems of insurance undertakings and groups and largely reproduces the provisions of ISVAP Circular 577/D of 30 December 2005.

- The principal innovations relate to setting up a compliance department within insurance companies and the introduction of rules governing outsourcing the work of insurance companies. The rules governing these aspects are in line with the latest international guidelines relating to prudent supervision in order to provide stability in the insurance sector and ease the gradual transition of the market and of the Supervisory Authority to the new Solvency II scheme.
- 5 December 2007: This regulation relates to **insurance groups** (in implementation of the provisions of Article 85, para. 5, and Article 87, para. 1, of the Insurance Code) and governs the structure and composition of insurance groups, parent companies' powers and responsibilities and duties connected with maintaining the register of insurance groups required by Article 85 of the Code. Compiling a register of insurance groups is an addition to the Code in order to provide specific information about insurance groups and consequently to expand the quality and nature of ISVAP's supervisory role in the case of companies that are already supervised individually. ISVAP issued the definitive regulation on 20 February 2008 (Regulation 15).
- 18 December 2007: Regulation concerning the **supervision of operations within groups** referred to in Part XV Chapter III of the Private Insurance Code. Though similar to previous regulations, this one contains some new elements intended to raise levels of supervision, including reporting, of insurance companies' property and financial management, as observed in the various ways in which they operate including the level of operations within groups.

Finally there are several major provisions relating to taxation:

- As a result of the statement submitted by ANIA to the European Commission on 19 February 2007, which was followed by one submitted by the ABI (Associazione Bancaria Italiana - Italian Banking Association), under Article 15-bis of Legislative Decree 81 of 2 July 2007 (converted into Law on 2/8/2007) the Government removed the exclusion from the reduction in the **'tax wedge'** from banks, finance companies and insurance companies. This measure in favour of businesses had been introduced under Article 1, para. 266, of Law 296 of 27 December 2006 (the 2007 Finance Act) and is implemented by reducing the basis of assessment for the purposes of IRAP as a function of employee costs. Legislative Decree 81 of 2007 also amended Article 6 of Legislative Decree 446 of 1997, which governs the valuation of the net income of banks and other finance bodies and companies, with the aim of limiting the **deductibility from the basis of assessment for IRAP of interest payable** that is not a negative item in typical banking and financial business.
- In Circular 70/E of 18 December 2007 the Ministry of Finance issued the expected interpretations of the **amendments to the rules governing the taxation of supplementary pension schemes**, which were implemented by Legislative Decree 252/05 and therefore came into force on 1 January 2007.
- Article 1, paras 46 and 47, of Law 244 of 24 December 2007 (2008 Finance Act) introduced the possibility of paying **substitute tax** (with rate brackets of between 12% and 16%) on the increased book values of tangible and intangible long-term assets as a result of **extraordinary operations** (such as mergers and transfers of business) also carried out during the 2007 tax year, within the limits of the misalignments in existence as at 31 December 2007.
  In addition, Article 3 para. 1, o) 1 and paras 2 and 10 **removed the possibility of deducting** (EC draft of the Single Model declaration) **negative income items not recorded in the profit and loss account** (for example, depreciation and amounts set aside). However, there is provision for a transitional stage for the recovery of overcharges set aside in previous periods and still in existence at the end of the current period as at 31 December 2007. The overcharge may also be recouped by paying **18% substitute tax**. There is also provision for eliminating the lock-up on the **suspended provisions** (with no effect on taxable values) by paying **1% substitute tax**.
- Legislative Decree 248 of 31 December 2007, the 'decreto milleproroghe', provides for **the repeal**, as from 31 December 2007, **of tax on stock exchange contracts** referred to in Royal Decree 3278/23 as amended by Legislative Decree 435/1997.

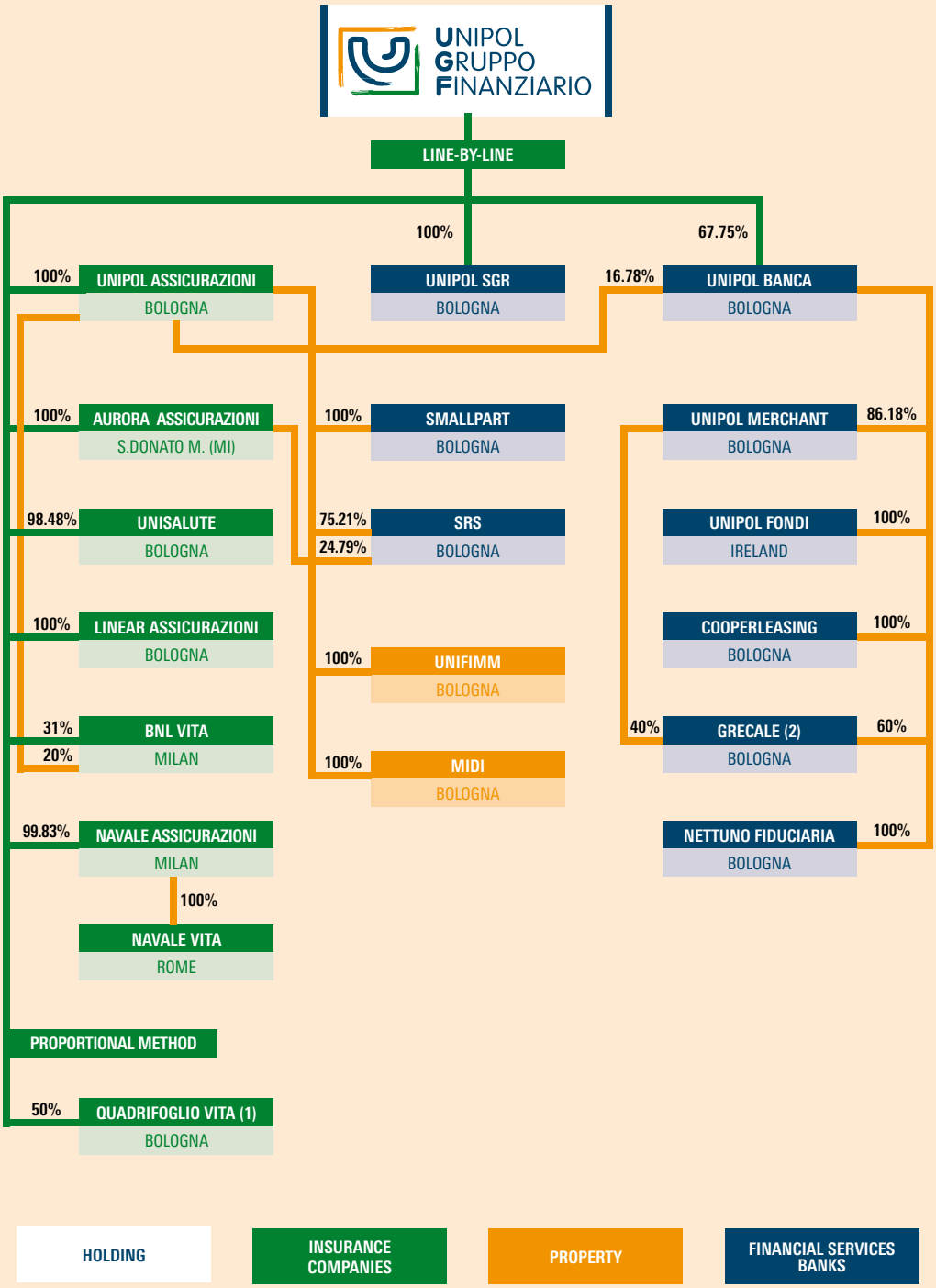
Carlo Levi
profile with pomegranate

Unipol private collection

(detail)

Basis of consolidation

BASIS OF CONSOLIDATION as at 31 December 2007



(1) Company held for disposal and consolidated in accordance with IFRS 5.
(2) Company in liquidation.

Carlo Levi
Paola

Unipol private collection

(detail)

Group highlights

GROUP HIGHLIGHTS

(amounts in €m)

	31/12/2007	31/12/2006
Insurance business - Direct income	**7,851**	**8,784**
% variation	*-10.6*	*-0.8*
- Non-Life insurance premiums	4,289	4,061
% variation	*5.6*	*2.9*
- Life assurance premiums	3,545	4,695
% variation	*-24.5*	*10.8*
- investment products	17	28
% variation	*-39.0*	*-95.9*
Banking business - Direct customer deposits	**9,097**	**7,917**
% variation	*14.9*	*13.9*
Loss ratio (%) - Non-Life business (net of reinsurance)	**72.6%**	**73.1%**
Total net operating expenses	**1,277**	**1,156**
% variation	*10.5*	*3.3*
Net income from financial instruments	**1,131**	**1,163**
% variation	*-2.8*	*21.5*
Profit before taxation	**607**	**591**
% variation	*2.7*	*22.7*
Consolidated profit	**421**	**362**
% variation	*16.5*	*28.0*
Net profit - Group	**389**	**281**
% variation	*38.4*	*10.5*
Investments and liquid assets	**39,405**	**37,350**
% variation	*5.5*	*4.0*
Technical provisions	**26,074**	**24,042**
% variation	*8.5*	*8.1*
Financial liabilities	**11,810**	**10,379**
% variation	*13.8*	*-0.5*
Shareholders' equity pertaining to the Group	**4,988**	**5,358**
% variation	*-6.9*	*-3.5*
No. of staff	**6,633**	**6,595**

Figures as at 31/12/2007 relating to investments and liquid assets, technical provisions and financial liabilities do not include the figures for Quadrifoglio Vita, a company held for disposal. In accordance with IFRS 5, their assets and liabilities have been reclassified under items 'Non-current assets or assets held for sale belonging to a group in the course of being sold' and 'Liabilities of a group in the course of being sold held for sale'.

Board report

The Group

The 2007 financial year was largely characterised by completion of the project to reorganise the companies and departments within the Group launched at the end of 2006, which led to the birth of **Unipol Gruppo Finanziario S.p.A. (UGF)**, a holding and service company, and at the end of the year by the start of a project to rationalise the property and financial structure.
These operations were carried out in accordance with the guidelines contained in the Group's plan for 2006-2009 which already provided for the distinction, including at the company level, between holding activities and insurance activities and for repayment of capital in excess of the statutory minimum if it was deemed impossible to use it in order to finance external growth by means of acquisitions with financial returns in line with the objectives of the plan.

Company and departmental reorganisation

The project to reorganise the companies was launched by the Parent Company's Board of Directors on 11 December 2006 and ended on 1 September 2007.

The most significant stages of the implementation of the project can be summarised as follows:

- The launch of a voluntary public offer by Unipol Assicurazioni (now UGF) for 33.34% of Aurora Assicurazioni's share capital held by minority interests at a price of €2.45 per share. The offer came to an end on 9 March 2007 with shares representing 29.162% of Aurora Assicurazioni's capital being contributed. The cost of €657m (plus €4m of additional charges) was financed from capital and reserves.

- The transfer by Unipol Assicurazioni (now UGF) and Aurora Assicurazioni of their insurance business to Nuova Unipol Assicurazioni and Nuova Aurora Assicurazioni respectively, companies set up and controlled by Unipol Assicurazioni (now UGF) and Aurora Assicurazioni respectively, and the subsequent incorporation of Aurora Assicurazioni's remaining business into UGF.

- The allocation of UGF shares at a ratio of 0.510 UGF ordinary shares and 0.314 UGF preference shares for each Aurora Assicurazioni ordinary share to those of Aurora Assicurazioni's shareholders who had not accepted the bid. UGF increased its capital for the purpose of the merger by €76m, €31m of which was share capital and €45m provision for share premium.

On 29 August 2007, the required authorisation having been obtained from the relevant supervisory bodies (ISVAP on 3/8/2007 and COVIP on 9/8/2007), the deeds transferring the various classes of insurance business to Nuova Unipol Assicurazioni and Nuova Aurora Assicurazioni were signed, as was the deed incorporating Aurora Assicurazioni into UGF, which took legal effect on 1 September 2007. The date of the fiscal and accounting effects of the merger on the Parent Company's individual accounts was 1 January 2007.
Likewise with effect from 1 September 2007 Unipol Assicurazioni changed its name to Unipol Gruppo Finanziario spa (UGF S.p.A.), taking on the new aims and objectives of being a holding and service company, whilst Nuova Unipol Assicurazioni took the name of Unipol Assicurazioni spa and Nuova Aurora Assicurazioni took the name of Aurora Assicurazioni.

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

On 21 February 2008, in accordance with Article 2343 para. 3 of the Italian Civil Code, the Boards of Directors of Unipol Assicurazioni and Aurora Assicurazioni ascertained the accuracy of the sworn valuations carried out by experts on the classes of business of which they were beneficiaries, thus completing the transfer process.

The following operations to finalise the Group's new set-up were also carried out during 2007:

- On 31 July 2007, having obtained the necessary authorisation, Unipol Gruppo Finanziario finalised the purchase from Banca Nazionale del Lavoro of 1% of BNL Vita's share capital, bringing its total holding in this company to 51%. The price of the transaction was €5.9m. The purchase was carried out in accordance with the memorandum of understanding entered into in February 2006 between the Unipol Group and the BNP Paribas Group at the time the BNL shares then held by the Unipol Group were sold. Further agreements were signed during 2007 which led to a new exclusive distribution agreement for BNL Vita products until 31 December 2011 and new governance for the bancassurance company, with the objective of further accelerating its sales growth for the benefit of shareholders, UGF and BNL. In addition, since 1 March 2007 the Group has managed BNL Vita's investments held as a hedge against the company's provisions for products in Class I and Class V and its capital and reserves.

- On 29 August 2007, having obtained authorisation from the Banca d'Italia, Unipol Banca sold to the Parent Company UGF its entire holding in the subsidiary Unipol SGR, to which the insurance companies in the Group granted a mandate to manage their financial investments.

- On 13 September 2007, following authorisation by the Banca d'Italia, the acquisition by Unipol Banca of the entire capital of Cooperleasing SpA, a small leasing company registered in Bologna, was finalised for a total of €15m.

As at 31 December 2007 the holding company UGF S.p.A. controlled five insurance companies: Unipol Assicurazioni (100%), Aurora Assicurazioni (100%), Linear (100%), Navale Assicurazioni (99.83%) and Unisalute (98.48%).
In the bancassurance sector it controls BNL Vita with 51%, whilst 50% of Quadrifoglio Vita, which it currently owns, is being sold to the MPS Group.
In banking business it controls Unipol Banca (84.53%), which in turn controls Unipol Merchant (86.18%), Unipol Fondi (100%), Nettuno Fiduciaria (100%) and Cooperleasing (100%).
In the sector of assets under management UGF owns 100% of Unipol SGR.
Work on reorganising the companies was followed by that of reorganisation the various departments. The Group now distinguishes between holding company business and the centralised and coordination functions common to the Companies in the Group on the one hand and the operational departments within each company on the other, thus increasing economies of scale and expertise and promoting integration amongst the various types of insurance business and between insurance business and banking business.

In particular, claims handling, administration, human resources, IT and property management have been centralised within UGF. Management of the Group's financial investments has been entrusted to Unipol SGR, whilst Unipol Gruppo Finanziario carries out the relevant back-office work.
The reorganisation work was accompanied by training courses for the Group's managers and senior executives, with the aim of enhancing the managerial skills required to cope with the way in which the business is now organised.

Extraordinary charges linked to the reorganisation work incurred by the Group during 2007 amounted to €42m, €21m of it costs linked to financial incentives for staff who left.

Rationalisation of the property and financial structure

In view of the impossibility of using the capital surplus to finance the growth of the Group by means of acquisitions that would provide returns on capital in line with the objectives of the plan, on 13 December 2007 UGF's Board of Directors approved a project to rationalise the Group's property and financial structure whereby resources deemed to be surplus would be returned, having regard to commitments to the market and to shareholders.

More specifically this project involves:

- a proposal to distribute total dividends (ordinary and extraordinary) of approximately €1bn, which will be submitted for the approval of the Shareholders' Meeting called to approve the accounts for 2007. It must be stressed that taking into account the ordinary and extraordinary dividends distributed in 2005 and 2006 the total amount distributed to shareholders in the three-year period will reach €1.6bn;
- raising hybrid loans totalling €400m (€230m by Unipol Assicurazioni and €170m by Aurora Assicurazioni) in order to maintain the firm equity structure of both the major Companies and the Group. The new loans will account for 50% of the required solvency margin. On 28 February 2008 Mediobanca - Banca di Credito Finanziario S.p.A. signed an undertaking to provide the whole of this finance subject to obtaining the required legal authorisation;
- keeping the Group's equity structure adequate for the prospects for internal growth under the current business plan (2006-2009), compatible with the indicators needed to guarantee the current ratings and with a surplus that meets the regulatory requirements.

Choosing to repay the capital as a dividend provides the maximum parity of treatment for all categories of shareholder and the maximum transparency for the market and the supervisory bodies.

On 14 December 2007 Moody's Investor Services placed the insurance and banking ratings allocated to the UGF Group under observation for a possible upgrade. The ratings in question are 'A2' for the financial soundness of the insurance side of the business, allocated to Unipol Assicurazioni and to Aurora Assicurazioni, 'Baa1' allocated to the two subordinated bonded loans expiring in 2021 and 2023 and 'Baa2' for long-term deposits, allocated to Unipol Banca. The decision was the result of the "continued improvements in the Group's financial basis, and particularly of the clear expectations for future levels of capitalisation".

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Amongst the other events that were a feature of 2007 it should be mentioned that:

- On 9 March 2007 Banca Agricola Mantovana Spa, which was subsequently succeeded by Banca Monte dei Paschi di Siena, announced to UGF that it was terminating the bancassurance agreement on the distribution of the products of Quadrifoglio Vita, in which it had a 50% joint participating interest. Thus the agreement expired on 12 September 2007. On 20 December 2007 ISVAP authorised Banca Monte dei Paschi di Siena to acquire 50% of Quadrifoglio Vita from UGF, as provided for in the agreements in the event of termination by one of the parties.

- On 28 September 2007 13.88% of the Belgian company Vivium S.A., an insurance company operating in Life and Non-Life business and the third largest insurance company in Belgium, was purchased for a total of €148m. Vivium S.A. is the new name adopted by ING Insurance Belgium after incorporation of the Belgian insurance companies Vivium and Vivium Life.

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As regards business performance in 2007, in **insurance business** the most significant figure is the one for the considerable growth in the Group's Non-Life business (€4.3bn, +5.6% on 2006), which is the most profitable sector in the Group. As it is estimated that the market as a whole grew by not much more than inflation, the UGF Group should have increased its market share still further, as provided for in the strategic plan.

The decrease recorded in Life premium income (total direct income of €4.7bn, -31% compared with 2006), which is more marked than is expected in the market as a whole, reflects both the policies relating to capital redemption policies adopted by the Group (not underwriting corporate policies focusing on retail business) and the expiry (in September 2007) of its bancassurance agreement with the MPS Group relating to Quadrifoglio Vita which interrupted the Company's income flow. Mention must be made of the substantial growth in premium income recorded in the pension funds sector (€200m, +162% compared with 2006) and in particular in closed guaranteed funds. This growth was linked to the intensive work connected with the coming into force of the pensions reform, which led to amounts set aside for staff-leaving indemnity being paid into supplementary pension schemes. As at 31 December 2007 the Group held 25 asset management mandates, 10 without guarantee and 15 with guarantee.

As for performance in Non-Life core business, the Group recorded a combined ratio, net of reinsurance, of 94.4%, an improvement compared with 94.6% in 2006 which itself was an excellent figure. The financial year was characterised by the introduction of the direct indemnity scheme which profoundly altered the

operating procedures for handling MV TPL claims and made it difficult to make comparisons with previous years. Another change in the regulations made it necessary to make changes within the Group Claims-Handling Department, which is now split into three separate sections: General Claims Handling/Call Centre, Local Claims Handling (for claims of average complexity) and Complex Claims Handling. Work has also begun on improving the performance of the telephone service and on streamlining dealings with representatives and approved vehicle repairers, and the possibility of agencies opening claims direct by means of a web-based software package has been introduced.

In 2007 **investment management policies** were characterised by a substantial proportion of investments being in liquid low-risk form and in high-yield and extremely liquid shares; trading on the bond and share market was aimed at achieving the profitability expected.
The proportion of fixed-rate securities in the bond portfolio was reduced during the year, and at the same time the duration was reduced in order to take advantage of the increase in short-term rates and the focus continued to be on securities of counterparties with high ratings.

In **banking business** Unipol Banca continued to pursue its strategy of expanding the sales network, which by the end of 2007 consisted of 282 branches (+17 compared with the end of 2006), 167 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 intended to increase client synergies with the Group's insurance business, in particular with retail clients.

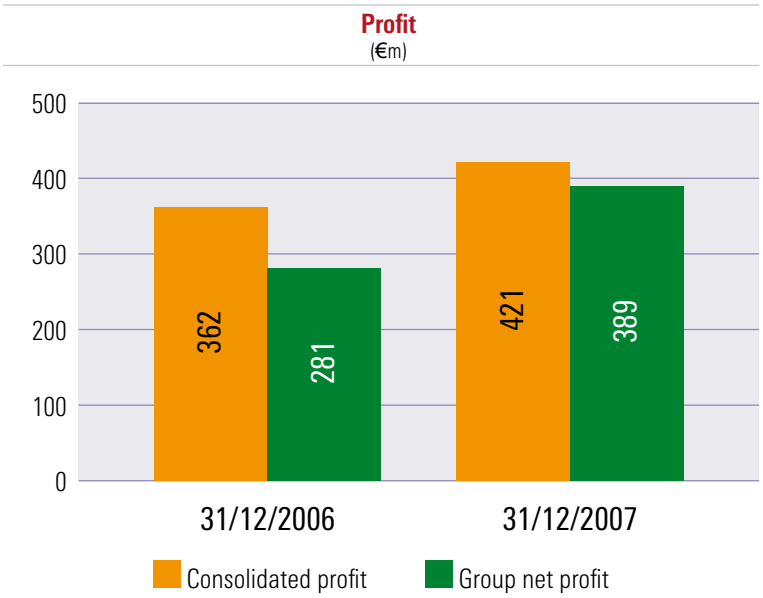
Unipol Banca's balance sheet figures for 2007 continued to record a substantial rise both in customer deposits (€9.1bn, +15%) and in lending to customers (€7.4bn, +18%). Despite a climate that was not favourable to lending new loans accounted for more than €1.3bn (+4% compared with the figure for 2006).
The growth recorded in gross operating income (+17%) is proof of the increase in the levels of funds and in the net gains resulting from trading in financial assets.

Unipol Merchant - Banca per le Imprese continued to operate at a profit in 2007 despite the unfavourable business cycle in the stock markets which had repercussions both on listing operations (causing IPO operations to be postponed until 2008) and on the result of the portfolio of listed securities, despite it being made up of investments in companies with a sound financial basis whose listings had been dealt with by the Bank.

On 13 September 2007 Cooperleasing S.p.A. joined the Unipol Banca Banking Group. For more than 25 years this company has provided financial leasing services to cooperatives throughout Italy, which makes it unique in the field of the provision of financial leasing agreements to cooperatives. Thanks to the Group's vast network Cooperleasing S.p.A. will operate throughout the country, offering a broad range of leasing services and products, and no longer only to cooperatives but also to companies and professionals.
As regards the integration of banking and insurance, it is worth mentioning the marketing during 2007 of 2diCuore (2 of Hearts), a totally new product, which combines in a single solution a current account and an extremely competitive MV policy (offering discounts of between 10 and 20% on MV TPL premiums and up to 50% on fire and theft) combined with the latest satellite system providing assistance to vehicles and people in the event of accident (the 'black box', sold as Unibox and Aurobox).
While on the subject of integration we should mention the creation of UGF Point, the first 'do-it-yourself' multimedia branch, fully automated for the provision of banking and financial services, which will be gradually installed in Unipol Assicurazioni and Aurora Assicurazioni insurance agencies, thus expanding Unipol Banca's sales network. This innovative project was born out of the realisation that banking and insurance requirements are increasingly converging and that customers need to identify a single source that offers them combined products, the only ones able to guarantee a comprehensive and advantageous package of services.
In this regard it should be also mentioned that at the end of 2007 60% of Unipol Banca branches were already combined with insurance agencies and that many of the new branches due to open by 2009 will be of this type.

Salient aspects of business operations

The consolidated accounts as at 31 December 2007 ended with a **consolidated result of €421m** (€362m as at 31/12/2006, **+16.5%**), €32m of which pertained to minority interests (€80m as at 31/12/2006). Group net profit was **€389m** (€281m as at 31/12/2006, **+38.4%**).



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

- **income from insurance business**, gross of reinsurance cessions, was **€7,879m** (-10.6% compared with 31/12/2006), €17m of which related to Life investment products (€28m as at 31/12/2006); **direct income amounted to €7,851m** (-10.6% compared with 31/12/2006);

- **earned premiums**, net of reinsurance cessions, amounted to €7,463m, €3,934m of which was from Non-Life business (€3,706m as at 31/12/2006) and €3,528m from Life business (€4,674m as at 31/12/2006);

- in **banking business customer deposits** amounted to **€9,097m** (+14.9% compared with 31/12/2006);

- **net charges relating to claims**, net of reinsurance cessions, amounted to €6,769m, €2,855m of which was from Non-Life business (€2,710m as at 31/12/2006) and €3,914m from Life business (€5,118m as at 31/12/2006);

- the **net loss ratio** in Non-Life business was 72.6% (73.1% as at 31/12/2006);

- **operating expenses**, net of commission received from reinsurers, amounted to €1,277m (€1,156m as at 31/12/2006); the incidence of operating expenses on net premium income in Non-Life business was 22.6% (22.3% as at 31/12/2006) whilst in Life business it was 4.1% (3.3% as at 31/12/2006);

- **investments and available cash** amounted to €39,405m, a increase of €2,055m compared with 31 December 2006;

- **technical provisions** and **financial liabilities** amounted to €37,885m, the corresponding value as at 31 December 2006 having been €34,422m;

- **net capital gains and investment income** from financial assets and liabilities amounted to €1,131m during the period (€1,163m as at 31/12/2006);

- the total **gross result** amounted to €607m (€591m as at 31/12/2006). Net of tax for the period of €186m and of the net profit pertaining to minority interests of €32m the **Group net profit** as at 31 December 2007 was €389m (€281m as at 31/12/2006);

- the **incidence of taxation** on the gross result for the period was 30.6% compared with 38.8% as at 31 December 2006.

It should be mentioned that as a result of Unipol Gruppo Finanziario's intention to sell 50% of Quadrifoglio Vita to Banca Monte dei Paschi di Siena the figures consolidated in this document are set out in accordance with the provisions of IFRS 5, but there are no changes in the consolidated shareholders' equity nor in the consolidated profit.
More specifically, on the consolidated balance sheet the assets of the company to be sold are reclassified in a single item known as 'Non-current assets or assets held for sale belonging to a group in the course of being sold' (item 6.1 of the Assets) whilst the corresponding liabilities are similarly reclassified in a single item known as 'Liabilities of a group in the course of being sold held for sale' (item 6.1 of the Liabilities). Both items are net of operations within the Group.
On the other hand the items in the profit and loss account are set out in accordance with the normal rules of consolidation on a line-by-line basis.

In addition, with the increase from 50% to 51% of the holding in BNL Vita, the relative balance sheet figures as at 31 December 2007 have been consolidated in full (50% as at 31/12/2006) whilst the figures in the profit and loss account have been 50% consolidated for the first half of the year and 100% for the second half (50% as at 31/12/2006), the acquisition having taken place in July 2007.

Below is a summary of the consolidated profit and loss account as at 31 December 2007 subdivided according to business activity - insurance (Non-Life and Life), banking and holding and service company - compared with the figures for the previous year.

Subdividing the profit and loss account according to business activity following the complete reorganisation of the business during 2007 illustrates the work of the Parent Company UGF (managing shareholdings and providing services exclusively for Companies in the Group) as from the consolidated accounts for 2007, in line with the in-house reporting system adopted on 1 September 2007.
UGF's costs and income accrued since 1 September 2007 have been allocated to Holding Company Business and Services, costs and income accrued in the first eight months of the year thus continuing to pertain to Non-Life and Life business. In view of the particular complexity of the work of reorganising the services provided within the Group it has not been possible to present reliable figures for the period prior to 1 September 2007 and comparative figures for 2006 for this sector.

SUMMARY OF CONSOLIDATED INCOME STATEMENT BY BUSINESS SECTOR

(amounts in €m)

	NON-LIFE BUSINESS		var. %	LIFE BUSINESS		var. %	INSURANCE TOTAL		var. %
	31/12/07	31/12/06		31/12/07	31/12/06		31/12/07	31/12/06	
Net earned premiums	3,934	3,706	6.2	3,528	4,674	-24.5	7,463	8,381	-11.0
Net income from fees/commissions	0	0	-68.8	(2)	4		(2)	4	-154.9
Financial income/charges	337	358	-5.7	655	674	-2.8	992	1,032	-3.8
Net charges relating to claims	(2,855)	(2,710)	5.4	(3,914)	(5,118)	-23.5	(6,769)	(7,828)	-13.5
Operating expenses	(888)	(827)	7.4	(144)	(154)	-6.4	(1,033)	(981)	5.3
Other income/charges	(33)	(52)	-36.1	21	(1)		(12)	(52)	-77.2
Pre-tax profit (loss)	**495**	**476**	**4.1**	**144**	**79**	**81.6**	**639**	**555**	**15.1**

	BANKING BUSINESS		var. %	HOLDING CO. & SERVICES (*)		var. %	Intersector eliminations		var. %
	31/12/07	31/12/06		31/12/07	31/12/06		31/12/07	31/12/06	
Net earned premiums									
Net income from fees/commissions	81	75	8.4				(3)	(2)	24.6
Financial income/charges	191	155	22.7	(11)			(41)	(24)	70.2
Net charges relating to claims							1	1	63.9
Operating expenses	(211)	(181)	16.5	(129)			96	6	
Other income/charges	1	6	-76.9	79			(87)	(0)	
Pre-tax profit (loss)	**62**	**55**	**12.9**	**(61)**			**(33)**	**(19)**	**72.8**

	CONSOLIDATED TOTAL		var. %
	31/12/07	31/12/06	
Net earned premiums	7,463	8,381	-11.0
Net income from fees/commissions	76	76	0.1
Financial income/charges	1,131	1,163	-2.8
Net charges relating to claims	(6,768)	(7,827)	-13.5
Operating expenses	(1,277)	(1,156)	10.5
Other income/charges	(18)	(46)	-60.7
Pre-tax profit (loss)	**607**	**591**	**2.7**
Taxation	(186)	(229)	-19.0
Consolidated profit (loss)	**421**	**362**	**16.5**
Profit (loss) - minority interests	32	80	-60.2
Profit (loss) - Group	**389**	**281**	**38.4**

(*) income and expenditure pertaining to the Parent Company UGF for the period 1/9-31 December 2007

On the same basis of consolidation, taking into account as at 31 December 2006 all of BNL Vita's profits for the second half of the year, the variation in the consolidated profit would have been +12.9%.

