

Compagnia Assicuratrice Unipol S.p.A.

Registered and Head Offices in Bologna – Via Stalingrado 45 – Share capital €912,371,823 fully paid-up. Tax Code and Companies' Register in Bologna 00284160371 – R.E.A. 160304 – Authorized to provide insurance services by M.D. 28 December 1962 (O.J. 15/18.1.63) and M.D. 29 April 1981 (O.J. 135/19.5.81)

Consolidated Quarterly Report as at 30 September 2004

(in conformity with Consob Ruling 11971 of 14 May 1999, Article 82)

Bologna, 12 November 2004



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Company's Boards and Officials

HONORARY CHAIRMAN

Enea Mazzoli

BOARD OF DIRECTORS

CHAIRMAN MANAGING DIRECTOR

Giovanni Consorte

VICE CHAIRMAN MANAGING DIRECTOR

Ivano Sacchetti

BOARD MEMBERS

Antonio Silvano Andriani / Jean Dominique Antoni (*)
Francesco Boccetti / Rocco Carannante (*)/ Claudio Casini
Piero Collina / Bruno Cordazzo / Pier Luigi Fabrizi
Jacques Forest / Vanes Galanti / Emilio Gnutti
Claudio Levorato / Ivan Malavasi (*)/ Riccardo Margheriti
Enrico Migliavacca (*)/ Massimo Pacetti (*)/ Marco Pedroni
Aldo Soldi / Giuseppe Solinas (*)/ Pierluigi Stefanini
Graziano 'Trere' (*)/ Marco Giuseppe Venturi (*)
Mario Zucchelli

BOARD OF STATUTORY AUDITORS

Umberto Melloni, Chairman
Carlo Cassamagnaghi / Luigi Capè
Marco Baccani (Alternate) / Roberto Chiusoli (Alternate)

JOINT GENERAL MANAGERS

Carlo Cimbri, *Investments, Property, Shareholdings and Control*
Carmelo De Marco, *Insurance Business*
Riccardo Laurora, *IT Systems*
Salvatore Petrillo, *Administration and Accounting*

CENTRAL MANAGERS

Domenico Brighi / Giancarlo Brunello / Federico Corradini
Stefano Dall'Aglio / Francesco Montebugnoli / Stefano Scavo

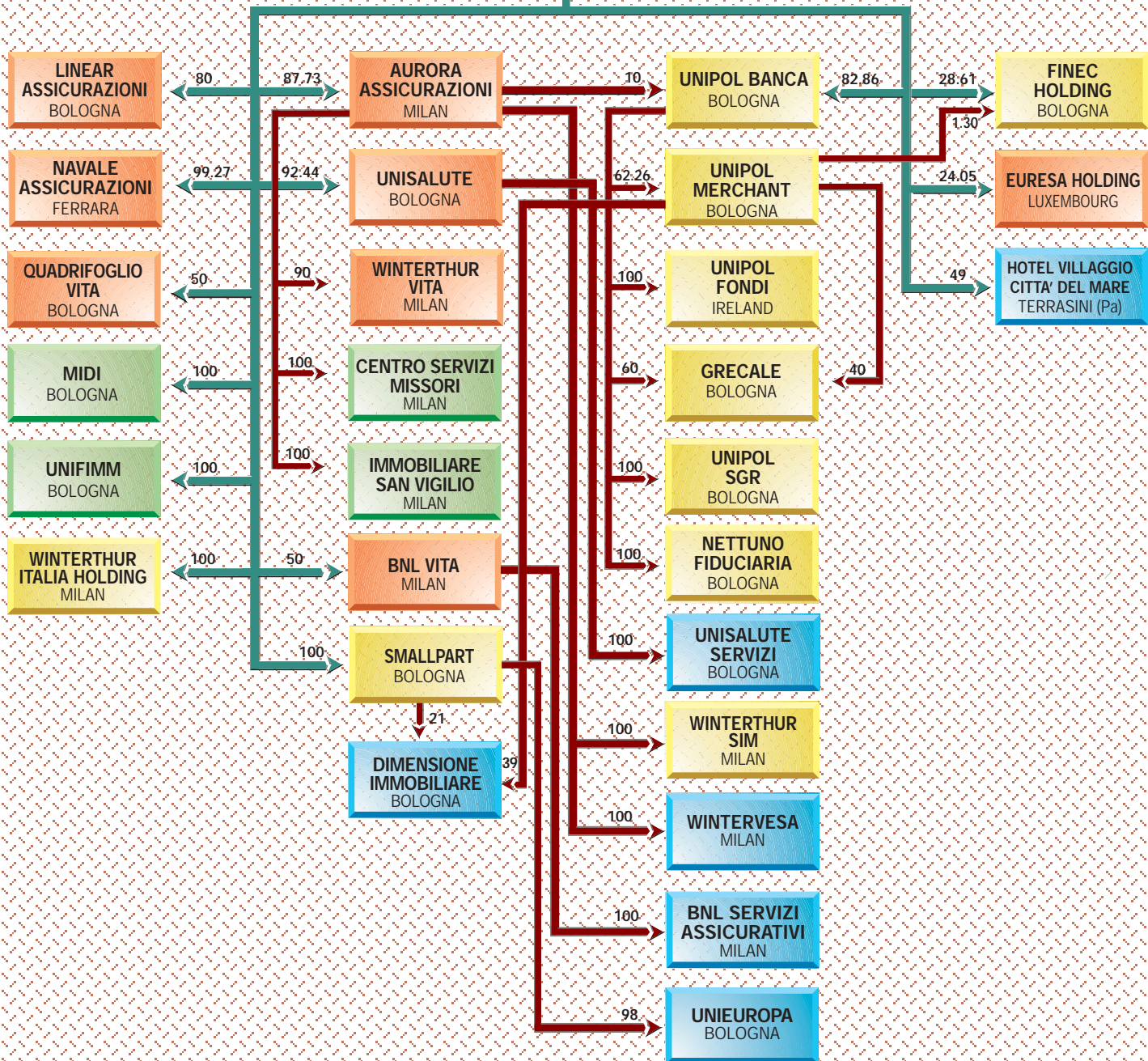
(*) Independent Board Member

BASIS OF CONSOLIDATION AS AT 30 SEPTEMBER 2004



LINE-BY-LINE

EQUITY METHOD



INSURANCE COMPANIES
INSURANCE HOLDINGS

PROPERTY

FINANCIAL SERVICES
BANKS

OTHERS (*)

(*) Mainly service companies strictly related to insurance and property business.

GROUP HIGHLIGHTS

(€m)

	30 September 2004	31 December 2003	30 September 2003	31 December 2002
Gross premiums	6,782.1	7,492.3	5,578.0	6,045.8
<i>variation %</i>	21.6 (1)	23.9	38.1 (1)	22.3
Direct business	6,752.9	7,462.8	5,550.6	6,006.2
<i>variation %</i>	21.7 (1)	24.3	38.8 (1)	22.7
Payments (claims, amounts due out of maturity, surrender, annuity)	3,922.9	3,651.0	2,355.4	2,804.4
<i>variation %</i>	66.5 (1)	30.2	22.2 (1)	16.6
Loss ratio - Non-Life business (net of reinsurance)	72.9	73.0	74.2	75.7
Net operating expenses	670.4	695.4	420.7	542.1
<i>variation %</i>	59.3 (1)	28.3	13.1 (1)	7.5
Net operating expenses-to-net premiums ratio	10.4	9.7	7.8	9.4
Combined ratio % (3)	95.1	93.8	94.6	95.3
Combined ratio % direct business	94.9	93.2	96.1	95.5
Net investment income and capital gains				
-excluding Class 'D' and value adjustments	633.3	693.0	481.3	579.1
<i>variation %</i>	31.6 (1)	19.7	12.6 (1)	-0.5
-excluding Class 'D', including value adjustments	593.2	591.2	411.6	429.5
<i>variation %</i>	44.1 (1)	37.7	53.7 (1)	-1.0
Profit before taxation	316.8	303.3	188.9	228.6
<i>variation %</i>	67.7 (1)	32.7	42.5 (1)	65.5
Consolidated profit	172.5	177.4	102.4	121.0
<i>variation %</i>	68.5 (1)	46.6	44.2 (1)	66.9
Group net profit	139.0	147.5	83.3	102.1
<i>variation %</i>	66.8 (1)	44.4	34.7 (1)	63.8
Consolidated profit-to-premiums ratio	2.5	2.4	1.8	2.0
Net profit-to-premiums ratio	2.0	2.0	1.5	1.7
Investments, cash and cash equivalents	29,281.7	26,385.2	25,764.0	17,686.0
<i>variation %</i>	11.0 (2)	49.2	45.7 (2)	19.3
Technical provisions	28,221.9	25,669.0	24,988.3	17,353.1
<i>variation %</i>	9.9 (2)	47.9	44.0 (2)	18.6
Capital and reserves - Group	2,385.8	2,346.3	2,346.2	1,236.4
<i>variation %</i>	1.7 (2)	89.8	89.8 (4)	16.6
Staff number (5)	4,493	4,503	4,535	2,895

(1) Variation on the third quarter of the previous financial year (figures as at 30/09/03 do not include the companies in the Winterthur Italia Group, which were acquired on 26/09/03)

(2) Variation on 31/12 of the previous financial year (%)

(3) Net claims-to-earned premiums ratio and net operating expenses-to-net premiums ratio

(4) The Parent Company, Unipol Assicurazioni, increased its share capital by €1,054m during the third quarter of 2003

(5) Staff number of undertakings consolidated on a line-by-line basis (excluding Unipol Banca which had 1,314 employees as at 30/09/2004)

INTRODUCTION

The macro-economic background

During the second quarter of 2004 Italian GDP increased by 1.2% compared with the same period of 2003; total annual growth in GDP is currently 0.9% whilst in the Eurozone as a whole it is 2.3%. By the end of the year Italian GDP is expected to have grown by +1.2% and that of the EU by approximately +1.8%.

Inflation in Italy seems to have stabilized at +2.3% (in line with the European average) although the first figures from ISTAT for sample towns for September indicate a 2.1% slowdown, probably caused by the low level of household consumption.

In Europe as a whole inflation, which had been slowing down until March, gradually rose; the first figures for September were approximately +2.1%.

The clear trend in the rise in the prices of raw materials, mainly caused by increases in the price of energy (oil, in particular, which in September rose above 50 dollars per barrel), will probably mean that by the end of 2004 the rate of inflation will be higher than in the previous year.

The financial markets

There is still uncertainty in the financial markets as a result of the economic background, the international situation and the price of oil.

As at 30 September the principal international stock-market indices were substantially the same as at the end of 2003 (New York -3.6%, Tokyo +1.4%, London +2.1%) and the Mibtel index was +5.6%.

The FED intervened several times (on 30 June, 10 August and 21 September) in US rates, raising interbank bid rates to 1.75%, a total increase of 0.75 points. The European Central Bank did not amend its rates, which had stood at 2% since 6 June 2003.

Eurozone rates during the quarter were fairly stable whilst those in the US rose steadily.

On the other hand the 10-year rates fell in the Eurozone and remained stable in the US; the Euro rate was 4.35% at the beginning of the year and 4.05% on 30 September, the US rate was 4.55% and on 30 September was unchanged.

The insurance market

Premium income in the first half of the year of €49.5bn was an increase of 2.4% compared with the same period of 2003. There was a slowdown in the rate of growth, and in fact in the first half of 2003 it had been +10.1%.

In particular Life business recorded premium income of €31.7bn, an increase of 1.6% (+11.9% in the first six months of 2003), whilst the Non-Life portfolio recorded an increase of 3.9% (+6.9% in the first half of last year) with total premium income of €17.8bn.

As regards Non-Life business, in the first half of 2004 Motor premium income (Motor TPL and Land vehicles – Own damage or loss) grew by 3.1% (compared with +7.1% for the first half of 2003) whilst the total for other Non-Life business recorded an increase of 5.2% over the same period of 2003 (+6.7% in the first half of 2003). In particular it should be pointed out that the growth rate for General TPL (+7.7%) continued to be above average for the sector.

In Life business Class I portfolios (Life policies) continued to grow, being +9.2% compared with the first half of 2003, as did operations in Class V (Capital redemption), +14.5%, whilst premium income relating to Class III (insurance with more financial content, linked to investment funds, share indices or other reference values) fell by 11.7%. Class VI (pension funds) fell slightly compared with the first half of 2003 (-1.8%).

When premium income is analysed according to sales channel it can be seen that banking/postal outlets and financial advisers recorded a negative trend in the half year (-1.7% and -3.6% respectively), whilst the traditional channels (agents, head office and brokers) recorded an increase of 10.3% (+3.6%, +21.4% and +12.1% respectively).

THE UNIPOL GROUP

In the third quarter of 2004 Group business activity continued in accordance with the two strategic guidelines providing for the consolidation of insurance business and the expansion of the banking sector.

In the **insurance sector**, in particular, as far as the integration of the former Winterthur Italia Group into the Unipol Group is concerned, the process of merging Meieaurora and the former Winterthur insurance companies that gave rise to Aurora Assicurazioni was completed. The final formalities were completed on 19 October 2004 with the signing of the official document for the merger by incorporation of Winterthur Vita. The merger came into effect on 1 November 2004, whilst the operations of the companies being incorporated will be recorded in Aurora's accounts as from 1 January 2004, the date on which the fiscal effects will also come into force.

As far as the integration of processes is concerned, work continued on centralizing Aurora's IT systems within the Parent Company's system.

The most complex operation was the transfer of the former Winterthur's agencies' underwriting system to the Group's IT system. In the third quarter the roll-out process to Aurora's entire network of Unipol's system relating to Non-Life business was completed. Since July all of Aurora's points of sale have shared instruments and procedures already in use at Unipol and have been able to operate on the portfolio on-line.

October saw the completion of the process of transferring the claims-handling system to the Parent Company's system, which as well as standardizing Group claims-handling structures also standardizes and centralizes claims-handling procedures.

Finally the beginning of November saw the completion of the process of standardizing and transferring the Life operating system, which coincided with the merger of Winterthur Vita into Aurora.

With the standardizing of IT systems the Group has achieved the ambitious goal of fully integrating the former Winterthur Italia Group by the end of 2004. The Group's financial and property resources are already centrally managed,

and the process of standardizing the accounting and administrative systems has been launched, partly in anticipation of the introduction of the IAS. Aurora Assicurazioni's move to the new office in San Donato Milanese will also be completed in November, i.e. within the expected timescale.