Consolidated net profit for the fourth quarter of 2007 alone amounted to €50m (the fourth quarter of 2006 having closed with a net profit of €14m).

Insurance business

Premium income and investment products

Total income (premiums and investment products) as at 31 December 2007 amounted to €7,879m, a decrease of 10.6% compared with the situation as at 31 December 2006.
On the same basis of consolidation, taking into account the whole of BNL Vita's income in the second half of 2006, the decrease was 18.6%.

Non-Life income rose by 5.6% whilst in Life business there was a fall of 24.6% (-36.2% on the same basis of consolidation).

CONSOLIDATED INCOME
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	Var. %
Non-Life direct premium income	4,289		4,061		5.6
Non-Life inward reinsurance	24		25		-3.2
Total Non-Life premium income	**4,313**	**54.7**	**4,086**	**46.4**	**5.6**
Life direct premium income	3,545		4,695		-24.5
Life inward reinsurance	4		4		8.7
Total Life premium income	**3,549**	**45.0**	**4,699**	**53.3**	**-24.5**
Total Life investment products	17	0.2	28	0.3	-39.0
Total income from Life business	**3,566**	**45.3**	**4,727**	**53.6**	**-24.6**
TOTAL INCOME	**7,879**	**100.0**	**8,813**	**100.0**	**-10.6**

Income as at 31 December 2007 is broken down as follows:
- Non-Life premium income 54.7% (46.4% as at 31/12/2006)
- Life premium income 45% (53.3% as at 31/12/2006)
- Life investment products 0.2% (0.3% as at 31/12/2006).

Direct income amounted to €7,851m (-10.6% compared with 31/12/2006), €7,834m of which was premium income and €17m investment products.

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).
Investment products in the portfolio as at 31 December 2007 related only to Class III (unit- and index-linked policies).

Almost all the policies issued were subscribed in Italy.

Premium income for the fourth quarter of 2007 alone amounted to €2,331m (€2,484m in the fourth quarter of 2006), €1,338m from Non-Life business (+6.4%) and €993m from Life business (-19.1%).

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

BREAKDOWN OF CONSOLIDATED INCOME PER CLASS OF BUSINESS

(amounts in €m)

	31/12/2007	comp. %	31/12/2006	comp.%	Var. %
DIRECT ITALIAN BUSINESS					
Non-Life premium income					
Accident and Health (classes 1 and 2)	645	8.2	593	6.7	8.9
Land vehicles - TPL (class 10)	2,252	28.7	2,160	24.6	4.3
Land vehicles - Own damage or loss (class 3)	360	4.6	341	3.9	5.5
Marine, Aviation and Goods in transit (classes 4, 5, 6, 7,11 and 12)	32	0.4	31	0.4	3.1
Fire and Other damage to property (classes 8 and 9)	436	5.6	413	4.7	5.6
General TPL (class 13)	391	5.0	366	4.2	6.8
Credit and Bond (classes 14 and 15)	42	0.5	40	0.5	5.8
Miscellaneous pecuniary losses (class 16)	51	0.7	48	0.5	7.1
Legal protection (class 17)	31	0.4	26	0.3	18.4
Assistance (class 18)	49	0.6	44	0.5	10.7
Total Non Life business	**4,289**	**54.6**	**4,061**	**46.2**	**5.6**
Life premium income					
I - Life assurance, annuities	1,070	13.6	1,622	18.5	-34.1
III - Unit-linked/index-linked products	1,894	24.1	1,242	14.1	52.5
V - Capitalisation	382	4.9	1,755	20.0	-78.2
VI - Pension funds	200	2.5	76	0.9	162.1
Total Life business	**3,545**	**45.2**	**4,695**	**53.5**	**-24.5**
Total Life and Non-Life direct premium income	**7,834**	**99.8**	**8,756**	**99.7**	**-10.5**
Total Life investment products	**17**	**0.2**	**28**	**0.3**	**-39.0**
Total direct income	**7,851**	**100.0**	**8,784**	**100.0**	**-10.6**
INWARD REINSURANCE					
Non-Life premium income	24	85.4	25	86.8	-3.2
Life premium income	4	14.6	4	13.2	8.7
Total inward reinsurance	**28**	**100.0**	**29**	**100.0**	**-1.7**
OVERALL CONSOLIDATED INCOME	**7,879**		**8,813**		**-10.6**

The classification of premium income according to class set out above complies with the provisions of Article 2, para. 1 in the case of Life business and para. 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 2007 according to sector and subdivided into Non-Life premium income, Life premium income and investment products (in €m):

Direct income by sector	Non-Life premiums	Life premiums	Total	comp.%	Invest. products	Total income	comp.%
Traditional composite cos	3,791	1,675	5,466	69.8	15	5,481	69.8
Non-Life specialist cos	498	0	498	6.4	0	498	6.3
Bancassurance companies	0	1,871	1,871	23.9	2	1,872	23.8
Total direct income	**4,289**	**3,545**	**7,834**	**100.0**	**17**	**7,851**	**100.0**

Life Business

Life income as at 31 December 2007 totalled €3,566m, down 24.6% compared with 31 December 2006.
On the same basis of consolidation the variation was -36.2%, even though as a result of the cancellation of the bancassurance agreement Quadrifoglio Vita had no new premium income in the last quarter of the year.

Direct income amounted to €3,562m (-24.6% compared with 31/12/2006). There was a huge increase in Class III - index- and unit-linked policies (50.5%) whilst Class I - traditional policies (-34.1%) and Class V - capital redemption policies (-78.2%) were down.
Class VI - pension funds, benefiting from the introduction of supplementary pension reform, recorded an increase of 162.1%.
Premium income from inward reinsurance amounted to €4m (+8.7% compared with 31/12/2006).

As at 31 December 2007 direct Life premium income amounted to €3,545m whilst investment products amounted to €17m. As at 31 December 2006 Life premium income had been €4,695m and investment

products €28m.

Pension Funds

The most significant event of the year relates to the coming into effect, as from 1 January 2007, of the supplementary pensions reform (Legislative Decree 252 of 5/12/2005).
This new legislation gave employees in the private sector until 30 June 2007 to express their wishes, either explicitly or tacitly (silence being construed as assent) about the use of the staff-leaving indemnity due after 31 December 2006, i.e. whether to leave it in their company scheme or to transfer it to another pension scheme.
Therefore as a result of the new legislation pension funds set up a guaranteed sector for the staff-leaving indemnity remaining within the company as a result of silence being construed as assent or being specifically transferred, and there were a lot of calls for bids during the year for managing the financial resources that will flow into the guaranteed sectors.

As far as the Group was concerned 2007 was characterised by intensive work in taking part in the bidding for guaranteed asset management mandates, as a result of which Unipol Assicurazioni was awarded 13 new asset management mandates, 12 of which were 'with guarantee'.
Among the new asset management mandates were those for Alifond (the food sector pension fund), Priamo (the public transport sector pension fund), Telemaco (the telecommunications sector pension fund), Fondapi (the pension fund for businesses belonging to Confapi - Confederazione nazionale della piccola e media industria) and Laborfonds (the pension fund for the region of Trentino Alto Adige). These mandates for managing guaranteed funds were in addition to existing mandates, which include the mandate to manage the guaranteed sector of FondoPoste, awarded at the end of 2006.
During the year a new mandate to manage the PREVEDI pension fund (construction) was also launched.
As at 31 December the subsidiary Unipol Assicurazioni had 24 asset management mandates already up and running and total resources under management amounted to €816m.

2007 was also characterised by intense activity in the sector of open-end funds as a result of the coming into effect of the new law and therefore a lot of new company agreements were activated and there was a considerable rise in the number of individual members.
At the end of December the capital and reserves of the four open-end pension funds managed by the Group (Unipol Futuro, Unipol Previdenza, Unipol Insieme and Aurora Previdenza) reached totals of €134m and 18,341 members.

It should also be noted that the 'BNL Vita Pensione Sicura' open-end pension fund came onto the market in July 2007 and premium income of €0.3m has already been received.

* * *

The **traditional composite companies** (Unipol Assicurazioni and Aurora Assicurazioni, including the income received between 1/1 and 31/8/2007, which continued to pertain to UGF after the insurance business was transferred) had Life direct income of €1,690m, a decrease of 38.1% compared with 31 December 2006.
Life premium income amounted to €1,675m (€2,709m as at 31/12/2006) whilst investment products amounted to €15m (€21m as at 31/12/2006).
There was a huge increase in Class III - unit- and index-linked policies (+27.4%) whilst Class I - traditional policies and Class V - capital redemption policies recorded decreases of 21.6% and 75.5% respectively. In Class V in particular there was no repetition of the level of income from corporate policies that had been a feature of this class the previous year.
Class VI - pension funds performed very well (+161.7%) thanks to initial flows to the supplementary types of pension under the new legislation.

As at 31 December 2007 income from Life policies obtained through banking outlets (Unipol Banca and Banco Popolare) was €291m (€400m as at 31/12/2006). It should be mentioned that the marketing agreement entered into in 2004 with Banco Popolare for the sale of Aurora Assicurazioni Life products will expire shortly (20/5/2009) and has not been renewed.

* * *

The **bancassurance** companies (BNL Vita and Quadrifoglio Vita) had total income of €2,963m, a drop of 25.6%

compared with 31 December 2006. The proportion pertaining to the Group amounted to €1,872m.

BNL Vita had direct income of €2,613m (-17% compared with 31/12/2006), €1,697m of it pertaining to the Group. Class III - unit- and index-linked policies were up (+27%) whilst Class I - traditional policies and Class V - capital redemption policies were down by 62.3% and 91.6% respectively. Investment products were not particularly significant owing to the presence of a greater insurance risk in new products sold (€3m as at 31/12/2006).

Quadrifoglio Vita, which as from the fourth quarter of 2007 had no new premium income, had direct income of €351m as at 31 December 2007, a drop of 58.1% compared with 31 December 2006, with 50% of it (€175m) pertaining to the Group. There were decreases in Class I - traditional policies (-53%), Class V - capital redemption policies (-86.3%) and Class III - unit- and index-linked policies (-16.9%).
Investment products, all in Class III, amounted to €3m (€11m as at 31/12/2006).

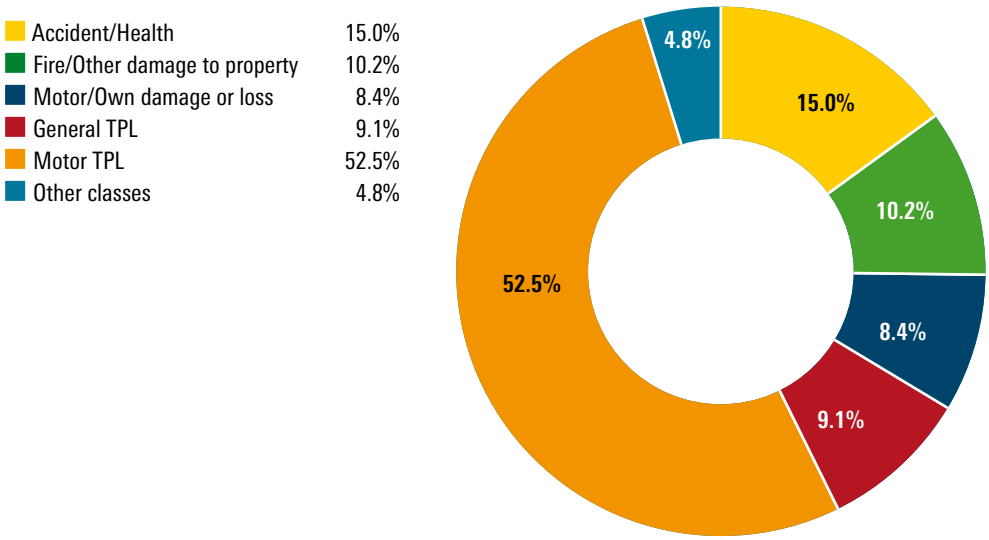
Non-Life Business

Total premium income in the Non-Life portfolio as at 31 December 2007 amounted to €4,313m (+5.6% compared with 31/12/2006).

Direct premium income alone amounted to €4,289m (+5.6%). Premium income from inward reinsurance amounted to €24m (-3.2%).

There were increases in all classes: in particular, Accident and Health recorded an increase of 8.9%, MV TPL 4.3%, Fire 5.6%, General TPL 6.8% and the classes linked to additional MV cover 5.5%.

% Breakdown of Non-Life Direct premium Income



The traditional sector of the **composite companies** (Unipol Assicurazioni and Aurora Assicurazioni, including income received between 1/1 and 31/8/2007 which continued to pertain to UGF after the insurance business was transferred) achieved direct premium income of €3,791m (+5.6%). There were increases in all classes, MV (+6.9%) and non-MV (+5.2%): in particular, premium income in the MV TPL class increased by 4.1%, Land vehicles - own damage or loss by 6.8%, General TPL by 7.6% and Accident and Health by 7%.

* * *

The **single-purpose companies** (Linear, Unisalute and Navale) wrote direct premiums of €498m (+5.9%).
Linear achieved direct premium income of €167m, an increase of 1.3%.
Unisalute achieved direct premium income of €114m, an increase compared with 31 December 2006 of 21.8%, more than double the rate of the sector as a whole. Growth was largely attributable to the activation of health

assistance policies for several funds covering specific categories of worker, the largest of which was Commerce.
The Non-Life company **Navale Assicurazioni** achieved direct premium income of €217m as at 31 December 2007, 2.5% up on 31 December 2006.

Reinsurance

Inward reinsurance

Total Non-Life and Life inward reinsurance premium income amounted to €28m as at 31 December 2007 compared with €29m as at 31 December 2006 and was made up of €24m of premium income from Non-Life business and €4m from Life business.

Outward reinsurance

As in the previous year the risks underwritten by the companies in the Group continued to be protected 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.
In addition, 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 MV TPL, Land vehicles - own damage or loss, General TPL, Fire, Accident, Goods in Transit and Other Damage to Property relating to Hail.
In the case of risks underwritten in Life business excess-of-loss 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 premiums ceded totalled €324m compared with €342m in the previous year.

As a result of the Group's good performance in core business during the year, the mix of Non-Life direct cessions generated a positive result overall for reinsurers. The Group's Non-Life retention index rose to 93% from 92.2% 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 fell to 99.4% from 99.5% in the previous financial year whilst the overall retention index (Non-Life and Life) fell to 95.9% from 96.1% in the previous year.

Financial performance in insurance business

The Group's insurance business contributed a total of €639m to pre-tax profits, €144m of which pertained to Life business (€79m as at 31/12/2006) and €495m to Non-Life business (€476m as at 31/12/2006).
Total operating expenses incurred as at 31 December 2007 (acquisition and renewal commissions and other acquisition, asset management and administrative expenses), net of commissions received from reinsurers, totalled €1,033m (€981m as at 31/12/2006, +5.3%).
The relative incidence on net premium income for the period was 13.8%, an increase compared with 31 December 2007 (11.7%), mainly owing to Life business which rose from an incidence of 3.3% to 4% because of the fall in premium income. The incidence of net operating expenses on net premium income in Non-Life business as at 31 December 2007 was 22.6% (22.3% as at 31/12/2006).

The loss ratio in Non-Life business, including claims-handling expenses and net of reinsurance items, was 72.6% (73.1% as at 31/12/2006).

The **combined ratio**, based on direct business and inward reinsurance and net of outward reinsurance, was 94.4% as at 31 December 2007 (94.6% as at 31/12/2006).
If no account is taken of the additional payments into the provisions made by Navale Assicurazioni for claims incurred by 2005 arising from the portfolios of the companies acquired from the Mutuelles du Mans Group, which were guaranteed by the vendor, the combined ratio falls to 93.7%.
This indicator is derived from the sum of two indices: the first is the loss ratio net of outward reinsurance (72.6%, or 71.9% if account is taken of the amounts recovered by Navale Assicurazioni on the guaranteed

claims referred to above), resulting from the incidence of net charges relating to claims on net premium income; the second (21.8%) is derived from the ratio between total operating expenses, net of investment management expenses, and net premium income recorded.
The amounts that determine these indices are shown in the appendices 'Details of core insurance items' and 'Details of insurance operating expenses'.

The total number of direct claims, excluding MV TPL, was 1,246,962, an increase of 12.9% compared with 31 December 2006, mainly in Health (+18%) and Assistance (+39%).

As regards MV TPL claims reported, it will be recalled that the direct indemnity scheme came into effect on 1 February 2007. This introduced major amendments to legislation governing the procedures for claiming redress in the case of some types of MV insurance claim. In particular, policyholders who are involved in accidents that cause damage to property or personal injury leading to permanent disability not exceeding nine points no longer apply for compensation to the other party's company but to their own company, which must pay the compensation and obtain a refund from the debtor company, this being a flat rate determined by law and based on geographical region.

The new legislation profoundly altered not only the procedures for handling MV TPL claims but also procedures for recording and reporting statistical and financial information.
Under the regulations contained in the Insurers' Direct Compensation Agreement (CARD) and the provisions issued by ISVAP (Ruling 2495 of 21/12/2006), MV TPL claims may be classified under three different headings:

- Non-CARD claims: claims handled in the normal way that do not come under the CARD Agreement;
- Debtor CARD claims: claims handled under the CARD Agreement where our policyholder is wholly or partly responsible, which are paid by the counterpart companies to which our company must repay a lump sum ('*forfait debitrice*' - debtor lump sum);
- Handler CARD claims: claims handled under the CARD Agreement where our policyholder is not wholly or partly responsible, which are paid by our company to which the counterpart companies must repay a lump sum ('*forfait gestionaria*' - handler lump sum).

Nevertheless it must be pointed out that this classification is a simplified one since in reality any one claim may include damage or injury that comes under each of these three headings.

The newness and complexity of the situation make any comparison with the previous year's figures very difficult.
There were approximately 456,000 'passive' claims (total non-CARD and debtor CARD claims) recorded as at 31 December 2007 for the companies in the Group, an increase of 5.5% compared with the 'passive' claims reported during the same period of the previous year.
Approximately 285,000 of these claims came under the Direct Compensation Agreement (debtor CARD claims). If only claims incurred after the CARD Agreement came into effect on 1 February 2007 are taken into account, approximately 76% of total claims (debtor CARD + non-CARD) were debtor CARD claims.
Approximately 286,000 handler CARD claims were recorded between 1 February and 31 December 2007 (281,400 of which were followed up). The fact that more handler CARD claims than debtor CARD claims were reported was in line with the lower frequency of accidents in which Unipol Group policyholders were at fault compared with the market average.
There continued to be a substantial incidence of claims reported on a claims form signed by both drivers ('two signatures'): in the case of handler CARD approximately 67% of claims for material damage and 44% of claims for injuries had two signatures.
Approximately 209,000 handler CARD claims had been settled as at 31 December 2007, a settlement rate of 74.1%.

It should also be noted that the implementation of the new legislation, which introduced a substantial change in claims-handling procedures, led the Group Claims-Handling Department to seek a further improvement in standards of service, focused on specific areas such as:

- a central standardised system of receiving claims by telephone through Sertel;
- the possibility of agencies opening claims direct using a web-based software package;
- complex claims to be handled by specialists in order to improve service and speed up payment;
- fostering closer relationships with approved professionals and vehicle repairers.

Litigation

At Group level the number of civil MV TPL cases brought in 2007 was down compared with 2006. There was a huge increase in cases settled during the same period.
MV TPL cases pending as at 31 December were down by 6.1% on the figure at the end of 2006.
This drop may be due in part to the introduction of the direct indemnity scheme. Cases brought under the direct indemnity scheme accounted for approximately 10% of litigation relating to MV TPL claims.

Banking business

Banking business, made up of the Unipol Banca Group and Unipol Sgr, continued to record high levels of growth in its business activities during 2007, in both retail and corporate segments, where funds managed by Unipol Banca continued to predominate.
Particularly impressive was the fact that by 31 December 2007 customer deposits had reached €9,097m, an increase of 14.9% since 31 December 2006.
Customer funds amounted to €22.4bn and consisted of €20.3bn of assets under administration and €2.1bn of assets under management.
Lending to customers was up, particularly medium- to long-term mortgages, which as at 31 December 2007 amounted to €7,997m, an increase of more than €1bn compared with 31 December 2006 (+20.1%). 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.
Net doubtful debts rose in relation to the increase in funds invested and owing to critical factors in the economy, especially in the second half of the year with the subprime loans crisis, but also because the rise in interest rates created difficulties for the types of loan deemed to be the most reliable (mortgage loans). The attention paid by the relevant offices to loan management problems and the reorganisation of the loans procedure enabled the incidence on lending to customers to be maintained at the satisfactory level of 0.9%, well below the average for the banking system as a whole (1.20%).
It should be mentioned that the vehicle company Grecale Srl, which was set up to manage loans securitised by Unipol Banca, ceased to operate during 2007, redeemed all the securities issued in full on the date provided for in the contract and therefore went into voluntary liquidation.
On 13 September 2007 Unipol Banca invested €15m in acquiring the entire share capital of Cooperleasing Spa, which operates in the leasing sector and in which the banking group had no previous direct stake.
It should be pointed out that in October 2007 the procedure used for quantifying the mark to market of activity in exchange derivatives, which was carried out exclusively at the specific request of approved customers, recorded a potential loss of approximately €46m on 22 customers, all approved operators, whilst on the previous day the valuation had been approximately €18m. Therefore external consultants were called in to help to begin a thorough analysis of what had happened.
Three groups of customers, all related, began a criminal action against people who have not yet been identified but presumably work for the Bank.
Unipol Banca's legal advisers in both criminal and civil matters consider that both documentary and testimonial evidence is capable of rebutting the allegation and that therefore the outcome of the case could be positive for the Bank.

The 2007 financial year ended with a **net pre-tax profit of €62m** (€55m as at 31/12/2006).
The following table shows the principal items in the profit and loss account for banking business, set out in accordance with the layout specified for banks.

BANKING BUSINESS
(amounts in €m)

	31/12/2007	31/12/2006	*Var. %*
Net interest income	211	168	*25.4*
Net income from fees and commissions	81	75	*8.8*
Other net financial income	9	11	*-22.7*
Gross operating income	**300**	**254**	***18.4***
Value adjustments/readjustments for impairment of financial assets	(29)	(23)	
Financial management - net result	**272**	**230**	***18.0***
Operating expenses	(210)	(175)	*19.9*
Cost/income	*69.8%*	*69.0%*	
Pre-tax profit (loss)	**62**	**55**	***12.7***

Net interest income amounted to €211m as at 31 December 2007, a significant increase of 25.4%. This result was due both to the widening of the spread between rates received and rates paid and to the increase in funds managed, which was linked to the pursuit of sales growth in accordance with the special sales model and the launch of the Regional Corporate Areas.
Gross operating income reached €300m, an increase of 18.4% compared with same period of 2006.
Operating costs, which included depreciation and amounts set aside for risks and charges, amounted to €210m, an increase of 19.9%. The incidence on gross operating income (cost/income ratio) was slightly up,

to 69.8% from 69% in 2006, mainly because of future charges relating to staff. If these charges had not been recorded the cost/income ratio would have been 68.3%, a further drop compared with the previous year.

Staffing

As at 31 December 2007 the insurance companies in the Group had 4,670 employees, 52 of whom were on fixed-term contracts. This was a net decrease of 87 since 31 December 2006. The variations that took place during the year reflected internal mobility within the companies in the Group.
The number of full-time equivalent (FTE) employees was 4,409.

As at the same date banking business had 1,963 employees (+125 since 31/12/2006), 30 of whom were on fixed-term contracts. The number of full-time equivalent employees was 1,937.

Therefore, as at 31 December 2007 the Group had a total of 6,633 employees (+38 since 31/12/2006).

	31/12/2007	31/12/2006	*var.*
Unipol Gruppo Finanziario	2,609	3,839	*-1,230*
Unipol Assicurazioni	384	0	*384*
Aurora Assicurazioni	714	0	*714*
Other companies	963	918	*45*
Total insurance sector	**4,670**	**4,757**	***-87***
Unipol Banca	1,898	1,785	*113*
Unipol Merchant	49	50	*-1*
Other finance companies	16	3	*13*
Total banking sector	**1,963**	**1,838**	***125***
Total Unipol Group	**6,633**	**6,595**	***38***

The number of employees of Unipol Gruppo Finanziario as at 31 December 2006 was the sum of the employees of the former Unipol Assicurazioni and the former Aurora Assicurazioni.

Stock-granting scheme

On 24 April 2007 UGF's Ordinary Shareholders' Meeting voted to adopt a stock granting scheme, which concluded on 24 May 2007 with the acquisition on the regulated market of 372,000 UGF ordinary shares at an average price of €2.8776 for a total cost of €1.1m.
This plan consisted of a one-off free allocation of ordinary shares to all employees on permanent contracts of employment with the Company on the date of allocation.

Staff-leaving incentive scheme

As part of the overall process of Group reorganisation UGF's Board of Directors approved a voluntary 'pension enhancement scheme' for all staff throughout the Group who have fulfilled or fulfil certain pension requirements by 31 December 2009.
A further amount of €21m was set aside to cover the cost of providing financial incentives for those joining the scheme by the deadline of 30 November 2007.

Training

The most important initiative developed by the Parent Company UGF during 2007 was the two courses, for insurance executives and senior banking officials on the one hand and for the Group's senior executives on the other, which were part of the training project known as 'Let's Build the Future Together'.

The specific aim of the course for the Group's 3rd and 4th grade insurance executives and senior banking officials was to enable them to acquire the skills required for them to pass from a role with a mainly technical and professional content to a role with a broader managerial dimension. Entrepreneurial skills, focusing on the customer, group work and cooperation, ability to enable employees to reach their full potential, ability to achieve targets, ability to promote organisational integration and ability to innovate were the themes developed during the course.
This training programme began in June and ended in November 2007, having involved 626 staff subdivided into 30 groups. Each session lasted 3.5 days.

The aim of the course for the Group's senior executives was to develop five themes deemed to be of strategic importance in the new company structure: project management, cooperation among departments and functions, the value chain, focusing on the customer and the role of the senior executive. The project involved 120 senior executives who rotated around 5 working groups each lasting 2.5 days.

During 2007 preparatory work was begun on drawing up the 'Training scheme on company identity and social responsibility', which is entirely financed by the For.Te. Fund, involves the Group's entire workforce and will be implemented in full during 2008.

UGF also concluded an important agreement with the Business School of LUISS in Rome (Libera Università Internazionale degli Studi Sociali - International Free University for Social Studies) for the creation in 2008 of a master's degree (Master Executive) especially for UGF covering topics relating to business administration at a high level. This master's degree will involve up to 20 insurance and banking employees deemed to be high flyers.

Other training initiatives involved more specific and more technical areas relating to the specific activities of the companies in the Group.

In **insurance business** the following initiatives were developed:

- a project to develop the technical and professional skills of the claims-handling network following the introduction of the direct indemnity scheme. The project involved 687 staff - area managers, heads of Group Claims-Handling Centres, heads of centralised claims-handling departments, claims-handlers and administrative staff;
- IT training, subdivided into office automation projects for non-specialised staff and projects for specialists, involved 271 staff;
- training for employees involved in marketing to improve their skills in budgeting and management control. This project involved 104 participants. Training in supplementary pension schemes involved 105 employees;
- English-language training involved 13 staff.

In **banking business** the following specialist initiatives took place:

- the first session of the Professional Top Management Course, which involved 17 high-profile staff;
- the conclusion of the fifth session of the Master's Degree in Advanced Banking, which involved 16 high-profile staff;
- training courses to develop managerial skills, involving 9 senior executives, 78 senior managers and 138 branch managers;
- training courses for developing marketing skills, involving 154 branch employees working in marketing;
- training courses relating to insurance products involving 663 employees.

Several of the initiatives listed above were developed with the support of the For.Te. Fund.

IT department

Insurance Business

The way in which the Group has evolved under the strategic plan has necessitated a review of the purpose of the IT department, which has been called upon to take on a greater role and adopt a higher profile by transforming itself from a provider of technology into a point of reference for the provision of support services and tools in order to assist business development, decision-making and monitoring. It has therefore been essential that the IT department undergo the transition from providing a maintenance service to managing projects for change that are geared to a strategic evolution in the Group's technological structure and in its organisational structure.

In 2007 the principal guidelines for the involvement of the IT department related to the following themes:

- introduction of the new direct indemnity scheme
- UGF's role
- preparing the Group for the multimandate.