This integration will enable significant economies of costs and of investments to be made as from next year.

On 10 September 2004 The Board of Directors of Unipol Assicurazioni and the Shareholders' Meeting of Winterthur Italia Holding (wholly owned by Unipol) approved the plan for the merger by incorporation of the latter into Unipol Assicurazioni. After the sale of the holding in Winterthur Vita to Winterthur Assicurazioni (now Aurora Assicurazioni) the company in fact had no other assets but nevertheless had a good level of liquidity (approximately €90m). The merger, for which official authorization is awaited, will come into effect by 31 December 2004.

In the banking sector the strategy of reinforcing both internal and external lines of the Group's banking business continued. After the recent acquisition of two branches, in Milan and Cagliari, from the Antonveneta Group, Unipol Banca undertook to try to make further acquisitions and to open new branches subject to obtaining authorization from the Supervisory Body.

At the end of August the Banca d'Italia issued its report on the general inspection carried out between March and June 2004, which Unipol Banca found both useful and positive. The report highlighted some areas in which the bank was recommended to make organizational and procedural improvements in order to be able to monitor and check, with increasing speed and efficiency, the risks that typically occur in banking. In September responses to these recommendations were sent to the Supervisory Body.

However, in September agreement was reached with Meliorbanca to abandon the project to integrate the two banking groups. The obstacles preventing the operation from going ahead were the valuations made by experts employed by the two credit institutions, which showed irreconcilable differences in results and business plans.

Finally it should be noted that 2004 was the first year of full operation for the Unipol Banca Credit Group. During September 2004 Unipol Banca increased from 50.5% to 62.26% its holding in the share capital of its subsidiary Unipol Merchant – Banca per le Imprese by acquiring a further 11.76%.

Also in September the entire share capital of a trust company was acquired, which also led to a change in the company's name to Nettuno Fiduciaria srl; the company will have its registered office in Bologna.

Consolidation criteria

Unipol Group's quarterly report as at 30 September 2004 was drawn up in accordance with Consob Ruling 11971 of 14 May 1999 (Article 82 and Annex 3D).

The valuation criteria adopted when drawing up the consolidated figures for the period in question are consistent with those used for drawing up the consolidated half-yearly accounts as at 30 June 2004.

However, it should be noted that, as the quarterly reports for the first and third quarters of the financial year are drawn up more quickly than the half-yearly accounts and report, certain items have been estimated (using available business figures and company statistics), substantially in keeping, nevertheless, with the principles adopted for the end-of-year accounts and reports.

Basis of consolidation

No changes of any importance have been made to the basis of consolidation compared with 30 June 2004, therefore as at 30 September 2004 the Unipol Group was made up of eight insurance companies, four real-estate companies, two financial holding companies and one service company, all consolidated on a line-by-line basis. In addition, twenty-six companies were valued by the equity method.

It should also be noted that in the quarterly report as at 30 September 2003 only the balance sheets of the companies in the Winterthur Italia Group were consolidated in view of the date of acquisition (26/9/2003). In addition, only the profit and loss account of Noricum Vita, which had left the basis of consolidation, was consolidated.

The table on the following page lists the subsidiary companies included in the basis of consolidation, whilst the other affiliated companies, included by the equity method, are as follows

- H. Villaggio Città del Mare spa - Terrasini (PA)
- Finec Holding spa - Bologna
- A.P.A. spa - Parma
- AR.CO. Assicurazioni spa - Modena
- Assicoop Ferrara spa - Ferrara
- Assicoop Firenze spa - Florence
- Assicoop Imola spa - Imola (BO)
- Assicoop Modena spa - Modena
- Assicoop Ravenna spa - Ravenna
- Assicoop Romagna spa - Forli
- Assicoop Sicura spa - Bologna
- Assicoop Siena spa - Siena
- Assicura spa - Reggio Emilia
- Consorzio ZIS Fiera 2 - Bologna
- Euresa Holding sa - Luxembourg

UNDERTAKINGS INCLUDED IN THE CONSOLIDATED ACCOUNTS ON A LINE-BY-LINE BASIS

Company name - Registered offices	Type of business - Share capital (€)	% holding direct	% holding indirect	% Group
Compagnia Assicuratrice Unipol spa Bologna	Insurance and reinsurance € 911,743,039			
Aurora Assicurazioni spa Milan	Insurance and reinsurance € 245,269,815	87.73		87.73
Bnl Vita spa Milan	Insurance and reinsurance € 110,000,000	50.00		50.00
Compagnia Assicuratrice Linear spa Bologna	Insurance and reinsurance € 19,300,000	80.00		80.00
Navale Assicurazioni spa Ferrara	Insurance and reinsurance € 26,250,000	99.27		99.27
Quadrifoglio Vita spa Bologna	Insurance and reinsurance € 27,200,000	50.00		50.00
Unisalute spa Bologna	Insurance and reinsurance € 17,500,000	92.44		92.44
Winterthur Vita spa Milan	Insurance and reinsurance € 117,000,000		90.00 (Aurora Assic.)	78.96
Centro Servizi Missori srl Milan	Property company € 26,000		100.00 (Aurora Assic.)	87.73
Immobiliare San Vigilio spa Milan	Property company € 6,713,980		100.00 (Aurora Assic.)	87.73
Midi srl Bologna	Property company € 72,000,000	100.00		100.00
Unifimm srl Bologna	Property company € 43,350,000	100.00		100.00
Dimensione Immobiliare spa Bologna	Property advisory company € 5,200,000		39.00 (Unipol Merchant) 21.00 (Smallpart)	43.25
Winterthur Italia Holding spa Milan	Holding company € 132,600,000	100.00		100.00
Smallpart spa Bologna	Holding company € 16,000,000	100.00		100.00

UNDERTAKING INCLUDED BY THE EQUITY METHOD

SUBSIDIARIES				
Unipol Banca spa Bologna	Bank € 426,300,000	82.86	10.00 (Aurora Assic.)	91.63
Unipol Merchant - Banca per le Imprese spa Bologna	Bank € 105,468,007		62.26 (Unipol Banca)	57.05
Unipol Fondi Ltd Dublin	Unit trust management € 125,001		100.00 (Unipol Banca)	91.63
Unipol Sgr spa Bologna	Financial brokerage € 5,000,000		100.00 (Unipol Banca)	91.63
Nettuno Fiduciaria srl Bologna	Fiduciary trust company € 12,000		100.00 (Unipol Banca)	91.63
Winterthur Sim spa Milan	Financial brokerage € 2,582,000		100.00 (Aurora Assic.)	87.73
Grecale srl Bologna	Loan securitization € 10,000		60.00 (Unipol Banca) 40.00 (Unipol Merchant)	77.80
Unieuropa srl Bologna	Market analysis and research € 510,000		98.00 (Smallpart)	98.00
Unisalute Servizi srl Bologna	Healthcare services € 52,000		100.00 (Unisalute)	92.44
Bnl Servizi Assicurativi srl Milan	Insurance agency € 10,400		100.00 (Bnl Vita)	50.00
Wintervesa srl Milan	Insurance agency € 100,000		100.00 (Aurora Assic.)	87.73

As from 2005 the consolidated accounts, which are to be drawn up in accordance with international accounting standards (IAS/IFRS), will involve the consolidation using the line-by-line method of all the subsidiary companies irrespective of the type of activity and the consolidation using the proportional method of the jointly-controlled bancassurance companies (BNL Vita and Quadrifoglio Vita). For the purposes of comparison with the previous year the 2004 accounts will have to be drawn up again using the same criteria.

GROUP BUSINESS TREND

In the third quarter of 2004 Group undertakings continued their positive trend, in line with growth targets.

The period closed with a **consolidated result of €172.5m** (+68.5% compared with 30/9/2003), €33.5m of which pertaining to minority interests. **Group net profit totalled €139m**, an increase compared with the same period last year of 66.8%.

The important features of business to 30 September include the following:

- A. **premium income** gross of outward reinsurance reached **€6,782.1m**, a rate of growth of 21.6% (although the variation would have been 2% if the figures as at 30/9/2003 of the companies in the Winterthur Italia Group had been included and if those of Noricum Vita had been excluded);
- B. the Non-Life loss ratio, net of reinsurance, was 72.9% (74.2% as at 30/9/2003);
- C. the total amount of net technical provisions was €27,311.1m, an increase of €3,243.2m compared with 30 September 2003 (+13.5%) and of €2,531m compared with 31 December 2003 (+10.2%);
- D. net operating expenses, amounting to €670.4m in total, showed an incidence on net premiums of 10.4% (7.8% as at 30/9/2003);
- E. the result on the technical account for insurance business amounted to €203.9m (€146.2m as at 30/9/2003);
- F. investments and liquid assets rose to €29,281.7m, an increase of €3,517.6m compared with 30 September 2003 (+13.7%) and of €2,896.5m compared with 31 December 2003 (+11%);
- G. net investment income for the period and net profits from disposals and trading amounted to €633.3m (€481.3m as at 30/9/2003), whilst net value adjustments on investments amounted to €40.2m (€69.7m as at 30/9/2003);
- H. the result for ordinary business for the period, after the balance on the item 'other income and charges' of €29.9m and depreciation relating to the item 'differences arising from consolidation' of €35.5m were deducted, amounted to €279.4m (€174.7m as at 30/9/2003);
- I. the total gross result amounted to €316.8m (€188.9m as at 30/9/2003). At the end of September profits pertaining to the Group, net of taxes and profits pertaining to minority interests, were €139m, (€83.3m as at 30/9/2003, +66.8%).

As regards accounts the risk of which is borne by policyholders, the results of investments relating to benefits linked to investment funds, market indices and pension funds (Class D) provided net income (including unrealized capital gains/capital losses) of €166m (€274.1m as at 30/9/2003).

The table on the following page shows:

- a summary of the profit and loss account at the end of September compared with that for the corresponding period of the previous financial year and with that for the end of the financial year;
- the results for the period July to September 2004 compared with the same period of the financial year 2003.

It should be stressed that interim results represent a trend, which must be seen in relation to seasonal factors that affect insurance business, underwriting policies and tariff adjustments adopted, the launch of new products, trends in the financial market and trends in the economy in general. Lastly, these results may be influenced in various ways by extraordinary non-repeatable events.

INFORMATION ON THE MAIN PROFIT AND LOSS ITEMS AS AT 30 SEPTEMBER 2004

Premium Income

Total premiums written as at 30 September 2004 amounted to **€6,782.1m**, an increase of 21.6%. Compared with 30 September 2003 the consolidation of the premium income of the former Winterthur Italia Group had a positive effect and the sale of Noricum Vita carried out at the end of 2003 had a negative effect.

Using the same basis of consolidation (excluding premium income as at 30/9/2003 relating to Noricum Vita and including the premium income of the newly-acquired companies) premium income would have recorded an increase of +2% (+2.5% for Non-Life business and +1.7% for Life business).

Group **direct premium income** as at 30 September 2004 amounted to **€6,752.9m**, an

increase over the same period last year of 21.7% (+2% on the same basis of consolidation), 40.4% of which was Non-Life premium income and 59.6% was Life premium income (the premium mix as at 30/9/2003 having been 30.4% Non-Life and 69.6% Life).

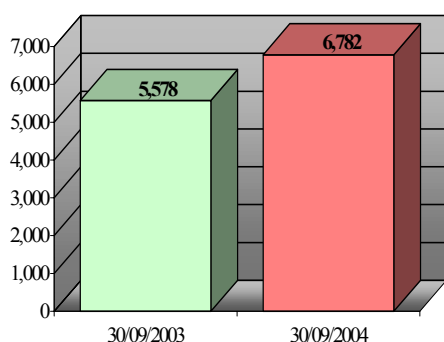
Booked premiums were underwritten almost exclusively in Italy.

The following table shows the premium income from direct business as at 30 September 2004 relating to Unipol Assicurazioni, Aurora Assicurazioni (including the premium income of Winterthur Vita which is in the process of being merged) and other subsidiaries, and premium income broken down by type of business (in €m):

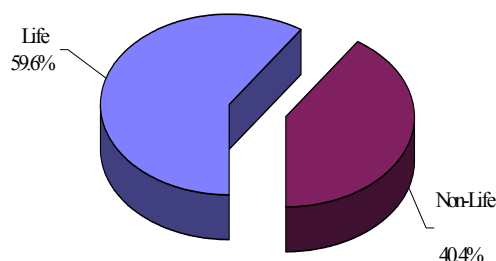
Direct premiums	Non-Life	Var.% 2004/2003	Life	Var.% 2004/2003	Total	Var.% 2004/2003	comp. %
Unipol Assicurazioni	949.9	5.5	930.8	12.3	1,880.7	8.8	27.8
Aurora Assicurazioni (*)	1,564.6	169.1	759.8	125.5	2,324.4	153.1	34.4
Other Subsidiaries	216.3	6.3	2,331.5	-13.6	2,547.8	-12.2	37.8
TOTAL DIRECT PREMIUMS	2,730.8	62.1	4,022.1	4.1	6,752.9	21.7	100.0
Direct premiums by sector							
Traditional companies	2,514.5	69.7	1,690.6	45.0	4,205.1	58.9	62.3
Non-Life specialist companies	216.3	6.3			216.3	6.3	3.2
Bancassurance companies			2,331.5	-13.6	2,331.5	-13.6	34.5
TOTAL DIRECT PREMIUMS	2,730.8	62.1	4,022.1	4.1	6,752.9	21.7	100.0

(*) % variations calculated on premiums as at 30/9/2003 of the former Meieaurora.