The introduction of the direct indemnity scheme involved an overhaul of IT procedures in order to assist claims-handling and the introduction of major changes involving agencies opening claims directly and dealing with documentation in electronic format using scanners in all Unipol Assicurazioni and Aurora Assicurazioni agencies.

The IT department was heavily involved in the launch of UGF, enabling the new holding company to operate by providing a new environment, transferring data, updating programs, making changes to enable new companies to be launched and supplementing and streamlining IT services in the principal offices of the Group in various parts of the country.

The Group's strategic initiative, which was geared towards innovation in IT and creating a standardised IT system for Unipol Assicurazioni's and Aurora Assicurazioni's Non-Life and Life business, was given a boost during 2007 in preparation for the advent of the multimandate.
The introduction of the new Non-Life system was brought forward considerably and a plan to introduce the new applications gradually but over a short period starting as early as the first half of 2008 was developed.
In Life business work continued on developing the project for the Group's new Life system, the first applications of which will be introduced in the second half of 2008.

Banking Business

The principal measures taken to adapt systems and procedures to relevant legislation or regulations were as a result of the Mifid regulation and related to the provision of investment and ancillary services, dealing with the transferability of direct debit payments, arrangements for the new standards for payment services introduced by the SEPA project (Single Euro Payments Area, the European project to standardise payment procedures) and the consequent electronic alignment of IBAN codes.
The SEPA project also covers the procedure that will lead to the adoption of microcircuit technology for payment cards issued by the Bank, which is almost complete.
In line with the policy of limiting risks on instruments of payment (debit cards), which had already been outlined, the OLI (on-line issuer) procedure was introduced for the Bank's entire stock of debit cards. This enables the availability of funds in the current account to be checked in real time.
As regards increasing Internet banking security, an electronic device (blu code), which generates random single-use passwords that customers must use each time they access or use the Internet banking service, was adopted in March 2007.
Under the UGF Point project the applications required to integrate automated points of sale were implemented, using legacy systems. All the procedures and processes needed for providing IT services (including videoconferencing with operators) were also developed.

Unipol Group sales network

The Group offered a full range of insurance, banking and managed savings products through a composite sales network covering the whole of Italy.

In particular, the **composite companies** in the Group had the benefit of a network of agencies which as at 31 December 2007 consisted of 1,695 agencies (21 fewer than as at 31/12/2006), 587 of which belonged to Unipol Assicurazioni (581 as at 31/12/2006) and 1,108 to Aurora Assicurazioni (1,135 as at 31/12/2006). In addition, both Unipol Assicurazioni and Aurora Assicurazioni placed Life products direct through networks of banking outlets (Unipol Banca and Banco Popolare 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 (92 agencies, 89 of which were Unipol Assicurazioni agencies with a Unisalute mandate, compared with 84, 82 of which belonged to Unipol Assicurazioni, as at 31/12/2006). In addition, Unisalute products were sold through the sales outlets of Unipol Banca and of four other credit bodies.
In MV business Linear operated via the call centre and the Internet.
Navale operated through 302 mainly multifirm agencies (207 as at 31/12/2006), 261 brokers (262 as at 31/12/2006) and two credit bodies. During 2007 the company made contact with a number of potential new agents from other companies, who as from 1 January 2008 were able to obtain new mandates thanks to the Bersani Law 40/2007.

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 2007 Unipol Banca had 282 points of sale (265 as at 31/12/2006), 167 of which were combined with insurance agencies, 35 finance shops and 409 financial advisers. The company also made use of direct sales channels (telephone and Internet banking) and the principal Unipol Assicurazioni agencies (which were gradually being joined by the Aurora Assicurazioni agencies) for the sale of 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 business and also operates in merchant banking and investment banking. The principal sales channel for Unipol Merchant's products and services was Unipol Banca's network of branches.

New products

2diCUORE (2 of Hearts)

'2 of HEARTS' was introduced in February 2007. This new product is the Group's first integrated insurance-banking product.

'2 of HEARTS' combines an MV policy and a current account in a single product to take advantage of the synergy arising out of the Group's expertise in insurance and banking and thus guarantees customers considerable added value in terms of convenience, simplicity and time-saving.

'2 of HEARTS' is aimed at employees and pensioners who have their salary and pensions paid into their current account and offers many advantages including the possibility of:

- paying their Unibox/Aurobox MV policy by monthly or annual direct debit
- paying their MV policy in monthly instalments
- obtaining a Unibox/Aurobox free for three years
- also having it free for three years on the MV policy of joint account-holders who have their salary or pension paid into the current account
- having a current account with a low monthly charge of only €2.5, an unlimited number of free operations, a free cash card and free payment of utility bills.

The advantages of *'2 of HEARTS'* as far as insurance is concerned are discounts on the MV policy and services linked to Unibox/Aurobox.

Guaranteed Compensation

Following the coming into force of the direct indemnity scheme the ***'Guaranteed Compensation'*** benefit was introduced. This covers damage to the vehicle if the policyholder is partly or totally responsible for the loss. The aim is to provide the customer with a better service and to prevent potential conflicts with the Company if some or all of the liability is disputed.

'Guaranteed Compensation' is own damage cover that provides for payment of a fixed maximum sum, irrespective of the value of the vehicle and no deductible is applied.

YOUNG Unibox

This is the first MV policy in Italy specifically for drivers under 30 and includes a revolutionary innovation that the market has been waiting for - the elimination of the premium loading for young people, which companies apply to drivers under 30 because they are considered to be risky.

Unipol Assicurazioni's initiative is intended to open up a discussion in the Italian insurance market, where companies show a lack of interest in engaging with young people.

It is also intended to show that Unipol Assicurazioni has faith in young people. In fact, in order to reward safe drivers the Company has decided to focus less on drivers' age and more on their driving experience. Young people will no longer have to get their parents to take out the MV policy in order to reduce the insurance premium. The fact that both the vehicle and the insurance policy must now be in the driver's name will offer the following advantages:

- tariffs will be the same for young people and adults
- benefits will not penalise young drivers (there will be no excess)
- they can have the Unibox system installed at no additional cost, thus increasing safety both for themselves and for their vehicle
- they can start to build up a no-claims bonus while still young.

The aim of YOUNG Unibox is both to save money and to offer security because it provides a comprehensive service specifically for young drivers: it enables a stolen vehicle to be located; in the event of anything other than a very minor collision Unibox transmits a signal to the call centre which contacts the driver in order to find out if help is required; it is possible to have a breakdown lorry and a replacement vehicle; whilst fully respecting the driver's privacy, it makes it possible to reconstruct how the accident happened in order to protect Unipol Assicurazioni's policyholders involved in false claims by other drivers.

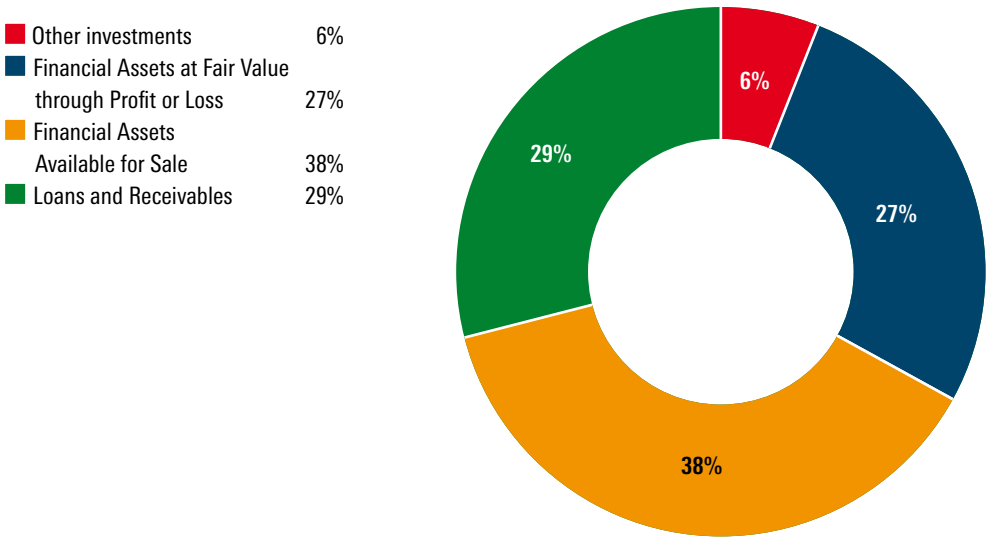
Group Property and Financial Management

Investments and liquid assets

As at 31 December 2007 the level of the Group's investments and liquid assets reached a total of €39,405m, an increase of €2,055m compared with the position as at 31 December 2006 (+5.5%).
On the same basis of consolidation, i.e. taking into account Quadrifoglio Vita's investments, which were reclassified under IFRS 5 as 'Non-current assets or assets held for sale belonging to a group in the course of being sold', and all of BNL Vita's investments as at 31 December 2006, there was a decrease of 3.9%.
Investments and liquid assets in the insurance sector amounted to €29,555m (€31,553m as at 31/12/2006) and accounted for 75% of the Group total whilst those in the banking sector amounted to €10,238m (€8,695m as at 31/12/2006), 91.5% of which were Loans and receivables from customers and banks.

Asset management guidelines in 2007 focused on low-risk short-term investments in cash and investments in shares, and trading on the bond and share market was aimed at achieving the profitability expected.
The bond portfolio saw the proportion of investment in fixed-rate securities fall during the period. At the same time the duration was reduced in order to take advantage of the rise in short-term rates and the focus continued to be on securities of counterparties with high ratings.
The focus in the share portfolio was on high-yield high-liquidity shares. The market risk was reduced by a strategy of partial hedging amounting to approximately 55% of the average level of the share portfolio as at 31 December 2007.
Better returns on the share portfolio were pursued by operating in options with no speculative content, which enabled the effects of the volatility recorded during the period to be contained.
At the end of the year the burden on the share and bond portfolios was further reduced by an increase in the cash component.

Investments and liquid assets as at 31/12/2007

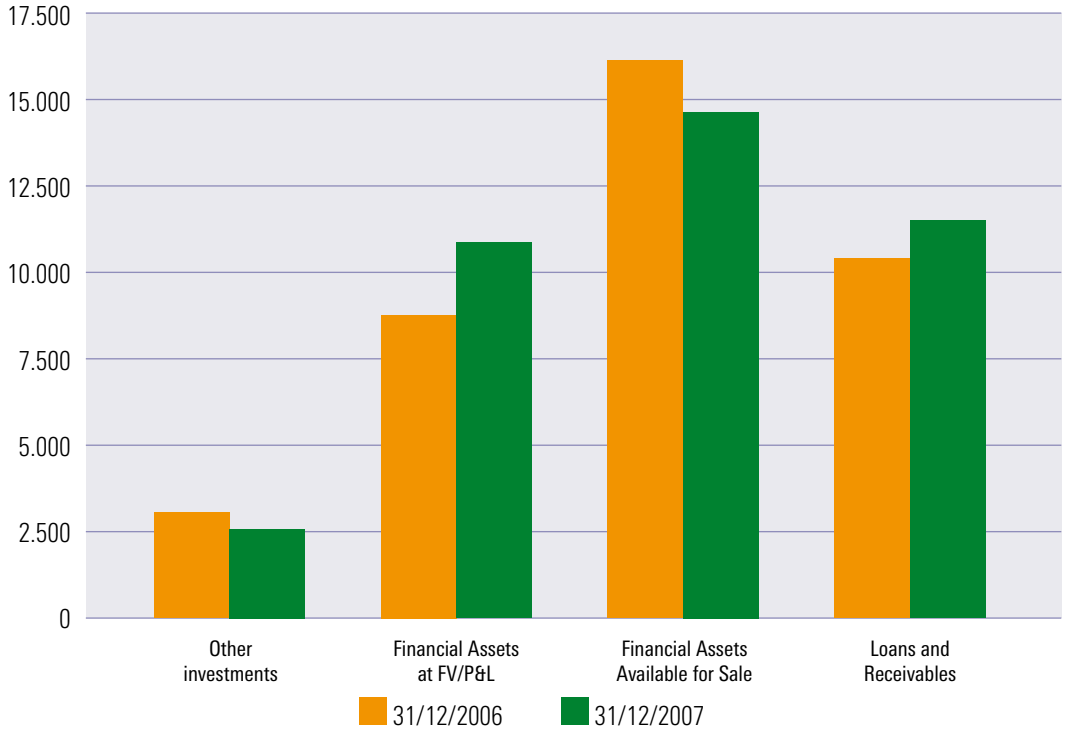


The Group's investments subdivided according to type and comparisons with the position as at 31 December 2006 are set out in the following table:

INVESTMENTS AND LIQUID ASSETS
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Property	315	0.8	299	0.8	5.5
Shareholdings in subsidiaries, associates and joint ventures	28	0.1	39	0.1	-26.6
Investments held to maturity	1,796	4.6	1,038	2.8	73.1
Loans and receivables	11,375	28.9	10,157	27.2	12.0
-Loans and receivables from banking customers	*7,980*	*20.3*	*6,640*	*17.8*	*20.2*
-Interbanking loans and receivables	*1,388*	*3.5*	*1,507*	*4.0*	*-7.9*
-Deposits with ceding undertakings	*22*	*0.1*	*21*	*0.1*	*2.8*
-Other loans and receivables	*1,985*	*5.0*	*1,990*	*5.3*	*-0.2*
Financial assets available for sale	14,837	37.7	15,838	42.4	-6.3
Financial assets at fair value through profit or loss	10,689	27.1	8,566	22.9	24.8
- held for trading	*2,837*	*7.2*	*3,898*	*10.4*	*-27.2*
- designated at fair value through profit or loss	*7,853*	*19.9*	*4,668*	*12.5*	*68.2*
Cash and cash equivalents	365	0.9	1,414	3.8	-74.2
TOTAL INVESTMENTS AND LIQUID ASSETS	**39,405**	**100.0**	**37,350**	**100.0**	**5.5**

Investments and Liquid Assets
(€m)



Investments in property
Investments in land and buildings as at 31 December 2007 amounted to €315m. Including property for own use the Group's property assets amounted to €696m. As at 31 December 2006 property assets had amounted to €675m, €299m of which had been accounted for by investments in property and €376m by property for own use. The variations in the various levels were due both to changes of use and to capitalisation of extraordinary maintenance expenses where the property had risen in value.

Holdings in subsidiaries, affiliated companies and joint ventures
As at 31 December 2007 investments in subsidiaries, affiliated companies and joint ventures totalled €28m, almost exclusively in affiliated undertakings (€39m as at 31/12/2006).
The decrease was mainly due to consolidation on a line-by-line basis of the former Nuova Unipol Assicurazioni

(now Unipol Assicurazioni) and the former Nuova Aurora Assicurazioni (now Aurora Assicurazioni), both of which had been valued using the net equity method as at 31 December 2006 (€10m).

Investments held to maturity
As at 31 December 2007 investments held to maturity amounted to €1,796m (+73.1% compared with 31/12/2006). On the same basis of consolidation (i.e. including investments of this type owned by Quadrifoglio Vita and classified at the end of 2007 as assets in the process of being sold) the balance would have been €2,162m.
€968m of the increase compared with the previous year was accounted for by investments in fixed-income bonds initially recorded as assets available for sale and reclassified on 7 December 2007 as assets held to maturity.
This reclassification, based on the specific provisions of IAS 39, was carried out as a result of the desire to hold the assets in question to maturity provided that the Company's financial position continued to enable it to do so.

Loans and receivables
As at 31 December 2007 loans and receivables amounted to €11,375m compared with €10,157m as at 31 December 2006 (+12%). On the same basis of consolidation the variation would have been 11.6%.

The main contribution to this item was from banking business, with €7,980m of receivables from customers (+20.2% compared with 31/12/2006) and €1,388m of receivables from banks (-7.9% compared with 31/12/2006).
Other loans and receivables fell from €1,989m as at 31 December 2006 to €1,985m as at 31 December 2007.

Financial assets available for sale
Financial assets available for sale amounted to €14,837m as at 31 December 2007 (-6.3% compared with 31/12/2006). On the same basis of consolidation the variation would have been -17%.

Mention should be made of the termination on 15 January 2007 of the total return equity swap contract with Mediobanca on the 14,080,000 shares in the former BPI (with a countervalue of €155m) belonging to the subsidiary Aurora Assicurazioni.
In addition, 30,225,310 shares in Banca Monte dei Paschi di Siena were sold and repurchased during the year for a total of €150m.
This operation enabled the holding to be reclassified from Life business to Non-Life business in line with the policy of rationalising equity within the broader context of reorganising the Group's business.
As the above shareholding was allocated to the Life segregated accounts, its divestment also enabled a capital gain of €22m to be made in favour of policyholders.
On 28 September 2007 a holding of 13.88% in Vivium S.A., a Belgian insurance company operating in Non-Life and Life business, was purchased for €148m.
On 7 December 2007 €968m of fixed-yield bonds were reclassified as assets held to maturity. The provision for profits or losses on financial assets available for sale of €48m, which was reassessed on 7 December 2007, will be written down throughout the remaining life of the corresponding debt securities.

The compulsory provision for profits or losses on assets available for sale was negative to the tune of €680m as at 31 December 2007 (only €70m as at 31/12/2006). The variation was due to the poor performance of the financial markets.

Financial assets recorded at fair value through profit or loss
Financial assets in this category were divided into assets held for trading and assets recorded at fair value through profit or loss.
As at 31 December 2007 they amounted to €10,689m (+24.8% compared with 31/12/2006). On the same basis of consolidation financial assets recorded at fair value through profit or loss rose by 2.5%.
This item was made up of €7,852m of assets where the investment risk was borne by the policyholders (+68.2%) and €2,837m of assets held for trading (-27.2%). On the same basis of consolidation assets recorded at fair value rose by 18.5% whilst assets held for trading fell by 26.3%

Cash and cash equivalents
Available cash and equivalent resources amounted to €364m (€1,414m as at 31/12/2006, -74.2%). The decrease was mainly due to the public offer to acquire 29.16% of Aurora Assicurazioni and the operation to

acquire a holding in the Belgian company Vivium, paid for from capital and reserves.

Net capital gains and investment income

As at 31 December 2007 net investment income and capital gains amounted to €1,131m (€1,163m as at 31/12/2006, -2.8%).
On the same basis of consolidation, taking into account the whole of BNL Vita's net income in the second half of 2006, the variation was -6.9%.

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

NET INVESTMENT INCOME
(amounts in €m)

	31/12/2007	*comp.%*	31/12/2006	*comp.%*	*var. %*
Investments in property	8	*0.5*	5	*0.4*	*48.4*
Income from shareholdings in subsidiaries, associates and joint ventures	2	*0.1*	2	*0.1*	*-12.0*
Net income from investments held to maturity	54	*3.9*	49	*3.6*	*9.4*
Net income from loan and receivables	494	*35.4*	399	*28.9*	*23.7*
Net income from financial assets available for sale	838	*60.0*	594	*43.1*	*41.0*
Net income from financial assets recorded at fair value	-25	*-1.8*	302	*21.9*	*-108.2*
Balance on cash and cash equivalents	26	*1.9*	28	*2.0*	*-7.3*
Total net income from financial assets, cash and cash equivalents	**1,396**	*100.0*	**1,380**	***100.0***	***1.1***
Net income/charges from financial liabilities recorded at fair value	(14)		(30)		-54.1
Net income/charges from other financial liabilities	(251)		(187)		*34.4*
Totale net income/charges from financial liabilities	**(265)**		**(217)**		*22.1*
Totale net income/charges from financial assets and liabilities	**1,131**		**1,163**		***-2.8***

Net income and charges from financial assets available for sale included €59m of value adjustments for losses deemed to be permanent relating to the holding in Hopa SpA, the book value of which was reduced from €0.955 per share to €0.353 per share.
This value adjustment, based on in-house analyses of information on the participating interest available up to now, mainly followed from what Hopa did in order to fulfil its contractual obligations to lending banks undertaken prior to 31 December 2007. Over the last two financial years Hopa's business has largely stagnated: it has gradually disposed of several minor shareholdings with the sole aim of generating liquidity, has carried out no new investments and has several times restructured its sources of corporate finance. Against this background, as a result of the fall in prices of its principal shareholdings, which began to make itself felt during the last quarter of 2007, in the first few months of this year the participating interest had to sell almost all its assets, mainly consisting of 3.61% of Telecom Italia and to a lesser extent of holdings in Italian financial bodies.
Based on information currently available the capital losses arising out of these sales are estimated at more than €400m. To these figures must be added the charges recently incurred by Hopa to settle the litigation with the Revenue in Milan relating to Bell S.A., which involved expenditure of approximately €117m.
In the Directors' opinion the financial significance of these results and the consequent drastic reduction in property assets combined with the strategic importance of these assets for the Company's aims and objectives involved a substantial permanent loss of value in the holding, and they therefore decided to reduce the value to €0.353 per share. These valuations will be revealed when the official figures for the 2007 accounts of the participating interest are published.

The Directors were aware that the relevant accounting standards provided for other ways of identifying the year to which the financial effects of these facts might be allocated and therefore the value adjustment could have been allocated to the 2008 financial year.
Nevertheless, the Directors deemed it appropriate to apply the principle of prudent valuation of the holding to the 2007 accounts.

Shareholders' equity

The Group's equity, including the profit for the period, amounted to €4,988m as at 31 December 2007 (€5,358m as at 31/12/2006). Equity pertaining to minority interests amounted to €287m (€515m as at 31/12/2006).

The decrease in Group capital and reserves was mainly due to:
- the fall in the provision for profits and losses on financial assets available for sale from -€70m as at 31 December 2006 to -€680m as at 31 December 2007, linked to poor performance in financial markets,
- the distribution by the Parent Company of €288m in dividends, €106m of which was extraordinary dividend taken from the share premium reserve,
- the capital increase for the purpose of the merger of €76m, €31m of which was share capital and €45m the share premium reserve.

The Parent Company's share capital as at 31 December 2007 was €2,391,426,100 and was made up of 1,479,885,786 ordinary shares and 911,540,314 preference shares.

As at 31 December 2007 the Parent Company UGF held no own shares. As at the same date the other subsidiaries in the Group held no shares in the holding company.

Technical provisions and financial liabilities

On 31 December 2007 technical provisions and financial liabilities totalled €37,885m (€34,422m in 2006, +10%). Details are shown in the following table (amounts in €m):

TECHNICAL PROVISIONS AND FINANCIAL LIABILITIES
(amounts in €m)

	31/12/2007	31/12/2006	var.%
Non-Life technical provisions	7,499	7,393	*1.4*
Life technical provisions	18,575	16,650	*11.6*
TOTAL TECHNICAL PROVISIONS	**26,074**	**24,042**	***8.5***
Financial liabilities recorded at fair value	3,454	3,121	*10.6*
- Investment contracts - insurance companies	*2,983*	*2,952*	*1.0*
- Other	*470*	*169*	*178.4*
Other financial liabilities	**8,357**	**7,258**	***15.1***
- Investment contracts - insurance companies	*199*	*399*	*-50.1*
- Subordinate liabilities	*912*	*788*	*15.8*
- Payables to banking customers	*6,456*	*5,364*	*20.4*
- Interbanking payables	*103*	*52*	*96.1*
- Other	*687*	*654*	*4.9*
TOTAL FINANCIAL LIABILITIES	**11,810**	**10,379**	***13.8***

As at 31 December 2007 technical provisions amounted to €26,074m, an increase of 8.5% since 31 December 2006, and were made up of €7,499m of Non-Life technical provisions (€7,393m as at 31/12/2006, +1.4%) and €18,575m of Life technical provisions (€16,650m as at 31/12/2006, +11.6%). On the same basis of consolidation, i.e. taking into account the figures for Quadrifoglio Vita as at 31 December 2007 and those for BNL Vita as at 31 December 2006, Life technical provisions recorded a decrease of 2.6%, mainly attributable to surrendered corporate policies in Class V that were not renewed.

Financial liabilities totalled €11,810m (+13.8% compared with 31/12/2006), €3,454m of which were financial liabilities recorded at fair value (€3,121m as at 31/12/2006, +10.6%) and €8,357m were other financial liabilities (€7,258m as at 31/12/2006, +15.1%). On the same basis of consolidation the variations would have been -18.1% and +16% respectively.

Reconciliation table between Group net profit for the period and capital and reserves showing the corresponding figures for the Parent Company

RECONCILIATION TABLE
(amounts in €m)

	Capital and reserves	Profit for the period	Shareholders' equity as at 31/12/2007
UGF - IAS/IFRS-compliant balances	**5,054**	**373**	**5,427**
Differences between net book value and shareholders' equity and profit for the period of consolidated interests	(1,558)	81	(1,477)
Differences arising from consolidation	1,034		1,034
Difference posted to other asset items (buildings, etc.)	8		8
Valuation of companies included by the equity method	3	2	4
Elimination of infra-group dividends	62	(62)	0
Infra-group transactions	(3)	(4)	(8)
Consolidated balances - Group	**4,598**	**389**	**4,988**
Minority interests	255	32	287
Total consolidated	**4,853**	**421**	**5,274**

Group net profit as at 31 December 2007

Group net profit amounted to €389m and was made up as follows:

GROUP NET PROFIT
(amounts in €m)

	31/12/2007	31/12/2006	*Var. %*
Total profits (Parent Company and consolidated interests)	**479**	**491**	*-2.4%*
Consolidation adjustments:			
Derecognition of dividends within the Group	(62)	(130)	
Other adjustments	4	1	
Total consolidation adjustments	**(58)**	**(129)**	
Consolidated profit	**421**	**362**	*16.5%*
Minority interests	(32)	(80)	
Net profit - Unipol Group	**389**	**281**	*38.4%*

Significant events after the end of the financial year

In January 2008, authorisation having been obtained from the Supervisory Authority, a new company known as Unipol Private Equity SGR SpA was set up with share capital of €2m wholly owned by Unipol Banca. It will operate in the field of closed private equity unit trusts. The application to operate as an investment management company and to set up a closed unit trust is being drawn up. This company will operate in close contact with the other subsidiary Unipol Merchant and will complement its core business.

On 12 February 2008 Unipol Banca announced the birth of UGF Point, the first 'do-it-yourself' multimedia branch fully automated for the provision of banking and financial services.
Unipol Banca has developed a project to renovate its sales network, the innovations introduced being intended to revamp the way banking is done in Italy. The project will implement and develop the strategy of integrating banking and insurance in accordance with the original model used by Unipol Gruppo Finanziario.
The Timatic multimedia machine in each UGF Point, developed in collaboration with Telecom Italia using cutting-edge digital technology, enables customers to carry out transactions and obtain information 24 hours a day and with total security. The machine enables customers to carry out traditional cash machine transactions (from making withdrawals to paying in by telephone) and more advanced ones (paying in cash and cheques). Customers can also operate their current account on-line.
A single touch on the screen is all that is required to set up a video call (in order to reach a permanently available expert).
The project is being trialled in the Unipol Assicurazioni agencies in Bologna, Chiavari (GE), Ferrara and Guastalla (RE). Others will be installed throughout Italy.

Four more bank branches were opened during the first few months of 2008, all combined with insurance agencies.

In February 2008 the pension fund of the Banche di Credito Cooperativo (BCC) voted to entrust management of its assets amounting to €120m to the subsidiary Unipol SGR.

On 28 February 2008 Unipol Assicurazioni sold its holding of 2.36% in the Belgian company P&V Holding Sa, making a capital gain of €2m.

As from 25 March the Unipol ordinary stock (UGF ordinary shares) will enter the MIB30, the index based on the Borsa Italiana covering the top 30 shares listed on the Italian market. You will recall that Unipol Ord. is already included in the S&P\MIB index.

Business outlook

In the first two months of 2008 business proceeded normally, with continuing sustained growth in Non-Life premium income in line with expectations, though not as much as in 2007. In Life business income from the networks of agencies was steady and that from the bancassurance sector was down because of the planned sale of the holding in Quadrifoglio Vita and because of BNL Vita's income in 2007 being mainly concentrated in the first few months of the year.

In comparison with the first two months of last year there have been no clearly discernible trends in the Non-Life loss ratio, owing to the introduction of the direct indemnity scheme for MV TPL on 1 February 2007 which has skewed the statistics. In the other Non-Life classes there was a rise in the first two months of the year in claims reported as a result of the expansion of the portfolio and the higher number of working days in the period concerned.

The extension of the multimandate to all Non-Life business, which came fully into force on 1 January 2008 (Bersani Law), has had no substantial effect so far on Unipol Assicurazioni and Aurora Assicurazioni networks. However, as expected this liberalisation is giving a boost to expansion of the network of multifirm agencies used by Navale Assicurazioni (58 new agencies opened in the first two months of 2008).

In banking business work continued on broadening the client base, which in 2008 will benefit from the greater integration of the sales networks brought about as a result of reorganisation and from the gradual installation of UGF Points in the Unipol Assicurazioni and Aurora Assicurazioni insurance agencies. The full effect of reorganisation (both retail and corporate), which is expected to provide substantial returns, both financial and in terms of growth in sales, will be felt as from the second third of 2008.

The trend in operating expenses has been normal.

As regards the management of financial assets, the first few months of 2008 were once again characterised by considerable turbulence in the financial markets, a legacy of the subprime loans crisis, which affected the credit market in general.
There is a risk that this turbulence will compromise profitability in the financial sector, where market values have fallen considerably and where spreads in refinancing rates in the capital market are now very high and extremely volatile. This has sharpened fears that the crisis could extend to the rest of the economy and lead to a recession.
The emergence of worrying signs of an economic slowdown has induced the FED to reduce its base rate, whilst in the Eurozone the ECB has not yet intervened for fear of an increase in the rate of inflation.