Total Premium Income
(€m)



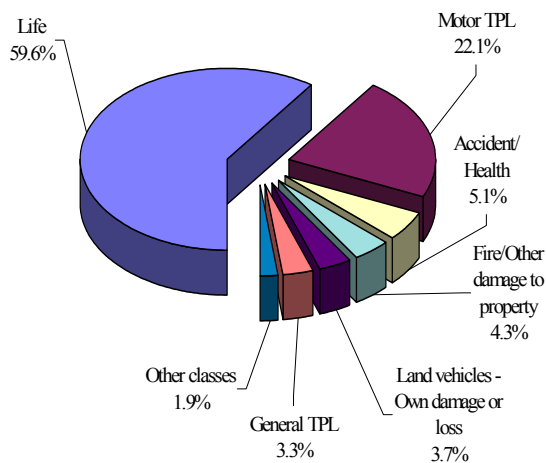
**Premium Income
Direct Business**



The breakdown of premiums according to class of business, the composition indices and the variations compared with the same period of the previous financial year are set out in the table below:

BREAKDOWN OF WRITTEN PREMIUMS PER CLASS OF BUSINESS							
<i>(Amounts in €m)</i>							
	30 September comp.		30 September comp.		Var. %	31 December comp.	
	2004	%	2003	%	2004/2003	2003	%
DIRECT ITALIAN INSURANCE BUSINESS							
Non-Life business							
Accident and Health (classes 1 and 2)	344	5.1	229	4.1	50.4	395	5.3
Land vehicles - TPL (class 10)	1,491	22.1	919	16.6	62.1	1,476	19.8
Land vehicles - Own damage or loss (class 3)	250	3.7	150	2.7	66.3	254	3.4
Marine, Aviation and Goods in transit (classes 4, 5, 6, 7, 11 and 12)	36	0.5	30	0.5	17.7	43	0.6
Fire and Other damage to property (classes 8 and 9)	288	4.3	145	2.6	99.4	279	3.7
General TPL (class 13)	225	3.3	151	2.7	49.4	270	3.6
Credit and Bond (classes 14 and 15)	33	0.5	23	0.4	42.6	34	0.5
Miscellaneous pecuniary losses (class 16)	25	0.4	16	0.3	56.3	24	0.3
Legal protection (class 17)	15	0.2	8	0.1	84.1	15	0.2
Assistance (class 18)	25	0.4	14	0.3	76.4	23	0.3
Total Non-Life insurance business	2,731	40.4	1,685	30.4	62.1	2,813	37.7
Life assurance business							
I - Life assurance, annuities	1,618	24.0	2,197	39.6	-26.4	2,520	33.8
III - Unit-linked / Index-linked products	941	13.9	660	11.9	42.6	956	12.8
V - Capitalisation operations	1,449	21.5	995	17.9	45.7	1,153	15.5
VI - Pension funds	14	0.2	14	0.2	-0.2	20	0.3
Total Life assurance business	4,022	59.6	3,866	69.6	4.1	4,650	62.3
Total direct business	6,753	100.0	5,551	100.0	21.7	7,463	100.0
INWARD REINSURANCE							
Non-Life Business	26	87.7	24	87.2	7.7	26	86.9
Life business	4	12.3	4	12.8	2.3	4	13.1
Total inward reinsurance	29	100.0	27	100.0	7.0	30	100.0
OVERALL PREMIUM INCOME	6,782		5,578		21.6	7,492	

**Breakdown
Direct Premium Income**



Life business

Premiums written in the third quarter of 2004 amounted to a total of **€4,025.7m** (+4% compared with 30/9/2003). Assuming the same basis of consolidation (excluding from the third quarter of 2003 Noricum Vita's sales and including those of Winterthur Vita) the increase was 1.7%.

The **direct premium income** amounted to **€4,022.1m** (+4.1% compared with 30/9/2003 and +1.7% assuming the same basis of consolidation).

Class I recorded a fall in premium income of 26.4% compared with 30 September 2003, whilst Classes III (+42.6%) and V (+45.7%) increased significantly. Class VI was substantially stable although still characterized by low levels of premium income.

With the introduction of the IAS/IFRS, current analyses indicate that almost all the products currently in Class III (index- and unit-linked) and a small percentage of policies currently in Classes I and V will be ranked as financial products since they present no significant insurance risk.

Pension Funds

The most significant event as far as pension funds are concerned recorded in this quarter was the passing of the Enabling Act reforming the pension system, which finally came into effect on 6 October.

Over the following twelve months the Government will have to issue the relevant enforcement orders.

Work on occupational pension funds, carried out only by **Unipol Assicurazioni**, mainly related to drawing up management agreements for recently-acquired mandates: Byblos (paper and printing), Filcoop (agricultural cooperatives) and Prevaer (airport employees).

Work on behalf of funds already under management continued normally.

As at 30 September 2004 total assets under management amounted to €313.8m, to which must be added the proportion of assets of the 'Pension Fund for employees of the Banca Agricola Mantovana' and of 'Fundum', amounting to €13.6m and €1.7m respectively (guaranteed accounts providing for the transfer of assets and the amount of which is included in Class D.II).

In the open-end pension funds sector, at the end of September the assets of the three funds 'Unipol Futuro', 'Unipol Previdenza' and 'Unipol Insieme' reached a total amount of €57.4m and 7,490 members.

As regards **Winterthur Vita**, there was a single open-end pension fund known as 'Aurora Previdenza'. As at 30 September 2004 assets under management amounted to €6.7m.

On the basis of the passing of the Enabling Act reforming the pension system and in the hope that the enforcement orders will be issued swiftly, it is expected that as from 2005 there will be significant growth in personal pension funds, which will be promoted both through the agency networks and through the banking networks.

* * *

The **traditional composite companies** (Unipol Assicurazioni, Aurora Assicurazioni and Winterthur Vita) achieved direct Life premium income of €1,690.6m, an increase of 45% compared with the first nine months of 2003 (+7.2% on the same basis of consolidation).

As at 30 September 2004 Unipol Assicurazioni had achieved direct premium income of €930.8m, an increase of 12.3% compared with the same period of the previous year, which in turn had been an increase of 114% owing in particular to a significant number of capital redemption policies (Class V), and this was repeated to a large extent this year too (€578m compared with €535m as at 30/9/2003). The level of premium income in Class V was mainly achieved with the help of policies that were subject to revaluation (more than €300m).

With the single exception of Class VI – pension funds, which were down by 5.5% – an increase was recorded in all Classes. In particular it should be pointed out that Class III unit-linked policies were very popular with clients since they tied in with their need for their capital to be guaranteed. The overall increase in premium income in Class III was 35.9%.

As at 30 September 2004 income from Unipol Assicurazioni Life policies sold through Unipol Banca totalled €235m (€84m as at 30/9/2003).

Inward reinsurance amounted to €3.8m (+3.5% compared with 30/9/2003).

The subsidiary **Aurora Assicurazioni** achieved premium income of €462.8m (+37.3% over 30/9/2003). If the income achieved by **Winterthur Vita** is added, the direct Life premium income amounts to €759.8m (+1.5% based on these figures). The premium income of Class V (capital redemption policies) recorded an increase of 37.3%

and represented 53% of the total Life premium income as at 30 September 2004. Class I (€295.5m) recorded an overall drop of 27% mainly owing to a fall in income from the network of financial advisers of Crédit Suisse (Winterthur Vita) and to the time spent by agents in changing over to the new IT system which had a considerable impact on their premium income. The premium income of Class III of €57.5m was an overall increase of 22.9%, most of it from the banking channel (Reti Bancarie Holding).

Total receipts from the banking channel amounted to €144m at the end of September.

It should be remembered that Noricum Vita, which was sold in December 2003, had achieved premium income of €321m as at 30 September 2003. The loss of this premium income has already been compensated for by the direct business done by Unipol Banca and Reti Bancarie Holding, whose total income as at 30 September 2004 amounted to €379m and thus made up for the negative effect of the sale.

* * *

The **bancassurance companies** (BNL Vita and Quadrifoglio Vita), with total premium income of €2,331.5m, recorded a slight drop of 2% because of the slowdown in business done by Quadrifoglio Vita.

BNL Vita achieved premium income of €1,771.7m (+6.8% over 30/9/2003) with an increase in premium income from new business of 8.5%. Worthy of note is the huge increase in premium income in Class V (from €29m as at 30/9/2003 to €368m as at 30/9/2004), where a capital redemption policy issued to selected clients brought in €250m. Class III also recorded an excellent trend of growth with an increase of 66.5% compared with 30 September 2003. However Class I fell by 41.2%.

As at 30 September 2004 **Quadrifoglio Vita** had achieved premium income of €559.8m, down by 22.1% compared with 30 September 2003 but slightly up on the figures for the previous quarters of the current year (-28.1% as at 30/6/2004).

Non-Life Business

Total premium income in the Non-Life portfolio as at 30 September 2004 amounted to **€2,756.5m**, an increase compared with 30 September 2003 of

61.3% largely thanks to the consolidation of the companies in the Winterthur Italia Group. On the same basis of consolidation, that is including the premium income of Winterthur Assicurazioni and NewWin Assicurazioni in 2003, the increase was 2.5%.

Premium income from **direct business** alone amounted to **€2,730.8m**, an increase of 62.1%, which on the same basis of consolidation was +2.5%.

* * *

The traditional sector of the **composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved direct premium income of €2,514.5m, an increase of 69.7% compared with 30 September 2003; on the same basis of consolidation the increase was 2.2%

In the third quarter of 2004 direct premium income for **Unipol Assicurazioni** amounted to €949.9m, an increase of 5.5% compared with the third quarter of 2003.

The increase in Motor TPL premium income (+6.3%) was due to the increase in the number of policies in the portfolio, which also affected the increase in the other guarantees linked to motor vehicles.

As regards non-motor business classes (+5.1%) the increase in personal lines continued to be greater than that of commercial lines. The latter in particular recorded a slowdown in rates of growth in Third-Party Liability affecting the most risky types of business whilst in other sectors such as professions, individuals and manufacturing businesses, characterized by favourable trends, rates of growth continued to be good.

Indirect premium income, prior to consolidation adjustments, was €34.5m compared with €36.7m as at 30 September 2003.

Aurora Assicurazioni achieved direct income of €1,564.6m as at 30 September 2004. Including as at 30 September 2003 the premium income of the former Winterthur Assicurazioni and NewWin Assicurazioni the increase compared with the same period of the previous year was 0.3%. Non-motor business lines recorded an increase of 5%, mainly from the network of agencies of the former Meieaurora, whilst Motor TPL fell by 1.7% owing to the company's selective underwriting policy and its adhering to the national agreement between insurers and consumers' associations to restrict

tariff increases.

* * *

The three **specialist companies** (Linear, Unisalute and Navale) wrote direct premiums of €216.3m (+6.3%).

Linear achieved premium income of €112.4m (+19.5%), by and large continuing the trend in growth recorded at the end of the first half of the current year. 62% of premium income was achieved via the telephone and the remaining 38% via the internet.

Unisalute continued its trend of the first half of the year (+15.2%), with premium income of €37.2m.

As already recorded at the end of the first half year, by reforming its portfolio **Navale Assicurazioni** had premium income as at 30 September 2004 of €66.7m, less than that achieved at the end of the third quarter of 2003 (-13.5%).

Unipol Group Sales Network

The Unipol Group offers a full range of insurance, banking and asset management products through a diversified distribution network which covers the whole of Italy, consisting of exclusive and non-exclusive agency networks, finance shops, direct sales channels, online channels (internet and call centre) and bank branches. This network consists of a variety of professionals: exclusive and non-exclusive agents and subagents, brokers, financial advisers, employees (bank outlets) and head-office staff (online channels or direct sales channels).

In particular, the **composite companies** in the Group benefited from an agency network consisting of more than 1,821 agencies as at 30 September 2004 (568 Unipol Assicurazioni agencies and 1,253 Aurora agencies). In addition, both Unipol Assicurazioni and Aurora Assicurazioni placed Life products direct through networks of banking outlets, namely Unipol Banca and Reti Bancarie Holding.

As regards Aurora Assicurazioni, it should be pointed out that the end of July saw the conclusion of the process of transferring the system of operating the agencies and the Non-Life portfolio of the former Winterthur to the Group's IT system. The operation involved a total of 790 agencies and 1,045 subagencies. The process of transferring the Life portfolio to the Parent Company's system was completed at the beginning of November.

In addition, the work of rationalizing the national sales network of the former Meieaurora, involving mergers and closures, is also about to be completed.

In Health and Assistance **Unisalute** operated by selling group policies direct to businesses, associations and various bodies, managed using the 'managed care' technique. For selling individual policies the company used the 66 Unipol agencies that have a Unisalute mandate, the internet and telemarketing.

In Motor business, **Linear** continued to increase the number of its policyholders by using both the telephone (call centre) and the internet.

Navale operated through brokers and 44 non-exclusive agencies.

Turning to the **bancassurance** companies, Quadrifoglio used the network made up of 289 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 30 September 2004 Unipol Banca had 192 points of sale, 100 of which were co-located with insurance agencies, 49 finance shops and 456 financial advisers. The company also made use of direct sales channels (telephone and Internet banking) and the principal Unipol agencies (which during 2004 are gradually being joined by the Aurora agencies), which sold traditional banking products.

Unipol Merchant – Banca per le Imprese, a subsidiary of Unipol Banca, is the bank in the Unipol Banca banking group that specializes in medium-term corporate business as well as operating in merchant banking and investment banking. The principal sales channel for the products and services of Unipol Merchant was the network of branches of Unipol Banca.

Technical Performance

The technical trend in Non-Life business recorded a further improvement compared with the previous year. The net loss ratio, including claims-handling costs and net of reinsurance items, was 72.9% compared with 74.2% as at 30 September 2003.

Claims paid in Non-Life business amounted to €1,726.1m (€1,131.4m as at 30/9/2003).

As at 30 September 2004 a total of 982,327 direct claims had been reported, a proforma increase compared with 30 September 2003 of 6.7% (the increase including Winterthur Group claims reported as at 30/9/2003).

Claims reported in almost all classes, including Motor TPL (-4%) were down, whilst claims reported in Health recorded a substantial rise owing to the increase in business, although the average cost was low.

It should be pointed out that as far as Motor TPL was concerned the drop in claims reported was greater in Aurora whilst claims reported in Unipol Assicurazioni were by and large stable. Claims reported in the Health class increased, in particular in Unisalute.

There were no unusual events relating to claims for events of a catastrophic nature.

At the end of September the total amount of net technical provisions (Non-Life business and Life business) was €27,311.1m, an increase of €3,243.2m compared with 30 September 2003 (+13.5%) and an increase of €2,531m compared with 31 December 2003 (+10.2%).

These provisions are made up as follows (in €m):

	30/9/2004	31/12/2003	30/9/2003
Life business	15,342	13,282	12,803
Class 'D' provisions (*)	5,827	5,561	5,436
Non-Life business	6,142	5,937	5,829
Total	27,311	24,780	24,068

(*) Classes III and VI of Life business

As at 30 September 2004 the **technical account for Non-Life business** recorded a positive balance of €143.7m (€91.7m as at 30/9/2003).