The continuing weakness of the US currency and the rising cost of energy mean that forecasts of the performance of the financial markets are not particularly optimistic even though it is expected that there will be an improvement compared with the current critical situation.
This has led to investment policies based on defensive strategies being pursued in both the bond and share sectors. A high level of liquidity has also been maintained in view of the interesting rates received on this component and in order to take swift advantage of any opportunities for making useful investments that may crop up.

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 a further improvement in profitability.

Bologna, 20 March 2008

The Board of Directors

Carlo Levi
nude from behind

Unipol private collection

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

2007 Financial Year

(amounts in €m)

CONSOLIDATED BALANCE SHEET

ASSETS

(€m)

		31/12/2007	31/12/2006
1	**INTANGIBLE ASSETS**	**1,811.7**	**1,335.7**
1.1	Goodwill	1,775.4	1,303.8
1.2	Other intangible assets	36.3	31.9
2	**TANGIBLE ASSETS**	**434.9**	**433.6**
2.1	Property	380.2	375.9
2.2	Other tangible assets	54.7	57.7
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**593.2**	**657.4**
4	**INVESTMENTS**	**39,040.5**	**35,936.0**
4.1	Investments in property	315.4	298.9
4.2	Shareholdings in subsidiaries, associates and joint ventures	28.3	38.6
4.3	Investments held to maturity	1,796.2	1,037.8
4.4	Loans and receivables	11,374.6	10,157.0
4.5	Financial assets available for sale	14,836.8	15,837.8
4.6	Financial assets recorded at fair value through profit or loss	10,689.2	8,565.9
5	**SUNDRY RECEIVABLES**	**1,430.1**	**1,176.9**
5.1	Receivables arising out of direct insurance operations	940.5	808.9
5.2	Receivables arising out of reinsurance operations	141.1	104.8
5.3	Other receivables	348.4	263.2
6	**OTHER ASSETS**	**2,524.4**	**696.4**
6.1	Non-current assets or assets held for sale belonging to a group in the course of being sold	1,688.5	
6.2	Deferred acquisition costs	61.1	70.2
6.3	Deferred tax assets	430.8	366.2
6.4	Current tax assets	45.9	45.3
6.5	Other assets	298.1	214.6
7	**CASH AND CASH EQUIVALENTS**	**364.5**	**1,413.6**
	TOTAL ASSETS	**46,199.2**	**41,649.6**

CONSOLIDATED BALANCE SHEET

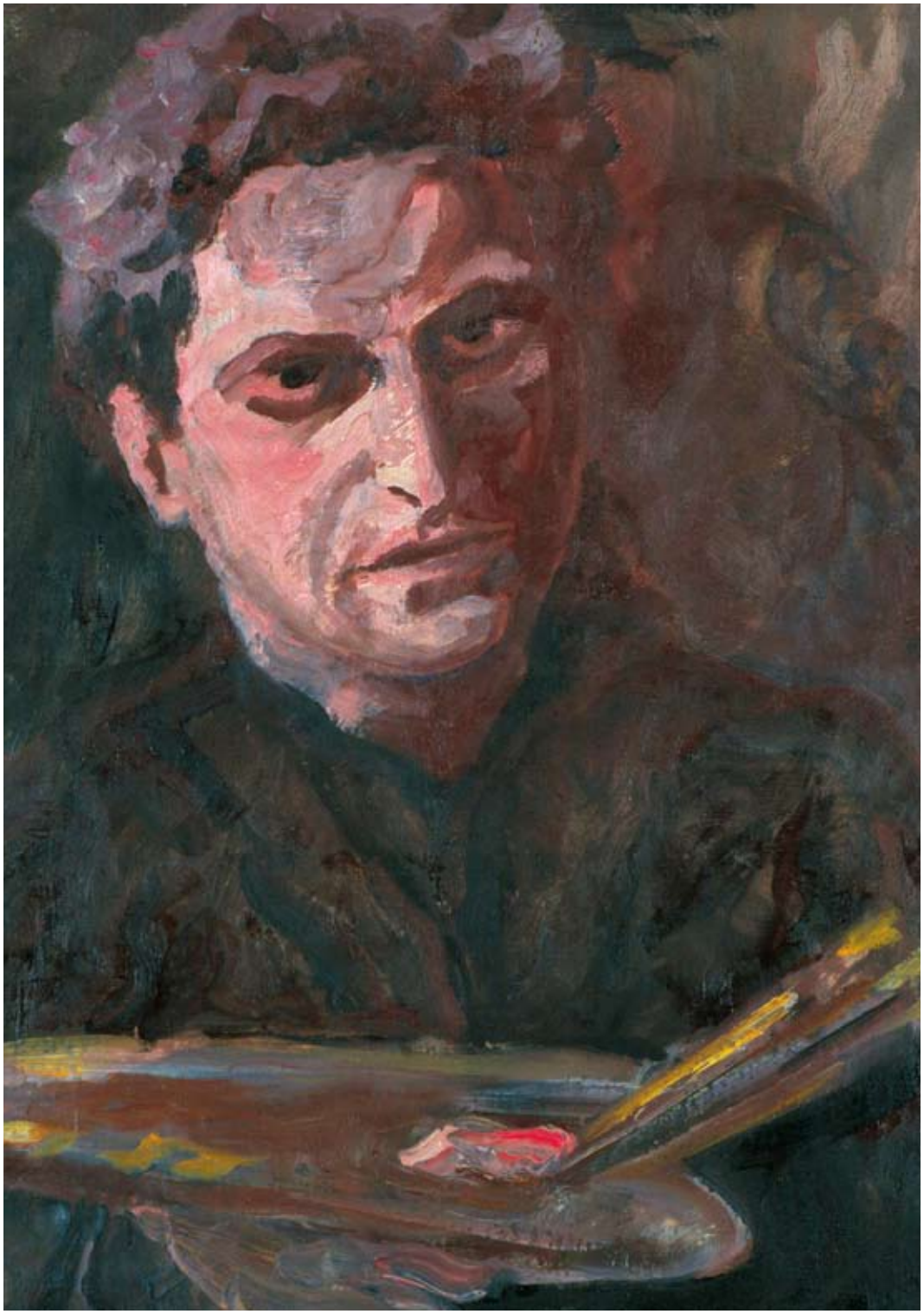
LIABILITIES AND SHAREHOLDERS' EQUITY

(€m)

		31/12/2007	31/12/2006
1	**SHAREHOLDERS' EQUITY**	**5,274.4**	**5,873.0**
1.1	pertaining to the Group	4,987.6	5,357.7
1.1.1	Capital	2,391.4	2,360.1
1.1.2	Other equity		
1.1.3	Capital reserves	2,235.4	2,296.8
1.1.4	Accumulated earnings and other reserves	630.0	456.8
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	-679.8	-70.3
1.1.8	Other profits or losses recorded in the equity direct	21.4	32.9
1.1.9	Profit (loss) for the year pertaining to the Group	389.2	281.3
1.2	pertaining to minority interests	286.7	515.2
1.2.1	Capital and reserves pertaining to minority interests	302.4	470.9
1.2.2	Profits or losses recorded in the equity direct	-47.6	-35.9
1.2.3	Profit (loss) for the year pertaining to minority interests	31.9	80.3
2	**AMOUNTS SET ASIDE**	**55.5**	**45.0**
3	**TECHNICAL PROVISIONS**	**26,074.5**	**24,042.4**
4	**FINANCIAL LIABILITIES**	**11,810.4**	**10,379.2**
4.1	Financial liabilities recorded at fair value through profit or loss	3,453.6	3,121.2
4.2	Other financial liabilities	8,356.8	7,257.9
5	**PAYABLES**	**423.9**	**520.2**
5.1	Payables arising out of direct insurance operations	78.1	46.5
5.2	Payables arising out of reinsurance operations	10.3	18.6
5.3	Other payables	335.6	455.1
6	**OTHER LIABILITIES**	**2,560.5**	**789.8**
6.1	Liabilities of a group in the course of being sold held for sale	1,651.7	
6.2	Deferred tax liabilities	220.2	210.3
6.3	Current tax liabilities	97.8	52.9
6.4	Other liabilities	590.8	526.7
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**46,199.2**	**41,649.6**

Carlo Levi
self-portrait with brushes

Unipol private collection



CONSOLIDATED INCOME STATEMENT

(€m)

		31/12/2007	31/12/2006
1.1	Net earned premiums	7,462.5	8,380.6
1.1.1	*Gross earned premiums*	*7,782.7*	*8,717.0*
1.1.2	*Earned premiums ceded*	*-320.2*	*-336.4*
1.2	Commissions and fees receivable	118.1	112.0
1.3	Income and charges arising out of financial instruments recorded at fair value through profit or loss	-38.7	272.0
1.4	Income arising out of shareholdings in subsidiaries, associates and joint ventures	2.0	1.9
1.5	Income arising out of other financial instruments and investments in property	1,624.9	1,268.0
1.5.1	*Interest receivable*	*1,180.5*	*901.3*
1.5.2	*Other income*	*93.4*	*57.0*
1.5.3	*Profits realised*	*350.8*	*308.9*
1.5.4	*Unrealised profits*	*0.3*	*0.9*
1.6	Other income	145.6	96.1
1	**TOTAL INCOME AND PROCEEDS**	**9,314.4**	**10,130.6**
2.1	Net charges relating to claims	6,768.0	7,826.9
2.1.2	*Amounts paid and changes in technical provisions*	*6,976.3*	*8,073.3*
2.1.3	*Reinsurers' share*	*-208.3*	*-246.4*
2.2	Commissions and fees payable	41.7	35.7
2.3	Charges arising out of shareholdings in subsidiaries, associates and joint ventures	0.5	0.2
2.4	Charges arising out of other financial instruments and investments in property	456.6	378.6
2.4.1	*Interest payable*	*248.7*	*186.9*
2.4.2	*Other charges*	*14.7*	*12.7*
2.4.3	*Losses realised*	*99.7*	*70.3*
2.4.4	*Unrealised losses*	*93.5*	*108.6*
2.5	Operating expenses	1,276.8	1,155.8
2.5.1	*Commissions and other acquisition costs*	*812.9*	*758.4*
2.5.2	*Investment management expenses*	*23.3*	*25.4*
2.5.3	*Other administrative expenses*	*440.7*	*372.0*
2.6	Other costs	163.8	142.5
2	**TOTAL COSTS AND CHARGES**	**8,707.5**	**9,539.7**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**606.8**	**590.9**
3	Taxation	185.7	229.4
	PROFIT (LOSS) FOR THE PERIOD NET OF TAX	**421.1**	**361.5**
4	PROFIT (LOSS) PERTAINING TO DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	**421.1**	**361.5**
	pertaining to the Group	**389.2**	**281.3**
	pertaining to minority interests	**31.9**	**80.3**

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

(€m)

			As at 31/12/2005	Changes to closing balances
Sharehol-ders' equity pertaining to the Group	Capital		2,360.1	
	Other equity			
	Capital reserves		2,391.3	
	Accumulated earnings and other reserves		432.5	
	(Own shares)			
	Provision for net exchange rate differences			
	Profits or losses on financial assets available for sale		80.5	
	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	32.9	
		Income and charges relating to non-current assets or assets held for sale belonging to a group in the course of being sold		
		Other provisions		
	Net profit (loss) for the year		254.5	
	Total pertaining to the Group		**5,551.7**	**0,0**
Shareholders' equity pertai-ning to minority interests	Capital and reserves pertaining to minority interests		462.2	
	Profits or losses recorded in the equity direct		0.9	
	Net profit (loss) for the year		28.1	
	Total pertaining to minority interests		**491.1**	**0,0**
Total			**6,042.9**	**0,0**

Amounts allocated	Transfers to the Income statement	Other transfers	As at 31/12/2006	Changes to closing balances	Amounts allocated	Transfers to the Income statement	Other transfers	As at 31/12/2007
			2,360.1		31.3			2,391.4
		-94.4	2,296.8		44.8		-106.2	2,235.4
24.3			456.8		354.9		-181.7	630.0
-103.7	-47.1		-70.3		-637.5	28.0		-679.8
					0.0			0.0
			32.9		-11.6			21.3
281.3		-254.5	281.3		389.2		-281.3	389.2
202.0	**-47.1**	**-348.9**	**5,357.7**		**171.1**	**28.0**	**-569.2**	**4,987.6**
8.7			470.9		-168.5			302.4
-30.6	-6.1		-35.9		-7.1	-4.6		-47.6
80.3		-28.1	80.3		31.9		-80.3	31.9
58.3	**-6.1**	**-28.1**	**515.2**		**-143.7**	**-4.6**	**-80.3**	**286.7**
260.3	**-53.2**	**-376.9**	**5,873.0**		**27.4**	**23.4**	**-649.4**	**5,274.4**

Carlo Levi
profile of a woman

Unipol private collection

CASH FLOW STATEMENT (indirect method)

(€m)

	31/12/2007	31/12/2006
Profit (loss) for the year before taxation	**606.8**	**590.9**
Change in non-monetary items	**1,573.5**	**1,128.0**
Change in provision for Non-Life unearned premiums	80.8	67.7
Change in provision for outstanding claims and in other Non-Life technical provisions	96.6	202.3
Change in mathematical provisions and in other Life technical provisions	1,919.0	1,543.8
Change in deferred acquisition costs	9.1	-1.5
Change in amounts set aside	10.5	7.1
Non-monetary income and charges arising out of financial instruments, investments in property and shareholdings	-406.8	-316.7
Other changes	-135.7	-374.7
Change in receivables and payables generated by operations	-349.5	75.3
Change in receivables and payables arising out of direct insurance and reinsurance operations	-144.7	-76.6
Change in other receivables and payables	-204.8	151.9
Tax paid	-170.0	-143.4
Net liquid assets generated/absorbed by monetary items pertaining to investment and financial operations	-1,726.7	4,000.9
Liabilities arising out of financial contracts issued by insurance companies	-169.3	-894.9
Payables to banking customers and interbanking payables	1,142.5	700.9
Loans and receivables from banking customers and interbanking loans and receivables	-1,193.6	-610.4
Other financial instruments recorded at fair value through profit or loss	-1,506.4	4,805.3
TOTAL NET LIQUID ASSETS ARISING OUT OF OPERATIONS	**-65.8**	**5,651.7**
Net liquid assets generated/absorbed by investments in property	-15.2	54.6
Net liquid assets generated/absorbed by shareholdings in subsidiaries, associates and joint ventures	0.1	-10.2
Net liquid assets generated/absorbed by corporate financing and receivables	4.2	1,402.6
Net liquid assets generated/absorbed by investments held to maturity	209.2	-88.4
Net liquid assets generated/absorbed by financial assets available for sale	-525.6	-6,181.2
Net liquid assets generated/absorbed by tangible and intangible assets	-356.2	45.5
Other net cash flows generated/absorbed by investment operations	-36.9	
TOTAL NET LIQUID ASSETS ARISING OUT OF INVESTMENT OPERATIONS	**-720.5**	**-4,777.1**
Net liquid assets generated/absorbed by equity instruments pertaining to the Group	-8.2	-64.7
Net liquid assets generated/absorbed by own shares		
Distribution of dividends pertaining to the Group	-287.9	-287.9
Net liquid assets generated/absorbed by capital and reserves pertaining to minority interests	-123.2	-28.1
Net liquid assets generated/absorbed by subordinate liabilities and participating financial instruments	124.5	139.5
Net liquid assets generated/absorbed by sundry financial liabilities	32.1	-80.7
TOTAL NET LIQUID ASSETS ARISING OUT OF CORPORATE FINANCING OPERATIONS	**-262.8**	**-321.8**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	1,413.6	860.8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1,049.2	552.8
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	364.5	1,413.6

Notes to the accounts

1. GENERAL DRAFTING CRITERIA

The Unipol Group, consisting of the Parent Company Unipol Gruppo Finanziario (herein-after referred to as UGF) 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 UGF is a public limited company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

UGF's consolidated accounts for the year ended 31 December 2007 have been drawn up in accordance with the IAS/IFRS international accounting standards issued by the IASB and validated by the European Union, with the relative interpretations issued by IFRIC and with the provisions of EC Regulation 1606/2002 in force on the date the accounts closed.

The unit of account used is the Euro and all the amounts recorded in the notes are in €m, except when specifically indicated, rounded to one decimal place.

The layout (balance sheet, profit and loss account, statement of variations in the shareholders' equity, financial statement and other tables) conforms to the provisions of ISVAP Ruling 7 of 13 July 2007, Part III, relating to the layout of the consolidated accounts of insurance and reinsurance companies that must adopt international accounting standards.
The information requested in CONSOB Communication DEM/6064293 of 28 July 2006 has also been provided.

It should be mentioned that, as a result of UGF's intention to sell 50% of Quadrifoglio Vita to Banca Monte dei Paschi di Siena, the figures consolidated in this document are set out in accordance with the provisions of IFRS 5, with no changes to the consolidated shareholders' equity nor to the consolidated profit. In particular, on the consolidated balance sheet the assets of the company to be sold are reclassified in a single item known as 'Non-current assets or assets held for sale belonging to a group in the course of being sold' (item 6.1 of the Assets) whilst the corresponding liabilities are similarly reclassified in a single item known as 'Liabilities of a group in the course of being sold held for sale' (item 6.1 of the Liabilities). Both items are net of operations within the Group.
However, the profit and loss items are set out in accordance with the normal rules of consolidation on a line-by-line basis.
Details of reclassified assets and liabilities are set out in paragraph 5.8.

In addition, with the increase from 50% to 51% of the shareholding in BNL Vita, the relative balance sheet figures as at 31 December 2007 have been consolidated in full (50% as at 31/12/2006) whilst the figures in the profit and loss account have been 50% consolidated for the first half of the year and 100% for the second half (50% as at 31/12/2006), the acquisition having taken place in July 2007.

1.1 Basis of consolidation

The Group's consolidated accounts as at 31 December 2007 have been drawn up by combining the figures for the Parent Company UGF and those for all the subsidiaries, both direct and indirect (IAS 27): in addition to the holding company, seven insurance companies, a banking group made up of six companies (plus three single-purpose companies), two property companies, two financial holding companies and an investment management company. Subsidiaries deemed to be too small to be of relevance are excluded.
One jointly-controlled company (a bancassurance company) has been consolidated using the proportional method (IAS 31) whilst the associate companies, in which holdings are between 20% and 50%, and the subsidiaries that are considered not to be of significance are valued using the net equity method (IAS 28).

The shareholdings consolidated on a line-by-line basis and proportionally and the holdings valued using the

net equity method are listed in the tables showing the Basis of Consolidation and Details of Unconsolidated Shareholdings respectively.

Changes in the basis of consolidation compared with 31 December 2006

The operations that were carried out and the other variations that took place during 2007 are as follows:

- On 16 March 2007, following the conclusion of the period for accepting the offer for all the shares in Aurora Assicurazioni owned by third parties, 29.16% of Aurora Assicurazioni's share capital was acquired by UGF. Thus its holding rose from 66.66% to 95.82%. Subsequently

- on 1 September 2007 Aurora Assicurazioni was incorporated into UGF. Aurora Assicurazioni shareholders who had not accepted the offer were allocated ordinary and preference shares in UGF. The capital increase for the purpose of the merger was €31,281,690 and the price above par was €44,849,895. UGF's share capital as at 31 December 2007 amounted to €2,391,426,100.

- As a result, since Aurora Assicurazioni had direct holdings in the subsidiary companies listed below, UGF's holdings in these companies rose as follows:
  - Unisalute from 96.47% to 98.48%
  - Linear from 93.33% to 100%
  - Unipol Banca Group from 79.53% to 84.53%
  - S.R.S. from 91.74% to 100%.

- On 1 September 2007 the share capital of both Nuova Unipol Assicurazioni (now Unipol Assicurazioni) and Nuova Aurora Assicurazioni (now Aurora Assicurazioni) was increased by €145,000,000 by transferring various classes of business. As at 31 December 2007 both companies were wholly owned by UGF.

- On 31 July 2007 UGF acquired a further 1% in BNL Vita, increasing its holding from 50% to 51%.

- On 29 August 2007 the subsidiary Unipol Banca sold its entire holding in Unipol Sgr to UGF, therefore UGF's holding rose from 79.53% to 100%.

- On 13 September 2007 the subsidiary Unipol Banca acquired 100% of the share capital of Cooperleasing spa, a leasing company registered in Bologna.

- On 8 October 2007 the subsidiary Unipol Banca acquired 0.024% of Unipol Merchant's share capital, increasing its holding from 86.151% to 86.175%.

- On 20 December 2007 the subsidiary Smallpart incorporated Dimensione e Sviluppo Immobiliare, the entire capital of which it held.

- On 20 December 2007 Grecale Srl went into voluntary liquidation.

Additional notes on extraordinary operations that took place during the period

Information on extraordinary operations that took place during the period in question is given below. Details are given of the repercussions on the consolidated figures of the acquisition of further Aurora Assicurazioni shares by means of the public offer and of its merger by incorporation after the insurance business was transferred.

Public offer for 33.34% of Aurora Assicurazioni shares

On 16 March 2007, following the offer for all Aurora Assicurazioni's shares, the acceptance period for which began on 29 January 2007 and ended on 9 March 2007, UGF acquired 29.16% of Aurora Assicurazioni's share capital, increasing its holding from 66.66% to 95.82% and also increasing its holding in the companies consolidated on a line-by-line basis in which Aurora Assicurazioni had a direct holding. The amount paid for the offer was €657m, to which were added additional costs of €4m, bringing the total outlay to €661m.

At the consolidation stage the difference between the total amount paid for the bid, which was higher than the book value of the holding in Aurora Assicurazioni, and the corresponding fraction of the Company's capital and reserves gave rise to an increase in goodwill of €334m in the absence of other asset items to which this difference could be allocated. Similarly in the case of Unisalute, Linear and Unipol Banca, elimination of the book value of the additional holding and of the corresponding fraction of the companies' shareholders' equity gave rise to an overall increase in goodwill of €16m in the absence of other assets items to which this difference could be allocated.

This method of recording the figures complies with the criterion adopted by the Group when carrying out similar operations in the past.

Transfer of insurance business and merger by incorporation of Assicurazioni into UGF

On 29 August the insurance business was transferred at book values to Nuova Unipol Assicurazioni and Nuova Aurora Assicurazioni from the former Unipol Assicurazioni and the former Aurora Assicurazioni respectively.
Subsequently, but on the same date, Aurora Assicurazioni was incorporated into the former Unipol Assicurazioni, which took the name of UGF. The legal effect was from 1 September 2007 and the fiscal and accounting effects from 1 January 2007.
The Aurora Assicurazioni shareholders who had not accepted the offer (4.18%) were allocated UGF shares at a ratio of 0.510 ordinary shares and 0.314 preference shares for each Aurora Assicurazioni ordinary share. 19,361,240 UGF ordinary shares and 11,920,450 UGF preference shares were issued and allocated. At market values pertaining on 31 August 2007 the total capital increase was €76m, €45m of which was the provision for share premium, and there was a further €7m in additional charges.
The capital increase for the purpose of the merger therefore gave rise to an increase in goodwill (deficit arising out of the merger) of €31m.

It should also be noted that in view of the dates on which these holdings were acquired the corresponding proportion of the result for the period 1 January to 31 August 2007 achieved by the consolidated companies, which amounted to €19.5m, was paid to third parties.

Acquisition of 1% of BNL Vita's share capital

On 31 July 2007 UGF acquired 1% of BNL Vita's share capital, bringing its total holding to 51%. The price of the transaction was €5.9m. At the consolidation stage the difference between the amount paid and the corresponding fraction of the Company's capital and reserves gave rise to an increase in goodwill of €3.5m in the absence of other asset items to which this difference could be allocated. BNL Vita's operating profit for the period subsequent to the acquisition, which was included in Group profits, amounted to €108,220.

Reference date

The reference date for the consolidated accounts is 31 December 2007, the date the annual accounts of the Parent Company UGF closed. All the consolidated undertakings closed their accounts on 31 December with the exception of the affiliated company Pegaso Finanziaria spa, which closed its latest accounts on 30 June 2007 and for which interim accounts up to the date of the consolidated accounts have been used. Reformulations of the individual accounts of each consolidated company have been 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 UGF 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 holding 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 subsidiary companies are consolidated on a line-by-line basis with the exception of those of three companies that are so small that the net equity method is used. Three single-purpose companies are also consolidated on a line-by-line basis. These are the vehicle companies 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 vehicles are substantially retained.

Companies consolidated on a proportional basis

This method of consolidating the jointly-controlled companies provides for the assumption of the assets, liabilities, income and expenditure of the consolidated undertakings in proportion to the holding, and for the elimination of the book value of the participating interest.
As at 31 December 2007 only one company was consolidated using the proportional method.

Companies valued using the net equity method

When this method is used the value of the holding 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 affiliated companies exceeds the net fair value of the identifiable assets, liabilities and 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 assets 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 holding in the shareholders' equity of the company acquired exceeds the cost of acquisition, the difference is recorded directly in the profit and loss account.

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 carried out 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
- Holding Company Business and Services.

Holding Company Business and Services, carried out by the Parent Company UGF, took on importance during the year as a result of the process of Group reorganisation, which introduced the new system of internal reporting whereby the provision of services by the Parent Company to the companies within the Group is

recorded separately.
UGF's costs and income accrued since 1 September 2007 have been allocated to Holding Company Business and Services, costs and income accrued in the first eight months of the year thus continuing to pertain to Non-Life and Life business. In view of the particular complexity of the work of reorganising the services provided within the Group, it has not been possible to present reliable figures for the period prior to 1 September 2007 and comparative figures for 2006 for this sector.
No business report based on geographical areas has been produced since the Group operates mainly on a national level and there appears to be no significant difference in the risks and benefits, according to 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.

EC Regulation 108/2006 approved IFRS 7 - Financial instruments: notes to the accounts, applying as from the 2007 financial year when the criteria set out in IAS 32 and IAS 39 for recording, valuing and presenting the financial assets and liabilities in the accounts were introduced. In particular, IFRS 7 requires that notes to the accounts be provided to make clear:
- the importance of the financial instruments for the Group's financial position and profits, and
- the nature and the level of the risks arising out of the financial instruments to which the Group is exposed during the year and on the accounting reference date and the way in which these risks are managed.

EC Regulation 108/2006 also amended IAS 1 - Presentation of accounts. In particular, three new paragraphs (124A, 124B and 124C) were added, which require that a report be submitted to enable the objectives, policies and procedures relating to capital management adopted by the Group to be evaluated.

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 written down:
- 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 writes down this value throughout the expected residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, written down over three years;
- expenses relating to building work on property belonging to third parties, written down throughout the life of the rental agreements concerned.

Goodwill paid when companies are acquired or merged 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 permanent loss of value, by means of an impairment test, in which case the permanent loss of value is recorded in the profit and loss account and cannot be taken into account again in subsequent years.

2.2 Tangible assets - IAS16

This item includes property used for corporate business, plant and machinery and fixtures and fittings.
The Group has adopted the criterion of the written-down cost for recording and valuing this category of property.

Depreciation, which is carried out each year on a straightline basis on the potential 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 in the case of buildings is estimated at 30 years). In the case of whollyowned 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 suffer 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 written-down 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 written down

annually on a straightline basis, based on the recoverable value and the presumed useful life (estimated to be 30 years). This mainly applies to 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 has been applied. In the case of the Group this applies to residential property.
In the case of whollyowned property (land and buildings) 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 suffer permanent losses of value are written down. The market value is determined at least once a year by means of expert valuations conducted by outside companies.
The values recorded in the case of the property owned by the subsidiaries Aurora Assicurazioni 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 - IFRS 7

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 recording 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 into 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 recorded 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 written-down cost of the debt securities in this category calculated according to the effective rate of return is recorded in the profit and loss account. The comparison with the fair value is made after the proportion of the written-down cost for the financial year has been recorded.
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 profit and loss account.

In the event that a financial asset available for sale is transferred to the category of financial assets held to maturity, the fair value recorded on the date of transfer becomes its new cost or amortisable cost. Any previous profit or loss on this asset that has been recorded in the shareholders' equity direct is recorded through profit or loss throughout the remaining useful life of the investment held to maturity using the criterion of actual interest.

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 writedowns).

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 fixedyield bonds acquired to match special Life tariffs in this category, and also bonds that the Group has the intention and the financial capacity to hold to maturity.

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 loans and credit facilities issued by the insurance companies, reinsurers' deposits, loan repo contracts, 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, subject to the implicit derivative being unbundled.

In accordance with the provisions of IAS 39 loans and receivables must be initially recorded at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable direct.
Following the initial recording receivables are valued at the written-down cost, which is represented by the value at which they are initially recorded 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 irrecuperability.
Applying the effective interest rate enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. 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 recording the written-down cost is determined for the whole life of the loan by continuing to apply the actual rate of interest fixed at the start of the operation (original rate). This original rate does not vary over time and is also used following any contractual amendments to the rate of interest or events that in fact mean that the loan becomes interest-free (for instance, if a competitive procedure takes place).

The written-down cost method is applied only to loan contracts 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 making significant changes to the method of calculating 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 after they were first recorded.
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 deteriorated or performing.
Loans are considered to be deteriorated 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 deteriorated loans (with the exception of substandard and/or overdue loans that are each for an insignificant amount) 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 (written-down cost) at the time it is valued constitutes a value adjustment, and it is this that is recorded in the profit and loss account.

The original value of the loans is readjusted in subsequent years only in the event that the reasons that led to the loss in question 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 written-down cost had been 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 potential 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 recorded in the profit and loss account. 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 eliminated only if the assignment involves the substantial transfer of the risks and benefits pertaining to them. If this is not the case 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 eliminated 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 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 capital increases
Costs directly attributable to issuing instruments representing capital are deducted from the capital net of tax.