The **result of the technical account for Life business** rose from €54.5m (30/9/2003) to €60.2m as at 30 September 2004.

Reinsurance

Inward reinsurance

As at 30 September 2004 premiums written amounted to €29.3m (+7% compared with 30/9/2003), €25.7m of which was from Non-Life lines of business and €3.6m from Life business.

Outward reinsurance

Premiums ceded totalled €347m whilst as at 30 September 2003 they had amounted to €213.6m. The retention rate fell from 96.2% as at 30 September 2003 to 94.9% as at

30 September 2004. The difference was essentially due to Aurora Assicurazioni's reinsurance policy, which was set at a higher coverage rate for 2004.

The reinsurance set-up of each company in the Group for 2004 depended on the composition of the portfolio.

The guidelines applicable to all of them remained substantially the same and provided for:

- proportional types of cover mainly in the classes subject to reinsurance cessations;
- exclusively non-proportional types of cover for Motor and Watercraft TPL, General TPL and Hail;
- in addition to the above-mentioned proportional types of cover, non-proportional types of cover intended to reduce the net exposure of the various companies to risks retained in Fire, Accident, Land vehicles – Own damage or loss and Goods in transit classes.

Moreover, proportional and non-proportional types of optional cover were taken out to cover specific risks.

In Life business 'surplus' proportional types of reinsurance cover continued to operate where sums assured exceeded the retention levels of the individual companies, as did, in the case of Aurora Assicurazioni, a quota-share treaty for risk premiums on unit-linked products and a surplus treaty for events of a catastrophic nature.

It should be pointed out that during the quarter in question no events of a catastrophic nature were recorded that would have affected the result of the various types of cover taken out to protect the retained layers.

Operating Expenses and Combined Ratio

Net operating expenses for Life and Non-Life business as at 30 September 2004 (which include acquisition and renewal commissions and other acquisition and administrative expenses), net of commissions received from reinsurers, amounted to a total of €670.4m (€420.7m as at 30/9/2003).

Their relative incidence on net premiums for the period came to 10.4% (7.8% as at 30/9/2003). The increase compared with the previous year was due both to a lower proportion of Life premium income and to non-recurring extraordinary charges linked to the integration and reorganization of the structures of the former Meieaurora and former Winterthur Italia Group.

In Non-Life business the incidence of the net operating costs on net premium income was 22.2% (20.4% as at 30/9/2003), whilst In Life business it was 3.1% (2.8% as at 30/9/2003).

As at 30 September the number of employees in the insurance companies in the Group was 4,493, a fall of 42 compared with 30 September 2003.

The gradual process of merging the Group functions relating to claims-handling and IT services continued, as did the constant work of training and updating the sales networks and staff in the call-centres and at the head offices.

As regards the Group IT systems, as already mentioned during the quarter work continued on incorporating Aurora Assicurazioni's IT systems

into the Parent Company's system, and this was completed at beginning of November. As far as IT expenses are concerned it should be pointed out that the current contracts with Telecom, IBM and Accenture were subject to a review, the positive effects of which will be felt in full during the next financial year even though significant savings have already been made this year compared with the proforma cost as at 30 September 2003.

The **combined ratio** (the incidence of claims and net operating expenses on net premium income) was, therefore, 95.1% as at 30 September (94.6% as at 30/9/2003). This increase was essentially due to operating expenses since the loss ratio had improved. The combined ratio of direct business alone was 94.9% (96.1% as at 30/9/2003).

PROPERTY AND FINANCIAL MANAGEMENT

Investments and Liquid Assets

As at 30 September 2004 the Group's investments and liquid assets reached a total of €29,281.7m, an increase of €3,517.6m compared with 30 September 2003 (+13.7%) and €2,896.5m compared with 31 December 2003 (+11%).

In particular, investments can be broken down into Group investments and investments for the benefit of policyholders (Class D) as follows (in €m):

	30/9/2004	comp. %	30/9/2003	comp. %	30/6/2004	comp. %	31/12/2003	comp. %
Group investments and liquid assets	23,452	80.1	20,318	78.9	22,636	79.3	20,823	78.9
Investments for the benefit of policyholders	5,829	19.9	5,446	21.1	5,909	20.7	5,562	21.1
TOTAL INVESTMENTS	29,282	100.0	25,764	100.0	28,545	100.0	26,385	100.0

Types of Group investment and variations compared with 30 September 2003, 30 June 2004 and 31 December 2003 are shown in the table on the following page:

INVESTMENTS AND LIQUID ASSETS

(Amounts in €m)

	30/09/2004 (a)	comp. %	30/09/2003 (b)	comp. %	var. %	30/06/2004 (c)	comp. %	var. %	31/12/2003 (d)	comp. %	var. %
		(a/b)		(a/b)	(a/b)		(a/c)	(a/c)		(a/d)	(a/d)
Land and buildings	883	3.8	653	3.2	35.1	879	3.9	0.4	648	3.1	36.3
Investments in Group undertakings and other participating interests											
-Stocks and shares	1,287	5.5	1,163	5.7	10.6	1,290	5.7	-0.2	1,373	6.6	-6.3
-Debt securities	44	0.2	33	0.2	33.4	51	0.2	-14.5	49	0.2	-11.7
-Loans	1	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Total	1,332	5.7	1,196	5.9	11.3	1,341	5.9	-0.7	1,422	6.8	-6.4
Financial investments											
-Stocks and shares	723	3.1	576	2.8	25.5	882	3.9	-18.1	470	2.3	53.9
-Units and shares in investment funds	147	0.6	111	0.5	32.3	127	0.6	16.4	115	0.6	28.0
-Bonds and other fixed-rate and variable-rate securities	18,209	77.6	16,625	81.8	9.5	17,235	76.1	5.6	16,787	80.6	8.5
-Loans	87	0.4	86	0.4	0.9	87	0.4	0.3	87	0.4	0.4
-Deposits with credit institutions	11	0.0	6	0.0	82.7	11	0.0	0.0	0	0.0	0.0
-Sundry financial investments (2)	1,299	5.5	448	2.2	189.8	1,390	6.1	-6.6	590	2.8	120.0
Other assets	737	3.1	588	2.9	25.3	657	2.9	12.1	678	3.3	8.7
Deposits with ceding undertakings	26	0.1	29	0.1	-9.5	27	0.1	-3.2	26	0.1	-0.7
Total	21,238	90.6	18,469	90.9	15.0	20,416	90.2	4.0	18,754	90.1	13.2
TOTAL INVESTMENTS AND LIQUID ASSETS	23,452	100.0	20,318	100.0	15.4	22,636	100.0	3.6	20,823	100.0	12.6
Investments for the benefit of policyholders who bear the risk thereof and arising out of pension fund management											
-Unit-linked and index-linked investments	5,750	98.6	5,384	98.9	6.8	5,832	98.7	-1.4	5,494	98.8	4.7
-Pension funds	79	1.4	62	1.1	27.9	77	1.3	3.0	68	1.2	16.7
Total	5,829	100.0	5,446	100.0	7.0	5,909	100.0	-1.4	5,562	100.0	4.8

(1) Time deposits subject to access restrictions over 15 days.