2.5 Cash and cash equivalents - IAS 7

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

2.6 Liabilities and potential 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 Non-current assets held for sale and discontinued operations - IFRS 5

On the consolidated balance sheet the assets of the company to be sold are reclassified in a single item known as 'Non-current assets or assets held for sale belonging to a group in the course of being sold' (item 6.1 of the Assets) whilst the corresponding liabilities are similarly reclassified in a single item known as 'Liabilities of a group in the course of being sold held for sale' (item 6.1 of the Liabilities). Both items appear in the consolidated accounts net of operations within the group involving the company to be sold.
The profit and loss items are set out in accordance with the normal rules of consolidation on a line-by-line basis.

2.8 Insurance policies - IFRS 4

Classification of policies
Insurance policies that come under IFRS 4 are contracts that transfer significant insurance risks. Such policies 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 policies are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment policies may include discretionary profitsharing.

All the Non-Life policies in the portfolio as at 31 December 2007 were classified as insurance policies.

As in the previous year, the principal criteria used for classifying Life products as insurance policies 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 be payable if the insured event had not taken place. The threshold of significant insurance risk has been deemed to be 10%;
- the presence of options or guarantees, such as the coefficient of conversion into an annuity with guaranteed rates.

Some policies provide for discretionary profitsharing (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, policies subject to revaluation and linked to segregated accounts have been classified as investment products with DPF and have therefore been valued and recorded as insurance policies.

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

However, the following types of policy have been classified as investment policies and have no DPFs. For this reason, in accordance with the provisions of paragraph 3 of IFRS 4, policies 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 recorded and written down separately throughout the duration of the policy. 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.

2.9 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 the gross premiums recorded 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 calculated on the forecast of the loss ratio for the current year.
In the case of the Credit class the flatrate procedure provided for by the Ministerial Decree of 23 May 1981 was applied to premiums received before 1992, whilst the pro-rata temporis method has been applied to policies issued from 1992 onwards.
In the case of the Bond class the provision for unearned premiums has been calculated using the pro-rata temporis method combined with the criteria laid down by ISVAP Ruling 1978 of 4 December 2001.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent financial 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 policies in the Health class in the portfolio that have the features provided for in Article 37, para. 8, of Legislative Decree 209 of 7 September 2005 (Insurance Code).

Provision for outstanding claims
The provision for outstanding claims for direct business is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the 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 expenses and claimshandling expenses. Only in the case of MV TPL claims reported during the 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 to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising out of the adequacy test for Non-Life technical provisions
The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test - LAT), the outcome of which means that there is no need to add to them, apart from what has already been ascertained as a result of the valuation of the provision for unexpired risks.

2.10 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 profitsharing 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 ascertained by linear interpolation between the provisions on the policy anniversaries immediately preceding and following this date.
In the case of policies 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 liabilities provided for in the policy 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, particularly policies that offer a guaranteed minimum return on payments when

the policy matures or on retirement, death or disability, the mathematical provision may be increased by a further provision required to cover the risk of including the value 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 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 policies.
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, which shows details of both sexes separately, 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 policies 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 policy.
In the case of unit-linked policies issued until 2000 in particular, Unipol Assicurazioni applies to the sum assured at risk the provision coefficient for term deathbenefits 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 policies 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 expenses.
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 remains valid throughout the life of the policy, has been set aside for the remaining period of each individual policy.

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 and that is expected to be obtained during the same period.
This provision is important in the case of 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 combined with an item held as a hedge against the possible discrepancy between the liabilities and the expected rates of return on the assets matching the technical provisions linked to segregated accounts and take account of the levels of financial guarantees and the trends in the adjustment made to the benefits provided for under the policies.
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 underlying assets to be recorded as technical provisions for insurance or investment policies that offer discretionary profitsharing as if they had been realised. This adjustment is recorded in the shareholders' equity or in the profit and loss account depending on whether the capital losses or capital gains in question are recorded in the shareholders' equity or in the profit and loss account.
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.

2.11 Financial liabilities - IAS 39

This item includes the financial liabilities recorded at fair value through profit or loss and the financial liabilities valued at written-down 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 trading liabilities;
- financial liabilities recorded at fair value through profit or loss, which include the financial liabilities relating to policies 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 profitsharing.

Financial liabilities valued at cost less depreciation
This item includes interbank payables and payables to banking clients, deposits received from reinsurers, debt securities issued, other corporate financing obtained and liabilities on Life policies with a financial content where the insurance risk is less than 10% and where there is no discretionary profitsharing (some types of product matched by specific assets).

2.12 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.
In the event of variations in tax rates, despite being contingent items the deferred taxes recalculated in accordance with the new rates are recorded under Taxes in the profit and loss account or under the equity reserves to which the temporary variations in question apply.

2.13 Employee benefits - IAS 19

The amount of staff-leaving indemnity accrued by 31 December 2006 that has not been transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 relating to supplementary pension schemes comes under the category of employee benefits 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 guaranteed benefit, has also been ascertained.

2.14 Receipts and other income

Net premium income
This item includes the earned premiums relating to insurance policies and financial instruments that include discretionary profitsharing, net of reinsurance cessions.
Premium income is recorded at the time it is due. The total for the period is 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 profitsharing. In the case of unit-linked policies in particular the acquisition loadings relating to the asset management service provided have been recorded and deferred throughout the duration of the policy.

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, affiliated companies 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 income
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 core income relating to insurance policies, exchange rate differences allocated to the profit and loss account as per IAS 21, profits made and value readjustments relating to tangible and other assets.

2.15 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 profitsharing. In particular, acquisition commissions paid for the placement of unit-linked policies are written down throughout the duration of the policy to meet deferred acquisition loadings.

Charges arising out of holdings in subsidiaries, associates and joint ventures
This item includes charges arising out of holdings in subsidiaries, affiliated companies 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 drops 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 core charges relating to insurance policies, additional amounts set aside during the year, exchange rate differences to be allocated to the profit and loss account under IAS 21, losses realised and depreciation relating to tangible and intangible assets, not allocated to other cost items.

2.16 Corporation tax for the year

In accordance with Article 117 et seq. of Presidential Decree 917/86 and with the Ministerial Decree of 9 June 2004, UGF and the other subsidiaries that fulfil the requirements (Unipol Assicurazioni, Navale Assicurazioni, Navale Vita, Midi, Smallpart and Unieuropa) have opted for the Group consolidated taxation system (for the purposes of IRES) in their capacity as consolidated companies. The option applies to the financial years 2007, 2008 and 2009.
The holding company for taxation purposes is Finsoe spa.
The undertakings listed above have signed an agreement with this Company relating to regulating the economic, financial and procedural aspects governing the option in question.
Consequently the charges/income linked to the transfer to the holding company of the taxable profits for the purposes of IRES are recorded under taxation in the profit and loss account on the basis of the taxable income and in accordance with legislation, with account being taken of the exemptions applicable, the tax credits due and the terms of the agreement with the holding company.
IRAP for the year is also recorded under taxation.

Prepaid and deferred taxes, based on the consolidation adjustments and on the temporary differences between the book profit and taxable profit of the individual consolidated companies (arising or deducted during the year, relating to sundry assets and the provision for taxation respectively), 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.

2.17 Earnings per share - IAS 33

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

2.18 Use of estimates

When drawing up the accounts Head Office has had to formulate valuations, estimates and assumptions that affect the way the accounting standards are applied 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 the same as those shown here.
These estimates and assumptions are regularly reviewed. 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 subsequent 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 year are given below. (The numbering of the notes relates to the numbering used on the balance sheet).

There are also comments below on the variations on the same basis of consolidation, taking into account the figures for Quadrifoglio Vita, reclassified in accordance with IFRS 5 under 'Non-current assets or assets held for sale belonging to a group in the course of being sold', and BNL Vita's entire assets and liabilities as at 31 December 2006.

ASSETS

1. Intangible assets

1.1 Goodwill

€1,346.8m of this item, which amounts to €1,775.4m (+€471.7m compared with 2006), relates to goodwill recorded as a result of acquisitions, in particular:

- €1,230.6m relating to Aurora Assicurazioni, an increase compared with the previous year of €454.2m. €90.3m of the variation was due to reclassification from Deferred tax assets, carried out in order to obtain a clearer picture of the fiscal effects arising out of the past merger operations that led to Aurora Assicurazioni being set up, and €364 to the increase in the holding, which was a result first of the voluntary public offer and then of its merger by incorporation into the Parent Company UGF. These operations also generated variations in the goodwill of the following holdings:
  - €39.7m in the case of Unipol Banca, an increase compared with the previous year of €15.5m;
  - €17.1m in the case of Linear, an increase compared with the previous year of €5.3m;
  - €4m in the case of Unisalute, an increase compared with the previous year of €0.7m;
- €47.4m in the case of BNL Vita, an increase compared with the previous year of €3.5m, this variation being due to the acquisition of a further 1%, which increased the holding from 50% to 51%;
- €8m in the case of Navale Assicurazioni, unchanged since the previous year.

In the case of Quadrifoglio Vita there was a decrease of €0.3m as a result of reclassification of the difference arising from consolidation to item 6.1 - Non-current assets or assets held for sale belonging to a group in the course of being sold.

Also included was:

- goodwill of €418.9m generated when banking outlets were acquired, an increase of €2.6m compared with 31 December 2006 owing to the registration duty paid by Unipol Banca during 2007 on deeds of acquisition of classes of business entered into in 2001, which originally had benefited from tax relief under Article 24 of Legislative Decree 153/99 but had subsequently been declared by the Commission of the European Union to be incompatible with EU legislation on government aid;
- other goodwill with a specific useful life (Life portfolios and commercial agreements) of €9.6m (€19.6m in 2006). The decrease of €10m was due to the depreciation recorded during the year.

1.2 Other intangible assets

This item, totalling €36.3m (+€4.4m compared with 2006), was made up of expenses for renovating rental property amounting to €35.5m and costs incurred when purchasing software amounting to €0.8m.

2. Tangible assets

As at 31 December 2007 tangible assets, net of accumulated depreciation, amounted to €434.9m (+€1.3m compared with 2006), €380.2m of which was property for the use of the business (€375.9m in 2006) and €54.7m was other tangible assets (€57.7m in 2006). The increase is mainly attributable to Property as a result of expenditure that increased the value.

The variations that occurred after 1 January 2007 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 31/12/2006	**408.1**	**-32.2**	**375.9**
Increases	23.5		23.5
Decreases	-9.6		-9.6
Depreciation for the period		-16.8	-16.8
Changes in the provision		7.3	7.3
Balance as at 31/12/2007	**422.0**	**-41.8**	**380.2**

Other tangible assets
(amounts in €m)

	Office furniture and machinery	*Vehicles*	*Plants and equipment*	*Total*
Balance as at 31/12/2006	**149.4**	**1.9**	**51.3**	**202.6**
Increases	6.4	0.5	11.3	18.1
Decreases	-2.2	-0.6	-1.9	-4.7
Balance as at 31/12/2007	**153.6**	**1.8**	**60.7**	**216.0**
Prov. for depr. as at 01/01/2007	**110.2**	**1.2**	**33.6**	**144.9**
Increases	9.7	0.4	10.7	20.8
Decreases	-2.1	-0.5	-1.8	-4.3
Prov. for depr. as at 31/12/2007	**117.8**	**1.1**	**42.5**	**161.4**
Net value as at 01/01/2007	**39.2**	**0.8**	**17.7**	**57.7**
Net value as at 31/12/2007	**35.8**	**0.7**	**18.2**	**54.7**

3. Technical provisions - Reinsurers' share

The balance on this item amounted to €593.2m and fell by €64.3m compared with 2006. On the same basis of consolidation there was a decrease of €77.4m.
Details are set out in the relevant appendix.

4. Investments

Total investments (property, shareholdings and financial investments) amounted to €39,040.5m as at 31 December 2007 (€35,936m as at 31/12/2006, +€3,104.5m).
On the same basis of consolidation there was a fall of 1.4%.

4.1 Investments in property

Investments in property as at 31 December 2007 amounted to €315.4m (+€16.5m compared with 2006).
The following changes occurred after 1 January 2007:

Investments in property
(amounts in €m)

	Gross book value	*Provision for depreciation and impairment*	*Net book value*
Balance as at 31/12/2006	**313.1**	**-14.2**	**298.9**
Increases - purchases	0.6		0.6
Increases - expenses	13.9		13.9
Transfers from other categories	5.4		5.4
Depreciation for the period		-3.4	-3.4
Balance as at 31/12/2007	**333.0**	**-17.6**	**315.4**

The current value of investments in property, which amounts to €372m, has been based on expert valuations commissioned from third parties.

4.2 Holdings in subsidiaries, affiliated companies and joint ventures

As at 31 December 2007 holdings in subsidiary companies, affiliated companies and joint ventures amounted to €28.3m (-€10.3m). The decrease compared with the previous year was mainly due to the consolidation on a line-by-line basis of Nuova Unipol Assicurazioni (now Unipol Assicurazioni) and Nuova Aurora Assicurazioni (now Aurora Assicurazioni), both of which had been valued using the net equity method as at 31 December 2006.

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

Financial assets amounted to €38,696.8m as at 31 December 2007 (+€3,098.3m compared with 2006). The details, subdivided according to category and type of investment, are recorded in the appendix Details of Financial Assets.
On the same basis of consolidation they amounted to €40,288.6m (-€581.8m, -1.4%).

4.3 Investments held to maturity

This category mainly consists of fixed-yield bonds acquired to cover Life special tariffs, which the Group can and intends to hold to maturity. As at 31 December 2007 they amounted to €1,796.2m (€1,037.8m as at 31/12/2006).
On the same basis of consolidation they amounted to €2,161.9m (€1,037.8m as at 31 December 2006).
€968m of the increase compared with the previous year was due to investments in fixed-yield bonds initially recorded as assets available for sale and transferred to assets held to maturity on 7 December 2007. This reclassification, carried out in accordance with the provisions of IAS 39, arose from the wish and the ability to hold the assets in question to maturity.

The fair value of Investments held to maturity as at 31 December 2007 amounted to €1,723.2m.
Investments held to maturity accounted for 4.6% of Financial assets.

4.4 Loans and receivables

These amounted to €11,374.6m (+€1,217.6m compared with 2006) and were subdivided as follows:

Loans and receivables
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Loans and receivables from banking customers	7,979.7	*70.2*	6,639.6	*65.4*	*20.2*
Interbanking loans and receivables	1,388.4	*12.2*	1,506.8	*14.8*	*-7.9*
Deposits with ceding companies	21.7	*0.2*	21.2	*0.2*	*2.8*
Other loans and receivables	1,984.7	*17.4*	1,989.5	*19.6*	*-0.2*
Total loans and receivables	**11,374.6**	***100.0***	**10,157.0**	***100.0***	***12.0***

On the same basis of consolidation they amounted to €11,386.4m, an increase of 11.6%.

The fair value of Loans and receivables as at 31 December 2007 was €11,286.5m.

Other loans and receivables included loans and credit facilities granted to employees and other bodies, credit facilities on Life policies, receivables from agents for portfolio recoupments, loan repo contracts and term deposits exceeding 15 days. This item also included €626.9m of debt securities not listed on active markets.
Loans and receivables accounted for 29.4% of Financial assets.

4.5 Financial assets available for sale

Financial assets available for sale amounted to €14,836.8m as at 31 December 2007 (€15,837.8m as at 31/12/2006) and were made up as follows:

Financial assets available for sale (amounts in €m)	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Equity securities valued at cost	194.3	1.3	27.9	0.2	
Listed equity securities recorded at fair value	1,866.2	12.6	1,384.6	8.7	34.8
Unlisted equity securities recorded at fair value	57.0	0.4	154.4	1.0	-63.1
Debt securities	12,569.4	84.7	14,060.7	88.8	-10.6
Units in UCITS	149.9	1.0	210.1	1.3	-28.7
Total financial assets available for sale	**14,836.8**	**100.0**	**15,837.8**	**100.0**	**-6.3**

On the same basis of consolidation they amounted to €15,618.7m (€18,809.1m as at 31/12/2006).

The increase in equity securities valued at cost was mainly due to the acquisition on 28 September 2007, for €148m, of 13.88% of the Belgian company Vivium S.A., an insurance company operating in Non-Life and Life business.

Mention should be made of the termination, on 15 January 2007, of the total return equity swap contract entered into with Mediobanca on the 14,080,000 shares in the former Banca Popolare Italiana belonging to the subsidiary Aurora Assicurazioni (a company merged by incorporation into UGF). The operation enabled a total capital gain of €19m to be made.
On 7 December 2007 €968m of fixed-yield bonds were transferred to the category of assets held to maturity. The provision for profits or losses on financial assets available for sale relating to these securities of €48m, which was reassessed on 7 December 2007, will be written down throughout the remaining life of the corresponding debt securities.

Financial assets available for sale accounted for 38.4% of Financial assets.

4.6 Financial assets recorded at fair value through profit or loss

These amounted to €10,689.2m as at 31 December 2007 (€8,565.9m in 2006). €2,836.7m of them were assets held for trading (€3,897.8m in 2006) and €7,852.5m were assets designated by the Group to be recorded at fair value (€4,668.1m in 2006). This second category included financial assets matching insurance or investment policies issued by the Group where the investment risk is borne by the policyholders and those arising from pension fund management.
On the same basis of consolidation they amounted to €11,133.3m (€10,866.5m as at 31/12/2006).

Financial assets recorded at fair value through profit or loss (amounts in €m)	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Financial assets held for trading					
Listed equity securities recorded at fair value	6.1	0.2	175.8	4.5	-96.5
Debt securities	2,288.8	80.7	3,510.7	90.1	-34.8
Units in UCITS	63.7	2.2	92.6	2.4	-31.1
Derivatives	478.0	16.9	118.7	3.0	302.7
Other financial assets	0.0	0.0	0.0	0.0	
Total	**2,836.7**	**100.0**	**3,897.8**	**100.0**	**-27.2**
Financial assets designated at fair value through profit or loss					
Listed equity securities recorded at fair value	24.8	0.3	25.1	0.5	-1.0
Debt securities	7,335.4	93.4	3,380.0	72.4	117.0
Units in UCITS	376.4	4.8	1,121.2	24.0	-66.4
Derivatives	98.0	1.2	90.7	1.9	8.1
Other financial assets	17.9	0.2	51.1	1.1	-65.0
Total	**7,852.5**	**100.0**	**4,668.1**	**100.0**	**68.2**
Total financial assets recorded at fair value	**10,689.2**		**8,565.9**		**24.8**

Financial assets recorded at fair value through profit or loss accounted for 27.6% of Financial investments.

5. Sundry receivables

Receivables, which totalled €1,430.1m, were up by €253.2m compared with 2006 and were made up as follows:

Sundry receivables
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Receivables arising out of direct insurance operations	940.5	65.8	808.9	68.7	16.3
Receivables arising out of reinsurance operations	141.1	9.9	104.8	8.9	34.7
Other receivables	348.4	24.4	263.2	22.4	32.4
Total sundry receivables	**1,430.1**	**100.0**	**1,176.9**	**100.0**	**21.5**

Other receivables consisted of €125.9m in residual receivables from the Inland Revenue for the amounts paid for substitute tax on mathematical provisions, as provided for by Legislative Decree 209 of 25 September 2002 (€87.4m in 2006), €64.4m of other receivables from the Inland Revenue (€99.5m in 2006) and miscellaneous receivables amounting to €158.1m (€76.3m in 2006).
On the same basis of consolidation Sundry Receivables amounted to €1,445.8m (€1,226.7m as at 31/12/2006).

6. Other assets

This item is broken down as follows:

Other assets
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Non-current assets held for sale	1,688.5	66.9	0.0	0.0	
Deferred acquisition costs	61.1	2.4	70.2	10.1	-13.0
Deferred tax assets	430.8	17.1	366.2	52.6	17.6
Current tax assets	45.9	1.8	45.3	6.5	1.1
Other assets	298.1	11.8	214.6	30.8	38.9
Total other assets	**2,524.4**	**100.0**	**696.4**	**100.0**	**262.5**

On the same basis of consolidation Other assets amounted to €2,538.8m (€720.6m as at 31/12/2006).

Non-current assets held for sale amounted to €1,688.5m and mainly related to the assets, net of transactions within the Group, of Quadrifoglio Vita which is to be sold. Details are shown in paragraph 5.8 of this document.

€37.1m of deferred acquisition costs related to Non-Life business (€43.2m in 2006) and €24m to Life business (€27m in 2006).

Details of deferred tax assets are given in the section on corporation tax.

Other assets included €32.7m of deferred fees payable, prepayments and accrued income of €10.3m and sundry assets of €255.1m (€128.8m of which were miscellaneous payables relating to banking business).

7. Cash and cash equivalents

At the end of the year this item amounted to €364.5m (-€1,049.2 compared with 31/12/2006). The decrease was mainly due to the public offer to acquire 29.16% of Aurora Assicurazioni and the operation to acquire a holding in the Belgian company Vivium, paid for from capital and reserves.

On the same basis of consolidation Cash and cash equivalents amounted to €417.6m (-€1,042.3m compared with 31/12/2006).

LIABILITIES

1. Shareholders' equity

1.1 Shareholders' equity pertaining to the Group

The shareholders' equity, excluding the amounts pertaining to minority interests, is divided up as follows:

Shareholders' equity pertaining to the Group
(amounts in €m)

	31/12/2007	31/12/2006	*var.*
	a	b	*a-b*
Share capital	2,391.4	2,360.1	*31.3*
Equity reserves	2,235.4	2,296.8	*-61.4*
Accumulated earnings and other reserves	630.0	456.8	*173.2*
Profits/losses on financial assets available for sale	-679.8	-70.3	*-609.5*
Other profits and losses recorded in the equity direct	21.4	32.9	*-11.5*
Profit (loss) for the year	389.2	281.3	*107.9*
Total shareholders' equity pertaining to the Group	**4,987.6**	**5,357.7**	***-370.1***

As at 31 December 2007 the fully paid up share capital of the Parent Company Unipol Gruppo Finanziario amounted to €2,391.4m and was made up of 1,479,885,786 ordinary shares and 911,540,314 preference shares.

Movements recorded during the year compared with the previous year are set out in the attached statement of variations in capital and reserves.

The principal variations relate to:
- the distribution of a total of €181.7m of the Parent Company's profits for 2006;
- a decrease of €106.2m in the provision for issue premium as a result of the distribution of a further dividend resolved by the Ordinary Shareholders' Meeting held on 24 April 2007;
- the capital increase for the purpose of the merger of €76m, €31m of which was share capital and €45m the provision for share premium;
- a decrease of €609.5m in the provision for Profits and losses on financial assets available for sale.

Accumulated earnings and other compulsory reserves include 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 to these undertakings' assets and to goodwill. This item also includes 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

On 24 April 2007 UGF's Ordinary Shareholders' Meeting voted to adopt a Stock Granting Scheme, which concluded on 24 May 2007 with the acquisition on the regulated market of 372,000 UGF ordinary shares at an average price of €2.8776 and for a total cost of €1,071,538.
Under the scheme the shares purchased were all allocated free to employees.
As at 31 December 2007 the Parent Company UGF held no own shares. The other subsidiaries in the Group held no shares in the holding company as at the same date.

2. Provisions

Amounts set aside totalled €55.5m as at 31 December 2007, an increase compared with 2006 of €10.5m, mainly attributable to the setting aside of €4.3m for the Bell tax litigation, which was paid in February 2008.

3. Technical provisions

These totalled €26,074.5m, an increase of €2,032.1m compared with 2006. Their composition and the relative variations are shown in the following table:

Technical provisions
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Provision for Non-Life unearned premiums	1,577.7	21.0	1,496.6	20.2	
Provision for Non-Life outstanding claims	5,907.8	78.8	5,888.0	79.6	
Other Non-Life technical provisions	13.9	0.2	8.2	0.1	
Total Non-Life provisions	**7,499.4**	**100.0**	**7,392.8**	**100.0**	**1.4**
Life mathematical provisions	13,462.7	72.5	14,770.4	88.7	
Provision for Life sums to be paid	194.6	1.0	99.9	0.6	
Technical provisions where the investment risk is borne by policyholders and arising out of pension fund management	4,894.0	26.3	1,777.5	10.7	
Other Life technical provisions	23.8	0.1	1.9	0.0	
Total Life provisions	**18,575.1**	**100.0**	**16,649.6**	**100.0**	**11.6**
Total technical provisions	**26,074.5**		**24,042.4**		**8.5**

On the same basis of consolidation the Technical Provisions amounted to €27,290.7m (€27,707m as at 31/12/2006). In particular, on the same basis of consolidation Life Provisions amounted to €19,791.3m compared with €20,314.3m in 2006 (-2.6%).

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 arising from trading amounting to €470.4m (€169m in 2006) and financial liabilities recorded at fair value through profit or loss amounting to €2,983.2m (€2,952.2m in 2006). The latter category includes investment policies 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).

On the same basis of consolidation the Financial liabilities recorded at fair value through profit or loss amounted to €3,779.3m (€4,616.5m as at 31/12/2006).

4.2 Other financial liabilities

Details are set out in the table below:

Other financial liabilities
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Subordinate liabilities	912.1	10.9	787.6	10.9	15.8
Liabilities arising from financial contracts issued by insurance companies	199.1	2.4	399.3	5.5	-50.1
Deposits received from reinsurers	205.1	2.5	194.5	2.7	5.4
Debt securities issued	481.4	5.8	459.9	6.3	4.7
Payables to banking customers	6,456.4	77.3	5,364.2	73.9	20.4
Interbanking payables	**102.7**	**1.2**	**52.4**	**0.7**	**96.1**
Total other financial liabilities	**8,356.8**	**100.0**	**7,257.9**	**100.0**	**15.1**

With particular regard to subordinate liabilities, these amounted to €912.1m (+€124.5m compared with 2006).
The net variation was mainly due to Unipol Banca issuing four subordinated debenture loans with a total

nominal value of €162.6m during the year and repaying on maturity, on 1 April 2007, a subordinated loan with a nominal value of €25m.
The following subordinated debenture loans issued by the companies in the Group were in existence as at 31 December 2007 (nominal value in €m):

- Unipol Gruppo Finanziario 600
- Unipol Banca 273
- Bnl Vita 28
- Quadrifoglio Vita 14

The amount of €912.1m includes accrued interest and issue expenses.
Both the subordinated bonded 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 (after 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 bonded loans of the other companies in the Group amount to €315m, €59m of which was issued in 2003, €18m in 2004, €75m in 2005 and €163m in 2007. They are not listed and are for five and/or ten years.
The level of subordination is comparable to Tier II.
The subordinated debenture loans issued by Quadrifoglio Vita are reclassified as Liabilities of a group in the course of being sold held for sale (item 6.1 of the Liabilities).

Liabilities arising from financial policies issued by insurance companies fell from €399.3m to €199.1m as at 31 December 2007. These are investment policies issued by insurance companies where the insurance risk borne by the Group does not exceed 10% (policies matched by specific assets). The decrease is due to matured and surrendered policies.

Deposits received from reinsurers rose from €194.5m to €205.1m as at 31 December 2007, an increase of €10.6m.

Debt securities issued amounted to €481.4m (€459.9m as at 31/12/2006) and consisted exclusively of securities issued by the Unipol Banca Group.
They included €75.4m of liabilities for bonds, the value of which is shown net of variations in fair value recorded as a result of interest rate swaps to cover the rate risk. The negative effect of the variation in fair value of the derivative amounted to €0.5m and was offset by a positive effect of €0.5m on the financial liabilities covered.

Payables to banking customers amounted to €6,456.4m (€5,364.2m as at 31/12/2006) and were amounts payable by the Unipol Banca Group.

Interbank payables amounted to €102.7m (€52.4m as at 31/12/2006). This item relates to amounts payable by the Unipol Banca Group.

On the same basis of consolidation Other Financial Liabilities amounted to €8,449.1m (€7,284.6m as at 31/12/2006).

5. Payables

Amounts due totalled €423.9m (€520.2m as at 31/12/2006).
On the same basis of consolidation amounts due totalled €428.9m (€542.4m as at 31/12/2006).

5.1 Amounts due arising out of direct insurance operations

These amounted to €78.1m (€46.5m as at 31/12/2006) and mainly related to payables to agents and other intermediaries of €51.2m, amounts due on current account to companies of €15m and other amounts due arising out of direct insurance operations of €11.9m.

5.2 Amounts due arising out of reinsurance operations

This balance amounted to €10.3m, a decrease of €8.3m compared with 2006.

5.3 Other payables

These amounted to €335.6m (€455.1m as at 31/12/2006) and were made up of:

Other payables
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Insurance premium tax charged on policyholders	80.6	24.0	77.9	17.1	3.6
Sundry tax charges	36.9	11.0	51.7	11.4	-28.6
Payables to suppliers	58.9	17.6	51.2	11.3	15.1
Staff-leaving indemnity fund	75.3	22.4	77.5	17.0	-2.8
Payables to welfare bodies	16.3	4.8	9.9	2.2	64.8
Sundry payables	67.5	20.1	187.0	41.1	-63.9
Total other payables	**335.6**	**100.0**	**455.1**	**100.0**	**-26.3**

6. Other liabilities

These rose by €1,770.7m compared with 2006, the variation being mainly due to Liabilities of a group in the course of being sold held for sale, and were made up as follows:

Other liabilities
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
	a		b		a/b
Current tax liabilities	97.8	3.8	52.9	6.7	84.8
Deferred tax liabilities	220.2	8.6	210.3	26.6	4.7
Liabilities of a group in the course of being sold held for sale	1,651.7	64.5	0.0	0.0	
Commissions on premiums currently being collected	58.5	2.3	60.1	7.6	-2.7
Deferred fees receivable	68.4	2.7	62.9	8.0	8.7
Accruals and deferred income	13.5	0.5	8.9	1.1	52.0
Other liabilities	450.5	17.6	394.7	50.0	14.1
Total other liabilities	**2,560.5**	**100.0**	**789.8**	**100.0**	**224.2**

On the same basis of consolidation Other liabilities amounted to €2,573m (€876.7m as at 31/12/2006).

The liabilities of a group in the course of being sold held for sale amounted to €1,651.7m and relate to the liabilities, net of transactions within the Group, of Quadrifoglio Vita which is to be sold. The details are shown in paragraph 5.8 of this document.

Current tax liabilities relate to payables to the holding company for tax purposes, Finsoe spa, or to the Inland Revenue (in the case of Aurora, BNL Vita, Unipol Banca Group, Unipol SGR and Unifimm which are not part of the scheme).

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

Other liabilities included €252m of miscellaneous payables relating to banking business.

4. NOTES ON THE INCOME STATEMENT

Comments and further information on the items in the profit and loss account 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 profit and loss account.)

There are also comments below on the variations applying on the same basis of consolidation, i.e. including BNL Vita's figures for the second half of 2006 using the line-by-line method.

INCOME

1.1 Net premium income

In 2007 net premium income was €7,462.5m, a decrease of 11% compared with the previous year, owing to a drop in Life business. (On the same basis of consolidation the decrease was 19.3%.)
Gross earned premiums amounted to €7,782.7m (-10.7% compared with 2006, -18.8% on the same basis of consolidation).

Net premium income
(amounts in €m)

	31/12/2007	31/12/2006	*var. %*
Non-Life business - earned premiums	**4,233.6**	**4,018.2**	***5.4***
Non-Life business - written premiums	*4,313.4*	*4,086.0*	*5.6*
Non-Life business - changes in the provision for unearned premiums	*-79.8*	*-67.8*	*17.7*
Life business - written premiums	**3,549.1**	**4,698.8**	***-24.5***
Gross earned premiums	**7,782.7**	**8,717.0**	***-10.7***
Non-Life business - earned premiums ceded	**-299.3**	**-312.0**	***-4.1***
Non-life business - premiums ceded	*-303.3*	*-317.4*	*-4.5*
Non-Life business - changes in the provision - reinsurers' share	*3.9*	*5.4*	*-27.8*
Life business - premiums ceded	**-20.9**	**-24.4**	***-14.5***
Earned premiums ceded	**-320.2**	**-336.4**	***-4.8***
Total net premium income	**7,462.5**	**8,380.6**	***-11.0***

1.2 Commissions and fees receivable

At the end of the year commissions and fees receivable amounted to €118.1m (€112m in 2006, €119.5m on the same basis of consolidation) and were represented by:

- commissions relating to banking business carried out by the banking companies in the Group amounting to €97.7m (€88.4m in 2006);
- commissions relating to investment policies issued by Group insurance companies (loadings) amounting to €17.9m (€21.3m in 2006);
- other commissions amounting to €2.5m (€2.3m in 2006).

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

These amounted to -€38.7m (€272m in 2006, €269.1m on the same basis of consolidation) and can be broken down as follows:

Net income from financial instruments recorded at fair value through profit or loss
(amounts in €m)

	31/12/2007	31/12/2006	var. %
From financial instruments recorded at fair value through profit or loss:			
Net interest income	160.1	108.5	47.6
Profits/losses realised	15.1	5.7	165.0
Unrealised profits/losses	-199.5	-88.7	124.8
Other income/charges	3.7	-2.1	-278.3
Total	**-20.6**	**23.3**	**-188.4**
From financial instruments held for trading:			
Net interest income	122.2	211.5	-42.2
Profits/losses realised	-4.7	109.2	-104.3
Unrealised profits/losses	-114.3	-120.1	-4.8
Other income/charges	-21.4	48.1	-144.5
Total	**-18.1**	**248.6**	**-107.3**
Total net income - item 130	**-38.7**	**272.0**	**-114.2**

The fall in net income from financial instruments recorded at fair value through profit or loss is linked to the unfavourable trends in the market.

1.4 Income arising out of holdings in subsidiary companies, affiliated companies and joint ventures

This item amounted to €2m (€1.9m in 2006) and was almost exclusively from companies consolidated using the net equity method.

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

This item amounted to €1,624.9m (€1,268m in 2006, €1,325.1m on the same basis of consolidation) and is made up of:

Income from other financial instruments and investments in property
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Interest:	**1,180.5**	72.6	**901.3**	71.1	**31,0**
from investments held to maturity	53.8		49.3		9.1
from loans and receivables	516.3		412.7		25.1
from financial assets available for sale	583.9		410.4		42.3
from sundry receivables	0.5		0.9		-35.6
from cash and cash equivalents	25.9		27.9		-7.3
Other income:	**93.4**	5.7	**57.0**	4.5	**63.8**
from investments in property	14.7		13.1		12.2
from loans and receivables	5.8		10.9		-46.4
from financial assets available for sale	72.9		33.1		
Profits realised:	**350.8**	21.6	**308.9**	24.4	**13.6**
from investments in property	0.3		1.1		
from investments held to maturity	0.1		0.0		
from loans and receivables	2.0		0.8		
from financial assets available for sale	348.3		306.9		13.5
Unrealised profits and value readjustments:	**0.3**	0.0	**0.9**	0.1	**-68.1**
from financial assets available for sale	-0.0		0.2		
other	0.3		0.6		
Total	**1,624.9**	100.0	**1,268.0**	100.0	**28.1**

The profits made on financial assets available for sale include €19m arising out of the termination of the total return equity swap contract on the shares of the former BPI and €73m of capital gain relating to the operations carried out on 1% of the shares in Banca Monte dei Paschi di Siena, which in the transition to international accounting standards had been recorded at fair value in the first accounts drawn up under IAS/IFRS (1/1/2004), with a corresponding writedown of €47m. During 2006 capital gains of €175m were made on shareholdings (BPI, Antonveneta and BNL).

1.6 Other receipts

This item amounted to €145.6m (€96.1m in 2006, €101.6m on the same basis of consolidation) and was made up of €25.5m of other core income, €15.4m of sums released from provisions, €7m of exchange rate differences receivable, €39.6m of contingent profits (€26m 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 sundry receipts amounting to €58.1m, €30.9m of it management fees for unit-linked policies

EXPENDITURE

2.1 Net charges relating to claims

This item totalled €6,768m (€7,826.9m in 2006, €8,706.9m on the same basis of consolidation) and is broken down as follows:

Net charges relating to claims
(amounts in €m)

	31/12/2007	31/12/2006	*var. %*
Sums paid and changes in technical provisions:	**6,976.3**	**8,073.3**	*-13.6*
Non-Life business - sums paid	3,084.8	2,806.8	
Non-Life business - changes in provision for outstanding claims	23.2	172.6	
Non-Life business - changes in sums recovered	-67.8	-60.4	
Non-Life business - changes in other technical provisions	7.9	2.5	
Life business - sums paid	4,701.8	3,503.9	
Life business - changes in sums to be paid	56.1	11.1	
Life business - changes in mathematical provisions	-2,258.4	650.3	
Life business - changes in other technical provisions	-705.3	52.0	
Changes in provisions where the investment risk is borne by policyholders and arising out of pension fund management	2,134.0	934.4	
Reinsurers' share:	**-208.3**	**-246.4**	*-15.5*
Non-Life business - sums paid	-215.2	-213.0	
Non-Life business - changes in provision for outstanding claims	100.8	7.0	
Non-Life business - changes in sums recovered	-79.9	-6.7	
Non-Life business - changes in other technical provisions	0.0	-0.1	
Life business - sums paid	-20.4	-15.3	
Life business - changes in sums to be paid	1.4	-1.6	
Life business - changes in mathematical provisions	6.1	-16.8	
Life business - changes in other technical provisions	-1.1	0.0	
Total	**6,768.0**	**7,826.9**	*-13.5*

2.2 Commissions and fees payable

This item amounted to €41.7m (€35.7m in 2006, €41m on the same basis of consolidation) and consisted of:
- fees payable relating to the business activities of the banking companies in the Group amounting to €19.1m (€15.5m in 2006);
- acquisition costs linked to investment policies issued by the insurance companies in the Group amounting to €17m (€14.5m in 2006);
- other commissions amounting to €5.6m (€5.7m in 2006).

2.3 Charges arising out of holdings in subsidiary companies, affiliated companies and joint ventures

This item amounted to €0.5m.

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

This item amounted to €456.6m (€378.6m in 2006, €381.2m on the same basis of consolidation) and is made up of:

Charges from other financial instruments and investments in property
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Interest:	**248.7**	*54.5*	**186.9**	*49.4*	*33.1*
from other financial liabilities	248.3		186.4		
from payables	0.4		0.6		
Other charges:	**14.7**	*3.2*	**12.7**	*3.4*	*15.1*
from investments in property	6.2		6.0		
from loans and receivables	2.2		2.3		
from financial assets available for sale	5.4		3.6		
from other financial liabilities	0.9		0.9		
Losses realised:	**99.7**	*21.8*	**70.3**	*18.6*	*41.9*
from investments in property	0.0		1.9		
from financial assets available for sale	99.7		68.4		
Unrealised losses and value impairment:	**93.5**	*20.5*	**108.6**	*28.7*	*-13.9*
from investments in property	1.2		1.2		
from loans and receivables	28.1		23.1		
from financial assets available for sale	62.1		84.3		
from other financial liabilities	2.0		0.0		
Total	**456.6**	*100.0*	**378.6**	*100.0*	*20.6*

Inventory losses and falls in the value of financial assets available for sale mainly consisted of €59.4m of writedown of the holding in Hopa (€82.2m in 2006). This value adjustment, based on internal analyses of information available up to now on the participating interest, mainly follows from what Hopa did in order to fulfil its contractual obligations to lending banks undertaken prior to 31 December 2007. Over the last two financial years Hopa's business has largely stagnated: it has gradually disposed of several minor shareholdings with the sole aim of generating liquidity, has carried out no new investments and has restructured its sources of corporate financing several times.
Against this background, as a result of the fall in prices of its principal shareholdings, which began to make itself felt during the last quarter of 2007, in the first few months of this year the participating interest has had to sell almost all its assets, mainly consisting of 3.61% of Telecom Italia and to a lesser extent of holdings in Italian financial bodies.
In the Directors' opinion the financial significance of the operations carried out by the participating interest and the consequent drastic reduction in property assets involve a substantial permanent loss of value of the holding, and it has therefore been deemed appropriate to reduce its value to €0.353 per share.

2.5 Operating expenses

These totalled €1,276.8m (€1,155.8m in 2006).
Operating expenses in the insurance sector amounted to €1,032.6m (€1,007.4m on the same basis of consolidation in 2006) and were made up of:

Operating expenses
(amounts in €m)

	NON-LIFE			LIFE			TOTAL		
	31/12/07	31/12/06	var. %	31/12/07	31/12/06	var. %	31/12/07	31/12/06	var. %
Acquisition commissions	505.2	485.0	*4.2*	41.7	53.4	*-21.9*	546.9	538.4	*1.6*
Other acquisition costs	176.8	160.2	*10.4*	50.3	41.5	*21.3*	227.2	201.7	*12.6*
Changes in deferred acquisition costs	6.2	-3.2	*-294.5*	2.8	2.0	*39.2*	9.0	-1.2	
Renewal commissions	105.3	98.9	*6.5*	12.2	13.4	*-9.4*	117.5	112.3	*4.6*
Reinsurance commissions and profit sharing	-85.7	-88.2	*-2.9*	-1.9	-4.5	*-58.3*	-87.6	-92.8	*-5.6*
Investment management expenses	13.2	15.4	*-14.2*	8.9	10.3	*-13.8*	22.1	25.7	*-14.0*
Other administrative expenses	167.4	159.0	*5.3*	30.1	37.9	*-20.6*	197.5	196.9	*0.3*
Total	**888.5**	**827.0**	*7.4*	**144.1**	**154.0**	*-6.4*	**1,032.6**	**981.1**	*5.3*

Operating expenses relating to banking business amounted to €210.8m (€180.9m in 2006).

2.6 Other costs

This item amounted to €163.8m (€142.5m in 2006, €142.9m on the same basis of consolidation) and was made up of:

Other costs
(amounts in €m)

	31/12/2007	comp.%	31/12/2006	comp.%	var.%
Other technical charges	36.3	22.1	28.9	20.3	25.5
Losses on receivables	2.3	1.4	5.5	3.9	-58.6
Other costs	125.3	76.5	108.1	75.9	16.0
Total	**163.8**	**100.0**	**142.5**	**100.0**	**15.0**

Other core charges, net of reinsurance cessions, amounted to €22.6m in the case of Non-Life business (+€10.5m compared with 2006) and €13.7m in the case of Life business (-€3.1m compared with 2006). Other costs include approximately €42m of costs linked to reorganisation, €23.6m relating to depreciation of tangible and intangible assets and €4.3m set aside for the Bell tax case (paid in full in February 2008).

3. Corporation tax

In accordance with the provisions of IAS 12 the following table shows, at Group level, the prepaid and deferred taxes utilised and set aside and the effects of the variation in rates of IRES and IRAP.

Breakdown of 'corporation tax'
(amounts in €m)

	31/12/2007			31/12/2006		
	Ires	Irap	Total	Ires	Irap	Total
Current taxation	**155.2**	**47.1**	**202.4**	**168.6**	**33.6**	**202.2**
Deferred tax assets and liabilities						
Outflows from deferred tax assets	36.3	1.5	37.9	45.2	5.1	50.3
Outflows from deferred tax liabilities	-39.7	-4.5	-44.2	-21.9	-2.0	-23.9
Inflows to deferred tax assets	-95.3	-13.7	-109.0	-69.1	-5.3	-74.4
Inflows to deferred tax liabilities	95.5	3.1	98.6	68.0	7.3	75.2
Total	**152.1**	**33.6**	**185.7**	**190.8**	**38.6**	**229.4**

The consolidated tax rate fell from 38.8% in 2006 to 30.6% in 2007. The variation was due mainly to the change in the rates used to calculate deferred taxes recorded in the profit and loss account (mainly deferred liabilities) whilst much of the effect on the deferred assets was on Shareholders' Equity.

Table of major differences for the purposes of deferred taxes
(amounts in €m)

	31/12/2007 Tax effect	31/12/2006 Tax effect
ASSETS		
Intangible assets	1.5	79.8
Tangible assets	1.9	4.0
Financial instruments	367.5	187.1
Sundry receivables	5.0	1.0
Amounts set aside	10.9	4.5
Technical provisions	20.8	28.8
Other deferred tax assets	19.7	61.1
Total deferred tax assets	**430.8**	**366.2**
LIABILITIES		
Intangible assets	24.2	18.2
Tangible assets	15.1	15.1
Financial instruments	108.9	51.9
Technical provisions	64.8	77.0
Payables	1.9	3.5
Other deferred tax liabilities	5.2	44.6
Total deferred tax liabilities	**220.2**	**210.3**

5. OTHER INFORMATION

5.1 Criteria for ascertaining the value of goodwill with an indefinite useful life that can be recouped (impairment test)

IAS 36.10 provides that 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 recorded in the accounts does not exceed the value that can be recouped.

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

In view of the operations of an extraordinary nature involving Aurora Assicurazioni carried out during 2007 (on 1 September 2007) Aurora Assicurazioni Spa's insurance business was transferred to Nuova Aurora Assicurazioni Spa and subsequently Aurora Assicurazioni's remaining assets were merged into UGF by incorporation - the plan drawn up for the purpose of these extraordinary operations was used for the impairment test. This included the DDM (Dividend Discount Model) used in the valuer's report in accordance with Article 2343 of the Civil Code, with the date of the valuation being altered from 31 December 2006 to 31 December 2007. A sensitivity test was also carried out using the parameters (rate of discounting back and g factor) used in valuing the other Companies in the Group.

As a result the Cash Generating Units (CGU, units that generate cash flows), to which the residual goodwill was allocated after its allocation to Aurora Assicurazioni, can be broken down as follows:
- **Non-Life CGU** consisting of Navale, Unisalute, Linear;
- **Life CGU** consisting of BNL Vita, Quadrifoglio Vita;
- **Banking CGU** consisting of Unipol Banca.

In the case of **Non-Life CGU** the valuation method used was a DDM type of method under which the capital surplus/deficit is compared with the minimum requirements laid down by the Supervisory Authorities. The DDM method establishes the value of the financial 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 8.66% was used and can be broken down as follows: • risk-free rate 4.56% • beta coefficient 0.819 • premium at risk 5% The average figure for the 10-year Long-Term Treasury Bond for the period June - December 2007 was used for the risk-free rate. The five-year adjusted Bloomberg beta coefficient was used as the beta coefficient for UGF; The premium at risk 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 'bodies will have difficulty in the long term (for example twenty years) in exceeding the long-term average rate of growth in production, the industrial sectors, country or countries in which they operate, or in the market in which they operate'. For example it is considered that during the period 2008-2011: - in the insurance sector the annual average rate of growth in premium income is expected to be: • 2.4% in Non-Life business • 8.4% in Life business • 6.4% overall - the average variation in GDP is expected to be 3.8% in nominal terms and 1.3% in real terms - the consumer price index is expected to be around 2.1%. 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 of BNL Vita that can be recouped was based on the valuation of the portfolio carried out by FPK/Tillinghast in July 2007 relating to the acquisition of 1%, whilst in the case of Quadrifoglio Vita it was based on the valuation of the portfolio carried out by PriceWaterHouseCoopers in September 2007 for the purpose of sale of the holding in the Company.

As in the case of Non-Life CGU, the method of valuation used for the **Banking CGU** is a DDM type of method (Dividend Discount Model) where the capital surplus/deficit is 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 4.56% • beta coefficient 0.69-0.87 • premium at risk 5% The average figure for the 10-year Long-Term Treasury Bond for the period June - December 2007 was used for the risk-free rate. For the beta coefficient: - the five-year adjusted Bloomberg beta coefficient relating to a sample of medium-sized listed banks with capital of less than €5bn, which were deemed to be comparable, was used, and as a maximum a beta coefficient in the banking sector that excluded competitors with a beta coefficient deemed to be not particularly significant compared with the level of exchanges carried out. The premium at risk was deemed to be 5%, in accordance with common practice among financial analysts and the profession in general
G factor	In view of the fact that, for example, during the period 2008-2011: - in banking business the annual average growth rate: • of lending to customers is expected to be 7.6% • of customer deposits is expected to be 5.5%, • of net interest income (for 2008-2009) is expected to be 7.6% • of gross operating income (for 2008-2009) is expected to be 5.5% - the average variation in GDP is expected to be 3.8% in nominal terms and 1.3% in real terms - the consumer price index is expected to be around 2.1% it was deemed appropriate to use a g factor of 2%, in line with the 'professional practices' carried out in recent valuations using the DDM method for finance companies (Banks and Insurance).
Sustainable dividend	The minimum was considered to be an average dividend for the period and the maximum the dividend at the end 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 assets at risk) with a minimum Tier 1 deemed to be 6%.

The valuations carried out revealed that as at 31 December 2007 the value of the goodwill that can be recouped recorded in the accounts as a result of past acquisitions continued to exceed its book value.

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

The impairment test was carried out on the goodwill recorded in the accounts as at 31 December 2007 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 typical 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 discount rate 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 as at 31 December 2007 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 subsidiary Unipol Merchant SpA.

5.2 Exposure to financial risks

Insurance Business

As a result of the project to reorganise the companies and departments in the Group it became necessary to revise risk management policies within the new UGF Group.
Therefore at the end of October 2007 the Group set up a department within UGF known as the Risk Management Department.

The objective of the new department is to help the Group to grow and remain profitable. These objectives are pursued by developing a forward-looking culture and a suitable system of risk management and by allocating capital efficiently and effectively.

To this end, methods and instruments are currently being developed for the purpose of identifying, calculating and monitoring significant risks to the Group's entire financial situation. These instruments are also used to conduct sensitivity studies in order to assess the vulnerability of the Group's financial situation to any substantial variations in the risk factors.

Financial risks

The financial risk is managed by periodically monitoring the principal indicators of exposure to the rate risk, the share risk, the credit risk and the liquidity risk.

Rate risk

The portfolios' exposure to the rate risk is 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: an assessment of the repercussions on profits and equity of variations in the rate curve. The analysis is carried out using a deterministic (specific rate curve scenarios and stress testing) and stochastic approach based on dynamic models of the structure according to maturity.

Share risk

The portfolios' exposure to the share risk is monitored using the following instruments:

> beta coefficient: an indicator of the portfolio's sensitivity to the share market in the Eurozone;

> sensitivity analysis: an assessment of the repercussions on profits and equity of variations in the reference market (Eurozone). This analysis is carried out using an approach that is both deterministic and stochastic.

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

Credit risk
The portfolios' exposure to the counterparty risk is monitored using the following instruments:
> breakdown of the portfolio according to rating (Moody's and Standard & Poor's);
> sensitivity analysis: using the Monte Carlo method the effect on returns (credit spread) of changes in the grading of securities and the consequent impact on the value of the portfolio are estimated by means of a transition matrix, with the probability being carefully estimated heuristically. The result of the analysis is a calculation of the 'value at credit risk' based on the distribution of probability of the possible values of the portfolio.

Liquidity risk
The portfolios' exposure to the liquidity risk is 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 are calculated. The weighted average of the volatility and the range (max.-min.) provide two indicators of the liquidity risk.

Asset & Liability Management (ALM)

In order that an accurate assessment can be made of the impact financial risks have on equity and profits, Asset Liability Management analyses are carried out, that is the Group's assets and liabilities are looked at together. Many of the instruments used for monitoring the exposure to market risks are applied to the assets (securities portfolio) and at the same time to the liabilities (provisions, Company's liabilities net of policyholders' liabilities).
In particular, the Group's ALM system enables the following analyses to be carried out:
- cashflow matching: a comparison between flows in the securities portfolio (coupons and maturing capital) and flows of liabilities, enabling 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 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 the balance sheet and the profit and loss account. This 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 combined 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 of policies are sufficient to cover the financial benefits offered.

In carrying out the test on the principal segregated accounts the Companies in the Group have used the models already drawn up for carrying out analyses in accordance with Ruling 1801G and extended the valuations to a duration of 25 years.

Derivatives
In accordance with the provisions of ISVAP Ruling 297 of 19 July 1996 and with the guidelines laid down by the Boards of Directors of the Companies in the Group, derivatives were used during 2007 for hedging purposes and in order to streamline management.
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 contract in question was entered into and throughout its entire duration. In addition, each operation was carried out with banking or comparable counterparties of proven reliability.

Analysis of sensitivity to financial risks

Sensitivity to the share risk

The entire sensitivity of the portfolio to the share risk derives from two components:

- the share portfolio, showing sensitivity to the Eurozone market (beta coefficient) of 0.96;
- the derivative portfolio, which has a hedging ratio of approximately 62%, is characterised by sensitivity (delta) of approximately 0.35.

The sensitivity of the share portfolio is therefore partly attenuated by the movement in the opposite direction of the hedge derivatives, in line with the reference market risk. Therefore if the Eurozone share market fell by -1% the reduction in value of the share portfolio would be approximately -0.75%.

In order to identify the risk arising out of the variation in share prices, a single scenario of a crash in the market has been assumed. The choice of the scale of the shock is supported by historical analysis (20 years) of the annual returns obtained on the Eurozone share market. The analysis indicates that variations in prices exceeding 27% can be ruled out with a level of confidence of 95%.

Therefore the scale of the shock used for the purpose of share prices is -27%. This scenario would lead to:

- a decrease in Group capital and reserves (the provision for profits/losses on financial assets available for sale falling by approximately €370m);
- an increase in profits in the region of €80m (the improvement being mainly due to hedge derivatives on shares).

Sensitivity to the rate risk

The duration of the portfolio, which is an indicator of exposure to the rate risk, was 3.95 years as at 31 December 2007 (4.79 as at 31/12/2006).

In order to assess the exposure of the Group's equity and profits 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 rates (+100 cents)
- 1% fall in rates (-100 cents).

The simulation took account only of the effect on the market value of the securities in the portfolio and therefore the impact on the profit and loss account in the case of securities classified as assets recorded at fair value through profit or loss and the impact on equity in the case of securities classified as assets available for sale. The effects are all gross of the relative fiscal effects.

The first scenario (increase in rates) would lead to:

- a decrease in Group capital and reserves (the provision for profits/losses on financial assets available for sale falling by approximately €480m);
- an increase in profits in the region of €70m (the improvement being mainly due to hedge derivatives on rates).

The second scenario (fall in rates) would lead to:

- an increase in Group capital and reserves (the provision for profits/losses on financial assets available for sale rising by approximately €550m);
- an increase in profits in the region of €30m.

Sensitivity to the credit risk

As far as exposure to the credit risk is concerned it should be mentioned that the bond component is almost entirely (99%) concentrated in the investment grade segment (Baa or higher according to Moody's and BBB or higher according to Standard & Poor's).
In particular, approximately 87% of the portfolio is rated not less than A+ (Standard & Poor's rating).

Sensitivity to the liquidity risk

The liquidity risk has been limited by the portfolio consisting almost entirely of listed securities. Of these, 70% of the bonds and 95% of the shares are represented by securities listed on regulated markets.

Banking Business

Credit risk

During 2007 work continued on laying down and subsequently implementing procedures and processes for the integrated management of all risks, with particular reference to the credit risk in line with the Basel 2 Agreement incorporated into national regulations by Banca d'Italia circular 263 dated 27 December 2006.
In general the Banking Group's (i.e. Unipol Banca's and Unipol Merchant's) exposures to the credit risk mainly relate to traditional core types of loan to individuals (for instance mortgages and secured loans) and to businesses (for instance advances against invoices, advances subject to final payment and foreign operations) involving liens on property (mortgages and/or pledges) and personal security (normally guarantees).
The guarantees described above are an integral part of loans and as such are taken into account when counterparties' credit rating is assessed, subject to assessment of the ability of applicants for loans to fulfil their commitments irrespective of the security offered. Thus acquisition of the security must not influence the outcome of the counterparty's credit rating.

As far as deteriorated financial assets are concerned, the criteria for classifying loans applied by the Banking Group are in line with international accounting standards and with the instructions laid down by the Banca d'Italia.
In particular, when non-performing portfolios are being defined and quantified the following clients are included: a) those subject to legal action to recover debts (doubtful debts); b) those having objective difficulty in the short-term in repaying loans (substandard loans); c) those whose debts are being rescheduled (restructured debts); d) those whose debts are overdue by more than 180 days or over the limit by more than 5% of the entire debt (persistent past due or default).

It should be mentioned that the level of deteriorated assets represents 2.7% of total receivables from customers.

Market risks

As regards market risks, which are defined as risks arising from fluctuations in value of the Bank's financial items as a result of variations in market prices and factors, the Unipol Banca Banking Group is also exposed on its items arising from trading (trading book) and especially from commercial operations and strategic investment choices (banking book).
The instrument used for calculating the market risk on items underwritten is the Value at Risk (VaR) calculated in accordance with the variance-covariance method.
Since January 2007 the absolute value of the imbalance between profits/losses and surpluses/shortfalls has been added to the Value at Risk in such a way as to come into play should predetermined stop-losses be reached, whereby account is taken not only of expected future losses but also of any already made. During 2007 the imbalance between profits/losses and surpluses/shortfalls remained positive, which prevented the predetermined stop-losses being reached.

Liquidity risk

The aim of analysing management processes and of the procedure for calculating the liquidity risk is to guarantee that sufficient reserves of cash are held to fulfil solvency requirements in the short term and that a substantial balance between average loan maturity dates and income is maintained.

5.3 Additional notes on Non-Life business

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

The process that leads to making the assumptions is 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 is as realistic as possible. The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year. As far as possible assumptions are checked against market statistics. If any information is missing, incomplete or unreliable the estimate of the final cost is 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 final cost may vary as the claim proceeds (for

example deterioration in the condition in the event of injury) or in the event of natural disasters. Estimating the final 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 natural disasters is represented by Earthquake and Flood.
Reinsurance cover is taken out to cover this type of risk, at different levels for each of the Companies in the Group. The thresholds identified are judged sufficiently prudent, being calculated using statistical models that simulate the Company's exposure in detail.

The provisions for claims reported are estimated using the inventory method. In the case of third-party liability classes the adjusters' estimates are 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 covering a sufficiently large number of claims).
The Chain-Ladder method is applied to the amount paid out, the loading and the amount paid out adjusted for inflation This method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amount paid out, which produces an estimate of the final cost per year of occurrence if the claims for that year have not been 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 estimates of the ratio of losses to a priori premium income, and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight 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 final 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 reserves;
- market trends showing increases higher than inflation (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 are estimated on the basis of the historical trends within the Company, with the number and the average costs of the claims being estimated separately.

As allowed by current regulations, provisions are not discounted back.

Change in the assumptions made and analysis of the sensitivity of the model
As at 31 December 2007 the estimated value of the cost for 1998-2006 was €23,532m, a slight drop compared with the valuation as at 31 December 2006 for the same years (€23,597m). The new figure takes account of the savings recorded on claims that have been settled and of the revaluations required on claims that are still outstanding.
The values ascertained by means of the Liability Adequacy Test (LAT) indicate that the provisions are sufficient overall (0.5%) and assume that in the type of business concerned (third-party liability classes) inflation is 5%.
The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model very complicated.
In order to assess the sensitivity of the models to the change in the assumptions the provisions are 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	1998-2007	Total	Delta %
Reserve Requirements	382	5,484	5,867	
LAT 5%	382	5,454	5,836	-0.5%
LAT 6%	382	5,487	5,870	0.1%

The incidence of the amount of the 455 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 is 11.8%. A 10% increase in the number of major claims would have led to a fall in provisions of €41.3m.
The incidence on total provisions of claims handled by others is 5.6%. If reinsurers had written up these claims by 5.0% costs would have risen by €16.3m.
In assessing the results of these variations it must be borne in mind that these analyses are of the deterministic type and no account is taken of any correlations.

Trend in claims (loss experience)
The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 1998 until 2007 and the 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 tables 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 2007 to be adequate in the light of information currently available. 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)

Years in which claims incurred	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	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	2,831	2,953	3,102	**26,841**
after one year	2,351	2,440	2,492	2,489	2,546	2,649	2,739	2,787	2,954		
after two years	2,337	2,464	2,503	2,472	2,540	2,653	2,744	2,954			
after three years	2,363	2,469	2,479	2,469	2,563	2,744	2,763				
after four years	2,377	2,501	2,485	2,479	2,568	2,631					
after five years	2,392	2,515	2,492	2,476	2,567						
after six years	2,411	2,515	2,490	2,474							
after seven years	2,413	2,512	2,486								
after eight years	2,414	2,513									
after nine years	2,410										
Estimate of accumulated claims	2,410	2,513	2,488	2,474	2,567	2,631	2,734	2,763	2,954	3,102	**26,634**
Accumulated claims paid	2,289	2,338	2,300	2,232	2,244	2,236	2,234	2,131	1,978	1,169	**21,150**
Change over the 1st year of valuation	119	45	-55	-50	-58	-84	-58	-68	1	0	
Outstanding as at 31/12/2007	121	175	186	242	322	395	501	632	976	1,933	**5,484**
Effects of discounting back											
Book value	121	175	186	242	322	395	501	632	976	1,933	**5,484**

The breakdown of the estimate as at 31 December 2006 of claims incurred but not reported (IBNR) shows that there was a total shortfall in 2007 of €76.4m or 22.1% 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 Additional 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. Particular attention is paid to underwriting term death benefit 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 the health facts in the particular case with the help of its medical consultant. If sums assured exceed certain amounts the risk is assessed in collaboration with the reinsurer.
Only Head Office may issue group death benefits 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 and agreed with the reinsurer.

The quality of the underwriting carried out by the Companies in the Group is illustrated by comparing the actual death rate in the portfolio with the theoretical death rate in the same portfolio. In 2007 this comparison continued to show an actual death rate significantly lower than the theoretical death rate.
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.
Unipol Assicurazioni provides risk-premium inward reinsurance for Quadrifoglio Vita but then passes on the risks underwritten to its reinsurers. BNL Vita in particular has adopted a reinsurance policy relating to term death benefit policies that is based on proportional or excess agreements depending on the type of policy reinsured. Several secondary commercial-premium reinsurance agreements characterised by limited funds and amounts and therefore of limited significance were terminated early during 2007 as part of the run-off of the entire reinsured portfolio.

Annuity option
Some life assurance policies offer the client 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 policies expose the Group to a longevity risk. For some years now this risk has been limited in the case of new policies 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 €40m 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 propensities to exercise the annuity option that are higher than those 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.
If the policyholder dies during the deferment period the designated beneficiaries receive the capital sum revalued as at the date of death. At the specific request of the contracting party the policy may be surrendered in whole or in part at any time. In the event of partial surrender the remaining capital will continue to be subject to revaluation until the policy matures in accordance with the terms in force at the time the option is exercised.
The deferment option does not involve additional risks apart from the Company's commitment to pay the guaranteed minimum.
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 adjustments made to the benefits provided for under the policies.

Guaranteed minimum rate option
The Companies in the Group market a lot of products with 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 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 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 underwritten in previous years that provide for guaranteed minimum rates that are higher than those now being marketed. In particular, approximately 27% of 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 consolidated provisions guarantee minimum revaluation rates of 3%.
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.

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 financial risks have on equity and profits, Asset Liability Management analyses are carried out, that is the Group's assets and liabilities are looked at together. Many of the instruments used for monitoring the exposure to market risks are applied to the assets (securities portfolio) and at the same time to the liabilities (provisions, Company's liabilities net of policyholders' liabilities).
In particular, the Group's ALM system enables the following analyses to be carried out:

- cash-flow matching: a comparison between flows in the securities portfolio (coupons and maturing capital) and flows of liabilities, enabling 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 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 the balance sheet and the profit and loss account. 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 combined 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 of policies are sufficient to cover the financial benefits offered.
In carrying out the test on the principal segregated accounts the Companies in the Group have used the models already drawn up for carrying out analyses in accordance with Ruling 1801G and extended the valuations to a duration of 25 years.

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 policy acquisition and renewal costs and 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 policy has been issued.
During the life of the policy 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. The recurrent margins on unit-linked products 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 policy is in force. In the case of most policies 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 is often dependent on how long the policy has been in force and varies according to the guaranteed minimum rate.
If the policy provides for the payment of regular coupons there may be a charge for the payment of these amounts.
If the policyholder cancels the policy there are charges, expressed as a fixed sum, intended to recuperate the expenses incurred in issuing the policy.

The remuneration of the sales network is governed by framework agreements, which are renewed once a year in the case of bancassurance companies and every three years in the case of the composite companies (Unipol and Aurora). Remuneration of the network for marketing individual products is based on the price of the products and is reviewed from time to time.
Commissions (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

renewal commission linked to the existence and level of the policy portfolio.
In particular, policies 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. Such policies also provide for renewal commissions to be 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.

Make-up of the insurance portfolio

Most of Unipol's and Aurora's premium income is obtained via the network of agencies and Head Office, whilst BNL Vita and Quadrifoglio Vita operate through banking outlets (the network of branches of BNL and BAM respectively). The income of the bancassurance company Quadrifoglio Vita has been 50% consolidated, corresponding to Unipol Group's holding in it, whilst BNL Vita was 50% consolidated in the first half of the year and 100% in the second half following the Group's acquisition of the majority of BNL Vita shares (51%). It should be mentioned that Unipol Assicurazioni and Aurora Assicurazioni also obtained some of their Life premium income (approximately 17% of the total of the two companies compared with 15% in 2006) from banking channels, mainly branches of Unipol Banca and banks in the Banco Popolare Group.

On the basis of this product classification the consolidated direct income for 2007 was split as follows:

Conolidated direct Life premium income (*)	Unipol Assicurazioni	Aurora Assicurazioni	Quadrifoglio Vita	BNL Vita	Navale Vita	Total
(amounts in €m)						
Insurance premiums (IFRS4)	**928**	**746**	**174**	**2,612**	**1**	**4,461**
% var. on 2006	*-38.8%*	*-37.4%*	*-58.0%*	*-16.9%*	*n.s*	*-28.8%*
Investment products (IAS39)	**9**	**6**	**2**	**1**	**-0**	**18**
% var. on 2006	*-20.0%*	*-35.7%*	*-71.7%*	*-71.3%*	*n.s.*	*-40.2%*
Total Life income	**937**	**752**	**175**	**2,613**	**1**	**4,478**
% var. on 2006	*-38.7%*	*-37.4%*	*-58.1%*	*-17.0%*	*n.s.*	*-28.9%*
Breakdown:						
Insurance premiums (IFRS4)	**99.0%**	**99.2%**	**99.1%**	**100.0%**	**100.0%**	**99.6%**
Investment products (IAS39)	**1.0%**	**0.8%**	**0.9%**	**0.0%**	**-0.0%**	**0.4%**

(*) 50% of Quadrifoglio Vita premium income and 100% of BNL Vita premium income for both 2007 and 2006, although it was 50% consolidated in then first half-year and 100% in the second half-year. The premium income of Unipol Assicurazioni is based on pro-forma figures.

As at 31 December 2007 Group direct life income was €4,478m (insurance products plus investment products), a decrease of 29% compared with the same period of the previous year. Direct income achieved by the composite companies (Unipol and Aurora) amounted to €1,689m (37.7% of the consolidated total) whilst the consolidated direct income achieved by the bancassurance channel amounted to €2,788m (62.3% of the consolidated total).

Insurance premiums amounted to 99.6% of total income, substantially in line with 2006.

Direct insurance premiums - Types of income	Unipol Assicurazioni	Aurora Assicurazioni	Quadrifoglio Vita	BNL Vita	Navale Vita	Total
(amounts in €m)						
Traditional premiums	539	508	133	399	1	**1,580**
Financial premiums	194	234	41	2,213	0	**2,681**
Pension funds	195	4	0	0	0	**200**
Insurance premiums (IFRS4)	**928**	**746**	**174**	**2,612**	**1**	**4,461**
including investment with DPF	***318***	***6***	***132***	***351***	***1***	***807***
	34.3%	*0.8%*	*75.9%*	*13.4%*	*100.0%*	*18.1%*

Consolidated direct income from insurance premiums in 2007, mainly consisting of traditional policies in Class III (characterised by a significant level of insurance risk), amounted to €2,681m and accounted for 60% of total income. Most of the insurance premiums (€3,654m, approximately 82% of premium income) were from insurance products (43% in 2006). This phenomenon was mainly due to the change in the product mix, which,

in line with strategic guidelines focusing on retail business, saw a marked reduction in capital redemption policies subject to revaluation (classified as Investment with DPF).

In 2007 the Group's income from insurance continued to be strongly characterised by a large number of single premiums, which accounted for 91% of the consolidated total income whilst the remaining 9% was made up of annual or recurrent premiums mainly from traditional Class I policies.

5.5 Operations with related parties

As already shown, as a result of the project to reorganise the companies and departments within the Group, the Parent Company UGF has become a holding company, with the task of directing and monitoring Group activities and managing all activities and services that do not affect the operational competitiveness of the individual companies, in such a way as to improve the economies of scale, of purpose and of expertise that have resulted from the concentration of these activities. The services that UGF provides for the companies in the Group mainly relate to the following areas of business:

- IT (provision of IT systems and management of communications and data processing equipment);
- claims handling;
- administration (book-keeping, administrative and accounting services);
- property;
- acquisitions;
- commercial and technical (assistance with drawing up and implementing policies);
- distribution of Non-Life and Life products and development of Life products;
- staff and organisation (human resources);
- management planning and control;
- legal (legal services, internal audit, risk management and compliance with regulations/legislation);
- communications.

Asset management for the companies in the Group has been centralised within Unipol SGR.
These relations do not include atypical or unusual operations.
The cost incurred by UGF for providing centralised services specifically includes the following elements:
- staffing costs;
- operating costs (IT, logistics etc.);
- general costs (consultancy, legal costs etc.).

In the case of the centralised services deemed to provide added value (such as claims handling, human resources and provision of IT services) the charges relating to the operating companies are 3% higher than the breakdown cost.

It should be mentioned that during the year, as a result of the bid for Aurora shares, UGF acquired 7.02% of Aurora's shares from its holding company Finsoe spa for €158.2m.

The Parent Company UGF is controlled by Finsoe spa, which holds 50.75% of the ordinary share capital, and indirectly by Holmo spa, which holds 71.07% of the share capital of Finsoe.

It should also be noted that, in accordance with Article 2497 et seq. of the Civil Code, none of the shareholders of the Parent Company UGF carries out any of its administrative and coordination work.

It should be mentioned that Finsoe spa, which holds a controlling share in UGF spa as defined in Article 2359, para. 1, 1, of the Civil Code, does not carry out any of UGF spa's administrative or coordination work, either technical or financial.

The following table shows operations with related parties (holding, affiliated, associated and other companies) carried out during 2007, as laid down in IAS 24 and in CONSOB Communication DEM/6064293/2006.

Operations with subsidiaries have not been recorded since in drawing up the consolidated accounts operations within the Group between companies consolidated using the line-by-line method and the proportional method have been eliminated as part of the normal process of consolidation.

Information on operations with related parties as at 31 December 2007
(amounts in €m)

		Direct controlling company	Indirect controlling company	Associates	Other *(4)*	Total	% incidence
Assets							
4.4	Loans/receivables	27.6		30.6		58.2	0.1 *(1)* *(3)*
5.3	Other receivables	16.4	0.0	35.7		52.1	0.1 *(1)* *(3)*
6.5	Other assets		0.0	2.5		2.5	0.0 *(1)* *(3)*
Total		**44.0**	**0.0**	**68.8**	**0.0**	**112.9**	**0.2** *(1)* *(3)*
Liabilities							
4.2	Other financial liabilities		2.1	23.8		25.9	0.1 *(1)* *(3)*
5.3	Other payables	7.8				7.8	0.0 *(1)* *(3)*
Total		**7.8**	**2.1**	**23.8**	**0.0**	**33.6**	**0.1** *(1)* *(3)*
Income and proceeds							
1.2	Commissions receivable	0.0				0.0	0.0 *(2)* *(3)*
1.5.1	Interest receivable	2.2		1.1		3.2	0.8 *(2)* *(3)*
1.5.2	Other proceeds			0.3		0.3	0.1 *(2)* *(3)*
1.6	Other income	0.2	0.0	0.3		0.5	0.1 *(2)* *(3)*
Total		**2.3**	**0.0**	**1.7**	**0.0**	**4.0**	**1.0** *(2)* *(3)*
Expenses and charges							
2.2	Commissions payable					0.0	0.0 *(2)* *(3)*
2.4	Interest payable	0.3	0.7	0.5		1.6	0.4 *(2)* *(3)*
2.5	Operating expenses		0.1	71.6		71.7	17.0 *(2)* *(3)*
Total		**0.3**	**0.8**	**72.1**	**0.0**	**73.3**	**17.4** *(2)* *(3)*

(1) Incidence calculated on total assets of the consolidated balance sheet
(2) Incidence calculated on the net consolidated profit for the period
(3) Incidence calculated on total net liquid assets arising out of operations (cash flow statement)
(4) Including joint ventures and individuals identified as related parties (Board members, statutory auditors, general managers, senior executives with strategic responsibilities and members of their respective families)
The incidence of note 3) was not calculated as the corresponding value was negative.

Information relating to directors, auditors, general managers and senior executives with strategic responsibilities does not include remuneration and fees for their appointments.

Remuneration payable for 2007 to the Parent Company's directors, auditors and senior executives with strategic responsibilities for carrying out their duties in UGF and in other consolidated undertakings amounted to €9m, details of which are as follows (in €m):

- Directors 4.8
- Auditors 0.6
- Senior executives with strategic responsibilities 3.6 *(*)*

(*) This amount includes salaries of €2.7m and remuneration of €0.4m, for posts held in subsidiary companies, which was not drawn but paid to UGF.

5.6 Non-recurring events and significant operations

No non-recurring events or significant operations took place during 2007 that should be mentioned apart from those already amply illustrated in the management report on the project to reorganise the companies in the Group.

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 Capital management

Capital management refers to all the policies adopted and choices made when decisions are taken on the level and the make-up of available capital. The optimum combination of the various possible capitalisation

instruments is based on the risk profiles underwritten. The objective is to guarantee business continuity and support for the growth of Group business activities whilst complying with the solvency requirements laid down in the supervisory regulations relating to the work carried out by the companies in the Group in sectors such as insurance and banking.
Another objective is that of maximising financial returns and value for shareholders, remunerating them in line with the Group's risk profile.

At the current stage of changes in legislation the capital management system is based not only on compliance with supervisory requirements and the parameters taken into account by the rating agencies but also on internal assessment of the financial value and the relative risks of the various balance sheet items.

5.9 Assets and liabilities reclassified in accordance with IFRS 5

Assets

		31/12/2007 before reclassifications	IFRS 5 - reclassifications	31/12/2007
1	**INTANGIBLE ASSETS**	**1,812.3**	**-0.6**	**1,811.7**
1.1	Goodwill	1,775.7	-0.2	1,775.4
1.2	Other intangible assets	36.6	-0.4	36.3
2	**TANGIBLE ASSETS**	**434.9**	**0.0**	**434.9**
2.1	Property	380.2	0.0	380.2
2.2	Other tangible assets	54.7	0.0	54.7
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**593.2**	**0.0**	**593.2**
4	**INVESTMENTS**	**40,645.3**	**-1,604.8**	**39,040.5**
4.1	Investments in property	315.4	0.0	315.4
4.2	Shareholdings in subsidiaries, associates and joint ventures	29.5	-1.2	28.3
4.3	Investments held to maturity	2,161.9	-365.7	1,796.2
4.4	Loans and receivables	11,386.4	-11.8	11,374.6
4.5	Financial assets available for sale	15,618.7	-781.9	14,836.8
4.6	Financial assets recorded at fair value through profit or loss	11,133.3	-444.2	10,689.2
5	**SUNDRY RECEIVABLES**	**1,445.7**	**-15.6**	**1,430.1**
5.1	Receivables arising out of direct insurance operations	940.6	-0.1	940.5
5.2	Receivables arising out of reinsurance operations	141.1	0.0	141.1
5.3	Other receivables	364.0	-15.6	348.4
6	**OTHER ASSETS**	**850.3**	**1,674.1**	**2,524.4**
6.1	Non-current assets or assets held for sale belonging to a group in the course of being sold		1,688.5	1,688.5
6.2	Deferred acquisition costs	61.1	0.0	61.1
6.3	Deferred tax assets	444.2	-13.4	430.8
6.4	Current tax assets	45.9	0.0	45.9
6.5	Other assets	299.1	-1.0	298.1
7	**CASH AND CASH EQUIVALENTS**	**417.6**	**-53.1**	**364.5**
	TOTAL ASSETS	**46,199.2**	**0.0**	**46,199.2**

Liabilities

2	**AMOUNTS SET ASIDE**	**55.5**	**0.0**	**55.5**
3	**TECHNICAL PROVISIONS**	**27,290.7**	**-1,216.2**	**26,074.5**
4	**FINANCIAL LIABILITIES**	**12,228.4**	**-418.0**	**11,810.4**
4.1	Financial liabilities recorded at fair value through profit or loss	3,779.3	-325.8	3,453.6
4.2	Other financial liabilities	8,449.1	-92.2	8,356.8
5	**PAYABLES**	**428.9**	**-5.0**	**423.9**
5.1	Payables arising out of direct insurance operations	78.1	0.0	78.1
5.2	Payables arising out of reinsurance operations	10.3	0.0	10.3
5.3	Other payables	340.5	-5.0	335.6
6	**OTHER LIABILITIES**	**921.3**	**1,639.2**	**2,560.5**
6.1	Liabilities of a group in the course of being sold held for sale	0.0	1,651.7	1,651.7
6.2	Deferred tax liabilities	229.0	-8.8	220.2
6.3	Current tax liabilities	97.9	0.0	97.8
6.4	Other liabilities	594.4	-3.6	590.8
	TOTAL LIABILITIES	**40,924.9**	**0.0**	**40,924.9**

5.10 Earnings per share

Basic

	31/12/2007	31/12/2006
Earnings allocated to ordinary shares (in EUR)	237,899,216	171,246,821
Weighted average of ordinary shares outstanding during the year	1,466,942,930	1,460,524,546
Basic earnings per share (EUR per share)	**0.16**	**0.12**

Diluted

	31/12/2007	31/12/2006
Earnings allocated to ordinary shares (in EUR)	237,899,216	171,246,821
Weighted average of ordinary shares outstanding during the year	1,466,942,930	1,460,524,546
Diluted earnings per share (EUR per share)	**0.16**	**0.12**

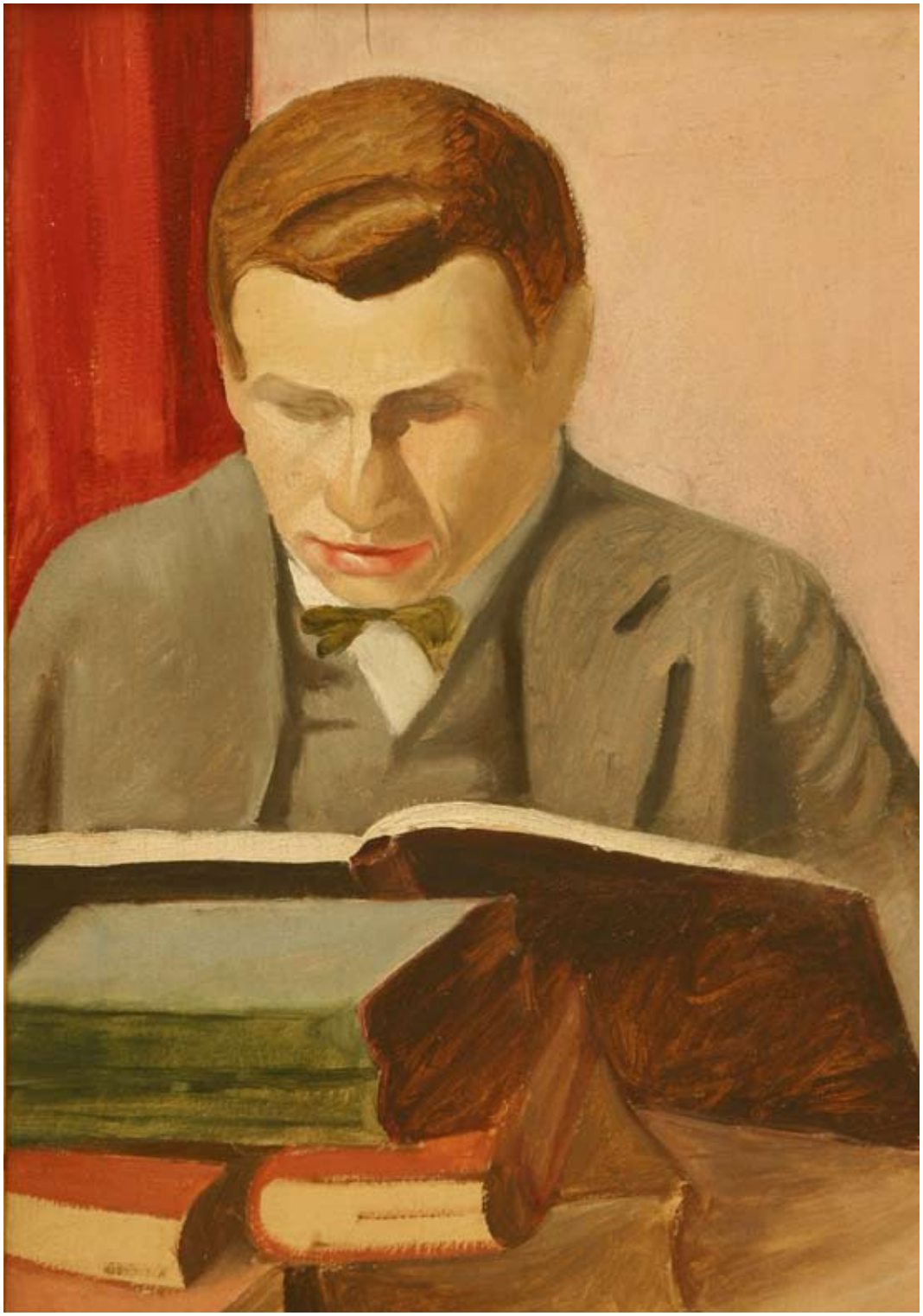
5.11 Proposed dividends

The Parent Company UGF paid dividends of €287.9m for the 2006 financial year, €181.7m of it being the distribution of the operating profit and €106.2m from the provision for share premium. The dividend was therefore €0.12 per ordinary share and €0.1252 per preference share, €0.045 of which per ordinary and preference share was distributed from the provision for share premium.

The Board of Directors is proposing to the Ordinary Shareholders' Meeting a dividend for the financial year 2007 of €0.4161 per ordinary share and €0.4213 per preference share, €0.3411 per ordinary and preference share to be drawn from the provision for share premium.
The total amount allocated to dividends is €999.8m, €184.1m of which derives from the operating profit and €815.7m from the provision for share premium.

Bologna, 20 March 2008

The Board of Directors



Carlo Levi
Richard reading

Unipol private collection

Notes to the accounts - Annexes

NOTES TO THE ACCOUNTS - ANNEXES

2007 Financial year

(amounts in €m)

Balance sheet according to type of business

€m

		Non-Life Business		Life Business	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
1	**INTANGIBLE ASSETS**	**191.1**	**756.1**	**150.8**	**118.5**
2	**TANGIBLE ASSETS**	**380.3**	**411.8**	**0.1**	**0.1**
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**451.5**	**522.3**	**141.7**	**135.2**
4	**INVESTMENTS**	**6,858.4**	**8,384.3**	**21,336.5**	**19,877.9**
4.1	Investments in property	309.4	297.1	2.0	1.8
4.2	Shareholdings in subsidiaries, associates and joint ventures	31.4	639.4	170.3	335.2
4.3	Investments held to maturity	649.1	48.4	1,147.2	989.4
4.4	Loans and receivables	1,238.8	728.7	646.9	1,266.3
4.5	Financial assets available for sale	4,075.3	5,520.5	10,032.4	10,266.4
4.6	Financial assets recorded at fair value through profit or loss	554.5	1,150.1	9,337.7	7,018.9
5	**SUNDRY RECEIVABLES**	**1,062.5**	**936.9**	**341.2**	**223.3**
6	**OTHER ASSETS**	**335.1**	**290.7**	**1,986.4**	**243.8**
6.1	Deferred acquisition costs	37.1	43.2	20.3	27.0
6.2	Other assets	298.0	247.5	1,966.1	216.8
7	**CASH AND CASH EQUIVALENTS**	**439.0**	**1,501.4**	**920.9**	**1,789.1**
	TOTAL ASSETS	**9,717.8**	**12,803.4**	**24,877.6**	**22,387.9**
1	**SHAREHOLDERS' EQUITY**				
2	**AMOUNTS SET ASIDE**	**34.7**	**38.4**	**1.5**	**1.1**
3	**TECHNICAL PROVISIONS**	**7,499.4**	**7,392.8**	**18,575.1**	**16,649.6**
4	**FINANCIAL LIABILITIES**	**313.3**	**500.1**	**3,490.3**	**3,763.8**
4.1	Financial liabilities recorded at fair value through profit or loss	69.3	25.0	3,011.8	2,992.1
4.2	Other financial liabilities	244.0	475.1	478.5	771.7
5	**PAYABLES**	**316.0**	**408.2**	**57.3**	**46.8**
6	**OTHER LIABILITIES**	**317.5**	**323.6**	**1,898.3**	**233.3**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Income statement according to type of business

€m

		Non-Life Business		Life Business	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
1.1	Net premium income	3,934.3	3,706.2	3,528.3	4,674.4
1.1.1	*Gross earned premiums*	*4,233.6*	*4,018.2*	*3,549.1*	*4,698.8*
1.1.2	*Earned premiums ceded*	*-299.3*	*-312.0*	*-20.9*	*-24.4*
1.2	Fees and commissions receivable	2.7	2.1	17.9	21.8
1.3	Income and charges arising out of financial instruments recorded at fair value through profit or loss	-43.0	92.1	-13.4	161.0
1.4	Income arising out of shareholdings in subsidiaries, associates and joint ventures	26.8	14.3	7.3	6.9
1.5	Income arising out of other financial instruments and investments in property	461.6	412.4	756.1	561.5
1.6	Other proceeds	71.0	37.3	52.8	43.6
1	**TOTAL INCOME AND PROCEEDS**	**4,453.3**	**4,264.3**	**4,349.1**	**5,469.2**
2.1	Net charges relating to claims	2,854.9	2,709.5	3,914.2	5,118.1
2.1.2	*Amounts paid and change in technical provisions*	*3,049.2*	*2,922.3*	*3,928.2*	*5,151.7*
2.1.3	*Reinsurers' share*	*-194.3*	*-212.7*	*-14.0*	*-33.6*
2.2	Fees and commissions payable	2.7	2.1	19.9	18.1
2.3	Charges arising out of shareholdings in subsidiaries, associates and joint ventures	0.3		0.0	
2.4	Charges arising out of other financial instruments and investments in property	107.9	161.2	95.3	55.4
2.5	Operating expenses	888.5	827.0	144.1	154.0
2.6	Other costs	103.9	88.8	31.8	44.4
2	**TOTAL COSTS AND CHARGES**	**3,958.3**	**3,788.6**	**4,205.3**	**5,390.0**
	PROFIT (LOSS) FOR THE FIN. YEAR BEFORE TAXATION	**494.9**	**475.7**	**143.7**	**79.1**

Banks		Holding Co. and services		Intersector eliminations		Total	
31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
449.2	**440.0**	**5.5**		**1,015.0**	**21.0**	**1,811.7**	**1,335.7**
23.0	**21.6**	**31.4**				**434.9**	**433.6**
		0.0				**593.2**	**657.4**
10,152.1	**8,619.4**	**5,928.8**		**-5,235.2**	**-945.5**	**39,040.5**	**35,936.0**
				4.0		315.4	298.9
1.5	4.8	4,075.3		-4,250.2	-940.8	28.3	38.6
						1,796.2	1,037.8
9,389.4	8,164.3	1,084.1		-984.6	-2.2	11,374.6	10,157.0
118.5	52.9	612.4		-1.7	-2.0	14,836.8	15,837.8
642.7	397.4	157.0		-2.8	-0.6	10,689.2	8,565.9
18.6	**18.4**	**103.7**		**-95.8**	**-1.7**	**1,430.1**	**1,176.9**
185.7	**182.0**	**24.4**		**-7.2**	**-20.1**	**2,524.4**	**696.4**
				3.7		61.1	70.2
185.7	182.0	24.4		-10.8	-20.1	2,463.3	626.2
86.1	**75.5**	**104.3**		**-1,185.8**	**-1,952.3**	**364.5**	**1,413.6**
10,914.7	**9,356.8**	**6,198.1**		**-5,509.0**	**-2,898.5**	**46,199.2**	**41,649.6**
						5,274.4	**5,873.0**
11.8	**5.5**	**7.5**				**55.5**	**45.0**
		0.0				**26,074.5**	**24,042.4**
9,571.7	**8,073.3**	**616.2**		**-2,181.2**	**-1,958.0**	**11,810.4**	**10,379.2**
372.5	104.1					3,453.6	3,121.2
9,199.2	7,969.1	616.2		-2,181.2	-1,958.0	8,356.8	7,257.9
58.8	**67.7**	**90.0**		**-98.2**	**-2.5**	**423.9**	**520.2**
289.1	**250.1**	**57.8**		**-2.2**	**-17.2**	**2,560.5**	**789.8**
						46,199.2	**41,649.6**

Banks		Holding Co. and services		Intersector eliminations		Total	
31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
						7,462.5	8,380.6
						7,782.7	*8,717.0*
						-320.2	*-336.4*
101.2	92.5			-3.8	-4.4	118.1	112.0
21.2	19.2	-3.2		-0.3	-0.3	-38.7	272.0
0.4	0.0			-32.5	-19.3	2.0	1.9
471.7	381.2	20.1		-84.7	-87.0	1,624.9	1,268.0
15.6	15.4	95.8		-89.5	-0.1	145.6	96.1
610.2	**508.3**	**112.7**		**-210.8**	**-111.1**	**9,314.4**	**10,130.6**
				-1.2	-0.7	6,768.0	7,826.9
				-1.2	*-0.7*	*6,976.3*	*8,073.3*
						-208.3	*-246.4*
20.4	17.9			-1.3	-2.4	41.7	35.7
0.1	0.5				-0.3	0.5	0.2
302.5	244.5	27.9		-77.0	-82.5	456.6	378.6
210.8	180.9	129.3		-95.9	-6.2	1,276.8	1,155.8
14.2	9.4	16.7		-2.7	-0.1	163.8	142.5
548.0	**453.2**	**173.9**		**-178.0**	**-92.2**	**8,707.5**	**9,539.7**
62.2	**55.1**	**-61.2**		**-32.8**	**-19.0**	**606.8**	**590.9**

Basis of consolidation

Name	State		Registered office	Method (1)	Type of business (2)	% direct holding	% indirect holding		% total participating interest (3)	% votes available at ordinary General Meetings (4)	% consolidation	Share capital (€)
Unipol Gruppo Finanziario Spa	086	Italy	Bologna	G	4						100.00	2,391,426,100
Compagnia Assicuratrice Unipol Spa	086	Italy	Bologna	G	1	100.00			100.00		100.00	150,000,000
Aurora Assicurazioni Spa	086	Italy	S.Donato M. (Mi)	G	1	100.00			100.00		100.00	150,000,000
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna	G	1	100.00			100.00		100.00	19,300,000
Navale Assicurazioni Spa	086	Italy	Milan	G	1	99.83			99.83		100.00	96,250,000
Navale Vita Spa	086	Italy	Rome	G	1		100.00	Navale Assicurazioni Spa	99.83		100.00	5,180,108
Unisalute Spa	086	Italy	Bologna	G	1	98.48			98.48		100.00	17,500,000
BNL Vita Spa	086	Italy	Milan	G	1	31.00	20.00	Unipol Assicurazioni Spa	51.00		100.00	160,000,000
Unipol SGR Spa	086	Italy	Bologna	G	8	100.00			100.00		100.00	5,000,000
Unipol Banca Spa	086	Italy	Bologna	G	7	67.75	16.78	Unipol Assicurazioni Spa	84.53		100.00	703,500,000
Unipol Merchant - Banca per le Imprese Spa	086	Italy	Bologna	G	7		86.17	Unipol Banca Spa	72.84		100.00	105,468,007
Unipol Fondi Ltd	040	Ireland	Dublin	G	11		100.00	Unipol Banca Spa	84.53		100.00	125,001
Cooperleasing Spa	086	Italy	Bologna	G	11		100.00	Unipol Banca Spa	84.53		100.00	6,000,000
Nettuno Fiduciaria Srl	086	Italy	Bologna	G	11		100.00	Unipol Banca Spa	84.53		100.00	250,000
Grecale Srl	086	Italy	Bologna	G	11		60.00 40.00	Unipol Banca Spa Unipol Merchant Spa	79.86		100.00	10,000
Grecale Abs Srl	086	Italy	Bologna	G	11		10.00	Smallpart Spa Unipol Banca Spa (*)	10.00		100.00	20,000
Castoro Rmbs Srl	086	Italy	Milan	G	11			Unipol Banca Spa (*)			100.00	10,000
Atlante Finance Srl	086	Italy	Milan	G	11			Unipol Banca Spa (*)			100.00	10,000
Midi Srl	086	Italy	Bologna	G	10		100.00	Unipol Assicurazioni Spa	100.00		100.00	72,000,000
Unifimm Srl	086	Italy	Bologna	G	10		100.00	Unipol Assicurazioni Spa	100.00		100.00	43,350,000
Smallpart Spa	086	Italy	Bologna	G	9		100.00	Unipol Assicurazioni Spa	100.00		100.00	32,000,000
SRS Spa	086	Italy	Bologna	G	9		75.21 24.79	Unipol Assicurazioni Spa Aurora Assicurazioni Spa	100.00		100.00	13,898,582
Quadrifoglio Vita Spa	086	Italy	Bologna	P	1	50.00			50.00		50.00	31,500,000

(1) Consolidation method: G=on a line-by-line basis, P=proportional, U=on a line-by-line basis as per coordinated management
(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies; 11=other
(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 ordinary General Meetings if different from the direct or indirect holding.
(*) Special purpose vehicles (SPVs) used for securitisation schemes. Although they are not subsidiaries, SPVs are consolidated as basically all their risks and benefits are retained.

Details of unconsolidated shareholdings

Name	State		Registered office	Method (1)	Type of business (2)	% direct holding	% indirect holding		% total participating interest (3)	% votes available at ordinary General Meetings (4)	Book value *(€m)*	Share capital *(€)*
Unieuropa Srl	086	Italy	Bologna	11	a		98.00	Smallpart Spa	98.00		0.5	510,000
Unisalute Servizi Srl	086	Italy	Bologna	11	a		100.00	Unisalute Spa	98.48		0.2	52,000
BNL Servizi Assicurativi Srl	086	Italy	Milan	11	a		100.00	Bnl Vita Spa	51.00		0.3	10,400
Hotel Villaggio Città del Mare Spa	086	Italy	Terrasini (Pa)	11	b		49.00	Unipol Assicurazioni Spa	49.00		2.8	7,000,000
A.P.A. Spa	086	Italy	Parma	11	b		46.50	Smallpart Spa	46.50		0.7	1,000,000
Assicoop Ferrara Spa	086	Italy	Ferrara	11	b		47.40	Smallpart Spa	47.40		0.5	376,635
Assicoop Firenze Spa	086	Italy	Florence	11	b		44.00	Smallpart Spa	44.00		0.5	1,000,000
Assicoop Imola Spa	086	Italy	Imola (Bo)	11	b		47.33	Smallpart Spa	47.33		1.3	1,000,000
Assicoop Modena Spa	086	Italy	Modena	11	b		43.32	Smallpart Spa	43.32		2.9	2,256,800
Assicoop Ravenna Spa	086	Italy	Ravenna	11	b		49.00	Smallpart Spa	49.00		2.3	3,640,000
Assicoop Romagna Spa	086	Italy	Forlì	11	b		49.00	Smallpart Spa	49.00		0.8	774,700
Assicoop Sicura Spa	086	Italy	Bologna	11	b		40.00	Smallpart Spa	40.00		2.6	202,800
Assicoop Siena Spa	086	Italy	Siena	11	b		49.00	Smallpart Spa	49.00		0.3	510,000
Assicura Spa	086	Italy	Reggio Emilia	11	b		35.00	Smallpart Spa	35.00		1.1	1,040,000
ZIS Fiera 2 - Consorzio	086	Italy	Bologna	11	b		31.72	Midi Srl	31.72		0.3	789,185
Nuovi Investimenti Spa	086	Italy	Bologna	9	b		39.00 10.00	Smallpart Spa Unipol Merchant Spa	46.28		4.1	4,700,000
Euresa Holding SA	092	Luxembourg		4	b		25.00	Unipol Assicurazioni Spa	25.00		3.3	9,620,200
Pegaso Finanziaria Spa	086	Italy	Bologna	9	b		45.00	Smallpart Spa	45.00		3.0	7,000,000
SCS Azioninnova Spa	086	Italy	Bologna	11	b		40.00	Unipol Merchant Spa	29.13		1.1	2,501,250

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies; 11=other
(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c=joint ventures (IAS 31); please mark with (*) the companies available for sale in accordance with IFRS 5 and write the legend at the foot of the statement.
(3) is the product of the percentage holdings relating to all the companies that may lie 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 ordinary General Meetings 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	315.4		315.4
Other property	380.2		380.2
Other tangible assets	54.7		54.7
Other intangible assets	36.3		36.3

Details of financial assets

€m

	Investments held to maturity		Loans and receivables		Financial assets available for sale		Financial assets recorded at fair value through profit or loss: Financial assets held for trading		Financial assets recorded at fair value through profit or loss: Financial assets recorded at fair value through profit or loss		Total book value	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Equity securities and derivatives valued at cost					194.3	27.9					194.3	27.9
Equity securities at fair value					1,923.2	1,539.1	6.1	175.8	24.8	25.1	1,954.1	1,739.9
listed securities					*1,866.2*	*1,384.6*	*6.1*	*175.8*	*24.8*	*25.1*	*1,897.1*	*1,585.5*
Debt securities	1,796.2	1,037.8	626.9	565.4	12,569.4	14,060.7	2,288.8	3,510.7	7,335.4	3,380.0	24,616.6	22,554.6
listed securities	*1,219.5*	*222.9*			*10,983.1*	*12,706.2*	*1,151.9*	*2,181.2*	*1,647.5*	*1,618.1*	*15,002.1*	*16,728.4*
Units in UCITS					149.9	210.1	63.7	92.6	376.4	1,121.2	590.1	1,423.9
Loans and receivables from banking customers			7,979.7	6,639.6							7,979.7	6,639.6
Interbanking loans and receivables			1,388.4	1,506.8							1,388.4	1,506.8
Deposits with ceding companies			21.7	21.2							21.7	21.2
Financial items receivable on insurance contracts									17.9	51.1	17.9	51.1
Other loans and receivables			1,257.0	1,423.8							1,257.0	1,423.8
Non-hedge derivatives							472.1	118.7			472.1	118.7
Hedge derivatives							5.9		98.0	90.7	104.0	90.7
Other financial investments			100.8	0.3							100.8	0.3
Total	**1,796.2**	**1,037.8**	**11,374.6**	**10,157.0**	**14,836.8**	**15,837.8**	**2,836.7**	**3,897.8**	**7,852.5**	**4,668.1**	**38,696.8**	**35,598.5**

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

€m

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Assets on the balance sheet	7,282.3	4,244.8	554.6	418.5	7,836.9	4,663.3
Intragroup assets*						
Total assets	**7,282.3**	**4,244.8**	**554.6**	**418.5**	**7,836.9**	**4,663.3**
Financial liabilities on the balance sheet	2,942.6	2,885.5			2,942.6	2,885.5
Technical provisions on the balance sheet	4,339.3	1,359.0	554.6	418.5	4,893.9	1,777.5
Intragroup liabilities *						
Total liabilities	**7,282.0**	**4,244.5**	**554.6**	**418.5**	**7,836.6**	**4,663.0**

* Assets and liabilities eliminated on consolidation

Details of technical provisions - reinsurers' share

€m

	Direct business		Indirect business		Total book value	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Non-Life provisions	**446.4**	**515.9**	**5.1**	**6.3**	**451.5**	**522.3**
Provision for unearned premiums	61.3	60.9	0.0	0.0	61.3	60.9
Provision for outstanding claims	385.1	455.0	5.1	6.3	390.2	461.3
Other provisions						
Life provisions	**140.9**	**134.5**	**0.7**	**0.7**	**141.7**	**135.2**
Provision for sums to be paid	5.2	5.4	0.0	0.0	5.2	5.5
Mathematical provisions	132.9	128.1	0.7	0.7	133.6	128.8
Technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management						
Other provisions	2.9	0.9	0.0	0.0	2.9	0.9
Total technical provisions - reinsurers' share	**587.3**	**650.4**	**5.8**	**7.1**	**593.2**	**657.4**

Details of technical provisions

€m

	Direct business		Indirect business		Total book value	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Non-Life provisions	**7,457.5**	**7,345.2**	**41.9**	**47.6**	**7,499.4**	**7,392.8**
Provision for unearned premiums	1,570.9	1,489.2	6.8	7.3	1,577.7	1,496.6
Provision for outstanding claims	5,872.7	5,847.7	35.1	40.3	5,907.8	5,888.0
Other provisions, including	13.9	8.2			13.9	8.2
- provisions allocated as a result of the liability adequacy test						
Life provisions	**18,559.5**	**16,634.1**	**15.6**	**15.6**	**18,575.1**	**16,649.6**
Provision for sums to be paid	192.6	98.1	2.0	1.8	194.6	99.9
Mathematical provisions	13,449.2	14,756.6	13.5	13.8	13,462.7	14,770.4
Technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management	4,894.0	1,777.5			4,894.0	1,777.5
Other provisions, including	23.7	1.9	0.0	0.0	23.8	1.9
- provisions allocated as a result of the liability adequacy test						
- deferred liabilities to policyholders	*-125.7*	*-112.0*			*-125.7*	*-112.0*
Total technical provisions	**26,017.0**	**23,979.2**	**57.4**	**63.2**	**26,074.5**	**24,042.4**

Details of financial liabilities

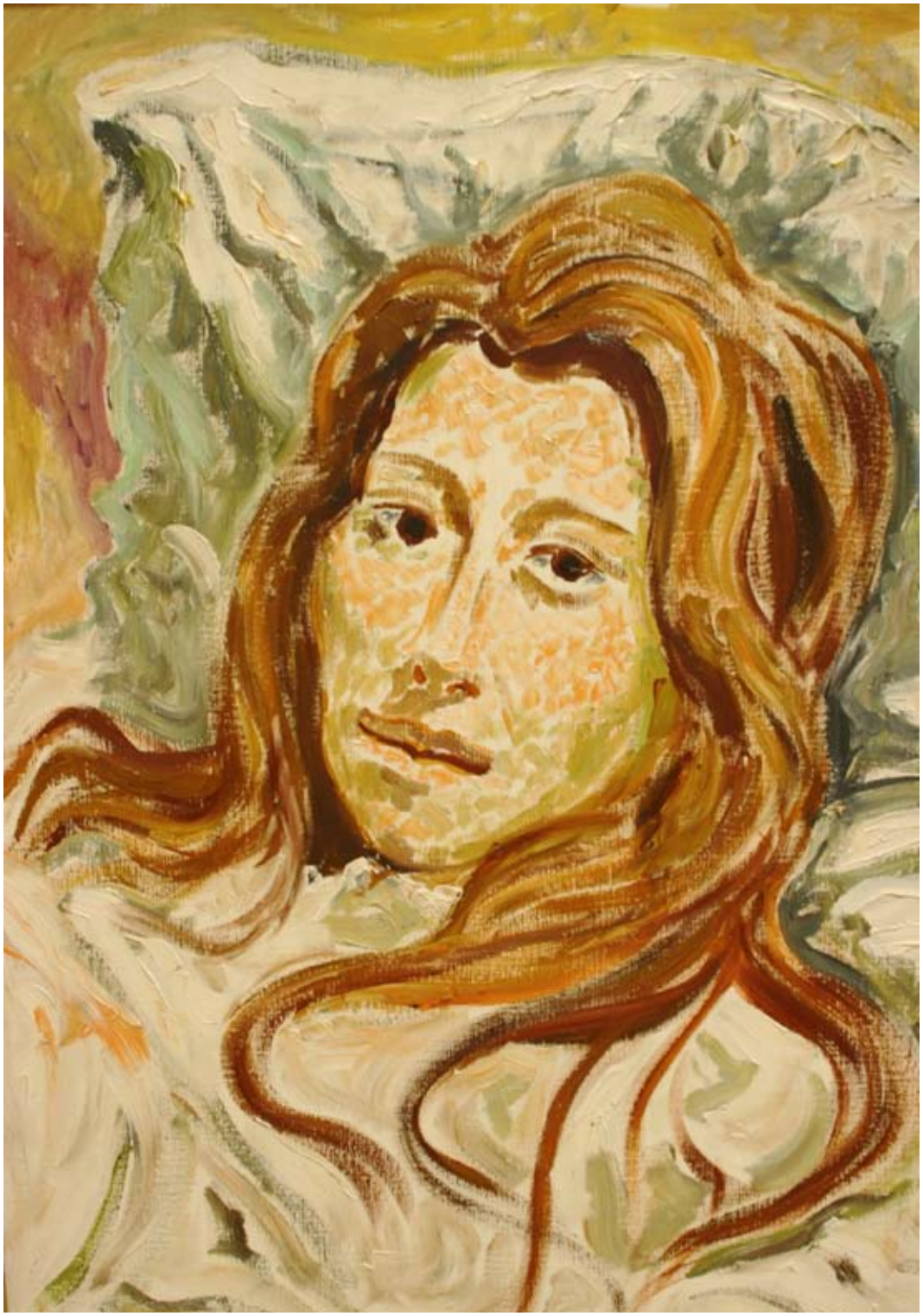
€m

	Financial liabilities recorded at fair value through profit or loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities recorded at fair value through profit or loss					
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Participating financial instruments								
Subordinate liabilities					912.1	787.6	912.1	787.6
Liabilities arising from financial contracts issued by insurance companies			2,983.2	2,952.3	199.1	399.3	3,182.3	3,351.6
arising out of contracts where the investment risk is borne by policyholders			*2,983.2*	*2,952.3*			*2,983.2*	*2,952.3*
arising out of pension fund management								
arising out of other contracts					*199.1*	*399.3*	*199.1*	*399.3*
Deposits received from reinsurers					205.1	194.5	205.1	194.5
Financial items payable on insurance contracts								
Debt securities issued					481.4	459.9	481.4	459.9
Payables to banking customers					6,456.4	5,364.2	6,456.4	5,364.2
Interbanking payables					102.7	52.4	102.7	52.4
Other borrowings					0.0	0.0	0.0	0.0
Non-hedge derivatives	469.5	168.6					469.5	168.6
Hedge derivatives	0.9	0.4					0.9	0.4
Sundry financial liabilities								
Total	**470.4**	**169.0**	**2,983.2**	**2,952.3**	**8,356.8**	**7,257.9**	**11,810.4**	**10,379.2**

Details of technical insurance items

€m

		31/12/2007			31/12/2006		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUM INCOME		**4,233.6**	**-299.3**	**3,934.3**	**4,018.2**	**-312.0**	**3,706.2**
a	Premiums written	4,313.4	-303.3	4,010.1	4,086.0	-317.4	3,768.6
b	Change in provision for unearned premiums	-79.8	3.9	-75.9	-67.8	5.4	-62.4
NET CHARGES RELATING TO CLAIMS		**3,049.2**	**-194.3**	**2,854.9**	**2,922.3**	**-212.7**	**2,709.5**
a	Sums paid	3,085.9	-215.2	2,870.8	2,807.5	-213.0	2,594.6
b	Change in provision for outstanding claims	23.2	100.8	124.0	172.6	7.0	179.6
c	Change in sums recovered	-67.8	-79.9	-147.7	-60.4	-6.7	-67.1
d	Change in other technical provisions	7.9		7.9	2.5	-0.1	2.5
Life business							
NET PREMIUM INCOME		**3,549.1**	**-20.9**	**3,528.3**	**4,698.8**	**-24.4**	**4,674.4**
NET CHARGES RELATING TO CLAIMS		**3,928.2**	**-14.0**	**3,914.2**	**5,151.7**	**-33.6**	**5,118.1**
a	Sums paid	4,701.8	-20.4	4,681.4	3,503.9	-15.3	3,488.6
b	Change in provision for sums to be paid	56.1	1.4	57.5	11.1	-1.6	9.5
c	Change in mathematical provisions	-2,258.4	6.1	-2,252.4	650.3	-16.8	633.5
d	Change in technical provisions where the investment risk is borne by policyholders and provisions arising out of pension fund management	2,134.1		2,134.1	934.4		934.4
e	Change in other technical provisions	-705.3	-1.1	-706.4	52.0	0.0	52.0



Carlo Levi
young woman

Unipol private collection

Investment income and charges

€m

		Interest	Other income	Other charges	Profits realised
Balance on investments		**1,436.3**	**120.8**	**-57.5**	**543.4**
a	Arising out of investments in property		14.7	-6.2	0.3
b	Arising out of holdings in subsidiaries, associates and joint ventures		1.9	-0.4	0.0
c	Arising out of investments held to maturity	53.8			0.1
d	Arising out of loans and receivables	516.3	5.7	-2.2	2.0
e	Arising out of financial assets available for sale	583.9	72.9	-5.4	348.3
f	Arising out of financial assets held for trading	122.2	13.8	-35.2	166.6
g	Arising out of financial assets designated at fair value through profit or loss	160.1	11.8	-8.0	26.1
Balance on sundry receivables		**0.5**	**0.1**		
Balance on cash and cash equivalents		**25.9**		**-0.0**	
Balance on financial liabilities		**-248.3**		**-0.9**	**11.1**
a	Arising out of financial liabilities held for trading				11.1
b	Arising out of financial liabilities designated at fair value through profit or loss				
c	Arising out of other financial liabilities	-248.3		-0.9	
Balance on payables		**-0.4**			
Total		**1,214.0**	**120.9**	**-58.4**	**554.5**

Losses realised	Total income and charges realised	Unrealised profits		Unrealised losses		Total unrealised income and charges	Total income and charges 31/12/2007	Total income and charges 31/12/2006
		Unrealised capital gains	Value readjustment	Unrealised capital losses	Write-down			
290.2	**1,752.8**	**133.8**	**0.2**	**-517.1**	**0.1**	**-383.1**	**1,369.7**	**1,351.6**
	8.8			-1.2		**-1.2**	**7.6**	**5.1**
-0.1	**1.3**		0.2		0.1	**0.2**	**1.5**	**1.8**
	54.0						**54.0**	**49.3**
	521.8			-28.1		**-28.1**	**493.7**	**398.8**
-99.7	**899.9**	-0.0		-62.1		**-62.2**	**837.8**	**594.3**
-179.4	**88.0**	60.1		-174.4		**-114.3**	**-26.3**	**224.2**
-11.0	**178.9**	73.8		-251.2		**-177.5**	**1.4**	**78.1**
	0.6						**0.6**	**1.1**
	25.9						**25.9**	**27.9**
-3.0	**-241.0**	**0.3**		**-24.0**		**-23.7**	**-264.7**	**-216.9**
-3.0	**8.1**						**8.1**	**24.5**
				-22.0		**-22.0**	**-22.0**	**-54.8**
	-249.1	0.3		-2.0		**-1.7**	**-250.8**	**-186.6**
	-0.4						**-0.4**	**-0.6**
-293.2	**1,537.9**	**134.1**	**0.2**	**-541.2**	**0.1**	**-406.8**	**1,131.1**	**1,163.1**

Details of insurance business expenses

€m

		Non-Life business		Life business	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
Gross commissions and other acquisition costs		793.5	740.9	107.1	110.4
a	Acquisition commissions	505.2	485.0	41.7	53.4
b	Other acquisition expenses	176.8	160.2	50.3	41.5
c	Change in deferred acquisition expenses	6.2	-3.2	2.8	2.0
d	Renewal commissions	105.3	98.9	12.2	13.4
Commissions and profit sharing received from reinsurers		-85.7	-88.2	-1.9	-4.5
Investment management expenses		13.2	15.4	8.9	10.3
Other administrative expenses		167.4	159.0	30.1	37.9
Total		**888.5**	**827.1**	**144.1**	**154.0**

Carlo Levi
portrait of a woman

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Certification of the Consolidated Accounts in accordance with Art. 81-ter of CONSOB Regulation 11971/1999

UNIPOL GRUPPO FINANZIARIO

CERTIFICATION OF THE CONSOLIDATED ACCOUNTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

In accordance with the provisions of Article 154-bis, paras 3 and 4, of Legislative Decree 58 of 24 February 1998 the undersigned Carlo Salvatori, in his capacity as Chief Executive Officer, and Maurizio Castellina, in his capacity as Senior Executive responsible for drawing up Unipol Gruppo Finanziario S.p.A's accounts, certify that the administrative and accounting procedures applied in drawing up the consolidated accounts for 2007:
- were appropriate for the type of business concerned and
- were properly applied.

In this respect it should be pointed out that:
- The control procedure provided for by Law 262/05 was drawn up during 2007, the period during which the Unipol Group set up Unipol Gruppo Finanziario S.p.A. ('UGF'), a holding and service company, by gradually separating the centralised and coordination functions carried out by the former Parent Company Unipol Assicurazioni from the business activities of each operating company. Claims-handling, finance, administration, human resources and IT are some of the departments that were centralised, thus eliminating duplication and clarifying objectives and responsibilities.
  Unipol Assicurazioni S.p.A. (now UGF) and Aurora Assicurazioni S.p.A. (subsequently merged by incorporation into UGF) transferred their insurance business to the wholly owned companies Nuova Unipol Assicurazioni S.p.A. and Nuova Aurora Assicurazioni S.p.A. with effect from 1 September 2007.
  Therefore as a result of the transfer, on 1 September 2007:
  - Unipol Assicurazioni S.p.A. took on the new aims and objectives of being a holding and service company and the new company name of Unipol Gruppo Finanziario S.p.A., abbreviated to UGF S.p.A.;
  - Nuova Unipol Assicurazioni S.p.A., to which Unipol insurance business had been transferred, took the name of Compagnia Assicuratrice Unipol S.p.A., abbreviated to Unipol Assicurazioni S.p.A.;
  - Nuova Aurora Assicurazioni S.p.A., to which Aurora insurance business had been transferred, took the name of Aurora Assicurazioni S.p.A., abbreviated to Aurora S.p.A.

  Unipol Gruppo Finanziario S.p.A. kept its status as a company listed on the Mercato Telematico Azionario, the automated stock exchange organised and managed by Borsa Italiana S.p.A. The rights relating to the shares issued by the Company and dealt in on this market therefore remain unchanged.

- Assessment of the suitability of the administrative and accounting procedures for drawing up the consolidated accounts as at 31 December 2007 was based on a process laid down by Unipol Gruppo Finanziario S.p.A. which was inspired by the COSO Framework (Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the

Tradeway Commission), unanimously recognised as the standard for the implementation and assessment of internal auditing systems.

We also certify that the consolidated accounts as at 31 December 2007:

- correspond to the information recorded in the books and accounting records;
- are drawn up in accordance with the IAS/IFRS international accounting standards issued by the IASB and validated by the European Union, with the interpretations issued by IFRIC and in accordance with the provisions of EC Regulation 1602/2002 in force on the date the accounts closed and, as far as can be ascertained, are a true and accurate representation of the capital and reserves, profits and losses and financial position of the issuer and of the consolidated companies.

Bologna, 20 March 2008

The Chief Executive Officer

Carlo Salvatori

The Senior Executive Responsible
for drawing up
the Company accounts
Maurizio Castellina

Table of fees for the financial year for the services provided by the External Auditors

TABLE OF FEES FOR THE FINANCIAL YEAR FOR THE SERVICES PROVIDED BY THE EXTERNAL AUDITORS

(Art. 149 duodecies CONSOB Regulation on Issuer)

Types of service	Service provider	Receiver	Fees (€k)
Audit	KPMG spa	Unipol Gruppo Finanziario spa	210
Certification services	KPMG spa	Unipol Gruppo Finanziario spa	6
Total Parent Company			**216**
Audit	KPMG spa	Subsidiaries	951
Certification services	KPMG spa	Subsidiaries	355
Total subsidiaries			**1,306**
Grand total			**1,522**

The fees include the indexation, if any, but not the expenses incurred and any non-deductible VAT for the receiving company

Statutory Auditors' report

Report of the Board of Statutory Auditors on the Consolidated Accounts for 2007

Dear Shareholders,

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

- Unipol Gruppo Finanziario S.p.A.'s consolidated accounts for the year ended 31 December 2007 were drawn up in accordance with the IAS/IFRS international accounting standards issued by the IASB and validated by the European Union, with the interpretations issued by IFRIC and with the provisions of EC Regulation 1606/2002 in force on the date the accounts closed;
- the layout complies with the provisions of ISVAP Regulation 7 of 13 July 2007;
- the accounting standards and the valuation criteria were 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 were 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 performance of the various categories of business 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 subsidiary companies' accounts comply with the provisions of Legislative Decree 58 of 24 February 1998;
- none of the shareholders carries out any of the administrative and coordination work, in accordance with Article 2497 et seq. of the Civil Code.

The Board of Statutory Auditors calls your attention to the information the Directors provide in the Management Report on the process of 'reorganising the companies and departments' of 'Unipol Gruppo Finanziario S.p.A.', which was completed during 2007. For more information on the outcome of this reorganisation process the Board of Statutory Auditors refers you to the information it provides in Unipol Gruppo Finanziario S.p.A.'s Annual Report as at 31 December 2007.

Bologna, 7 April 2008

The Board of Statutory Auditors

External Auditors' report

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

Telefono 051 4392511
Telefax 051 4392599
e-mail it-fmauditaly@kpmg.it

(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

To the shareholders of
Unipol Gruppo Finanziario S.p.A.

1 We have audited the consolidated financial statements of the Unipol Gruppo Finanziario Group as at and for the year ended 31 December 2007, 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 5 April 2007 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 Gruppo Finanziario Group as at and for the year ended 31 December 2007 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 Gruppo Finanziario Group as at 31 December 2007, the results of its operations, changes in its equity and its cash flows for the year then ended.

Bologna, 7 April 2008

KPMG S.p.A.

(Signed on the original)

Massimo Tamburini
Director of Audit

Glossary

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.

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