(2) Almost all of them are repo securities and the rest are premiums for transactions on derivatives.

Land and Buildings

As at 30 September 2004 the Group's property amounted to €882.6m, a net increase of €3.9m compared with 30 June 2004 (+0.4%). As at 30 September 2003 the Group's property amounted to €653m (+35.1%). The operations that have already been arranged, for which the legal formalities will be finalized over the next few months, will lead to a decrease in land and buildings of approximately €70m.

Work continued on valuing and reorganizing the Group's property assets, which until 30 September 2004 were characterized in particular by the Parent Company making acquisitions in order to rationalize the location of the companies in the Group by concentrating them in the operational centres of Bologna, Milan and Rome.

Arrangements to sell parts of property spread throughout the country and not used for corporate business were initiated, and the feasibility of new property investments for rental, which would increase the proportion of land and buildings in total investments, was studied.

Investments in Group Undertakings and other Participating Interests

At the end of the third quarter assets invested in stocks and shares of Group undertakings and other participating interests totalled €1,331.6m, a net increase compared with 30 September 2003 of €136m (+11.4%). Compared with 30 June 2004 investments in Group undertakings and other participating interests fell by €9.1m (-0.7%), mainly owing to a reduction in bond business (-€7.4m).

Own Shares and Shares in the Holding Company

As regards own shares and those in the holding company Finsoe spa, during the third quarter no operations on shares were carried out and therefore as at 30 September 2004 there were no shares in the portfolio belonging to these categories.

Financial Investments

As at 30 September 2004 financial investments amounted to €21,238.3m as against €18,469m as at 30 September 2003 (+15%). Compared with

30 June 2004 (€20,416m) the increase was 4%. Investments in fixed-rate and variable-rate bonds, which accounted for almost 86% of total financial investments, increased by 9.5% (+€1,584m) compared with 30 September 2003 and by 5.6% (+€974m) compared with 30 June 2004, whilst investments in shares (-€160m) and reverse repurchase agreements (-€91m) fell. Alongside the fall in reverse repurchase agreements there was an increase in bank deposits of €80m because of locked-in deposits in Euro for periods of fewer than 15 days (recorded under 'liquid assets'). In particular during the period under consideration preference was given mainly to financial investments in variable-rate securities.

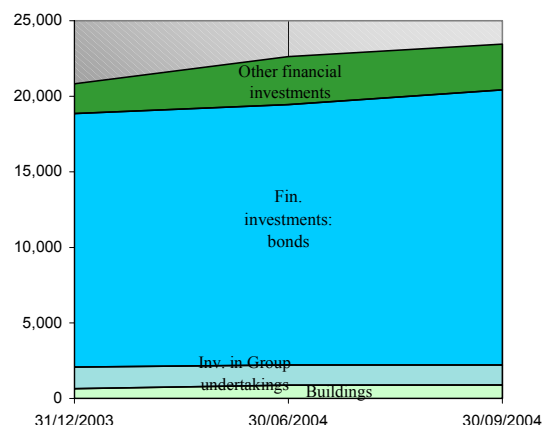
Investments for the Benefit of Policyholders who Bear the Risk thereof and Investments arising out of Pension Fund Management (Class D)

These investments totalled €5,829.2m compared with €5,446m as at 30 September 2003 (+7%) and €5,909.2m as at 30 June 2004 (-1.4%).

These investments, mainly consisting of shares in investment funds and bonds, are valued at current price in strict correlation with the valuation of matching commitments (technical provisions).

Pension fund investments stood at €79.4m as against €62m as at 30 September 2003 (+27.9%) and €77.1m as at 30 June 2004 (+3%).

Investments (excluding Class D)
(€m)



Investment Income

INVESTMENT INCOME

(Amounts in €m)

	30 september 2004	comp. %	30 september 2003	comp. %	Var. %
INVESTMENT INCOME					
Stocks and shares	51.2	7.2	40.3	7.2	27.1
Land and buildings	17.1	2.4	12.5	2.2	37.0
Other investments	478.1	67.2	347.4	62.3	37.6
Bank and postal deposits	21.3	3.0	24.3	4.4	-12.4
Total (a)	567.7	79.7	424.5	76.1	33.7
Capital gains (losses) (b)	144.2	20.3	133.3	23.9	8.2
Total (a+b)	711.9	100.0	557.8	100.0	27.6
Investment charges					
Investment management charges and interest payable	47.4		56.3		-15.8
Interest on subordinated loans	31.2		20.1		54.7
Total (c)	78.6		76.5		2.8
Total (a+b-c)	633.3		481.3		31.6
Net value adjustments (d)	-40.2		-69.7		-42.4
GRAND TOTAL (a+b-c+d)	593.2		411.6		44.1

Net income from investments for the benefit of policyholders who bear the risk thereof:

Unit-linked and index-linked benefits	164.6		272.9		-39.7
Pension funds	1.5		1.2		21.3
Total	166.0		274.1		-39.4

As at 30 September 2004 net investment income and capital gains for the period amounted to €633.3m (€481.3m as at 30/9/2003), not including revenue for the Winterthur Italia Group, €40.1m of which was of an extraordinary nature from the sale of long-term investments (€18.7m as at 30/9/2003). Net value adjustments on investments fell from -

€69.7m as at 30 September 2003 to -€40.2m as at 30 September 2004.

The net results of investments relating to internal funds (Class D) were positive to the tune of €166m (€274.1m as at 30/9/2003).

SHAREHOLDERS' EQUITY AND SUBORDINATED DEBENTURE LOANS

Shareholders' Equity

As at 30 September 2004 the equity pertaining to the Group, including the profit for the period, amounted to €2,524.8m.

The equity pertaining to minority interests amounted to €262.6m.

As regards Unipol Assicurazioni's equity, during the third quarter of 2004 subscription rights (which will cease on 20/6/2005) for new ordinary and preference shares continued to be exercised by holders of warrants linked to shares and bonds issued in July 2000.

As a result of these subscriptions equity increased by €163.2K compared with 30 June 2004,

corresponding to 20,764 ordinary shares and 86,404 preference shares.

The Parent Company's share capital as at 30 September 2004 was therefore €911,743,039 made up of 577,658,163 ordinary shares and 334,084,876 preference shares.

On the same date 101,105,273 ordinary share warrants and 170,994,607 preference share warrants had still not been exercised.

As at 8 November the stock-exchange market value of Unipol shares was €2,677m (€2,463m as at 30/6/2004).

Subordinated Debenture Loans

As at 30 September 2004 there were subordinated debenture loans totalling €666m issued by the following companies (in €m):

- Unipol Assicurazioni 600
- BNL Vita 50
- Quadrifoglio Vita 16

The amount of €600m is made up of two subordinated debenture loans issued by the Parent Company. Both loans have a nominal value of €300m, 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% up to the exercise date of the early-repayment clause (after the tenth year) and a variable rate thereafter.

The second, 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.

Subordinated debenture loans of the other companies in the Group amounted to €66m, €32m of which were issued in 2002 and €34m in 2003. They are unlisted and have a five-year maturity.

The level of subordination is comparable to Tier II.

As at 30 September 2004 the total amount of interest and expenses for the period was €31.2m (€20.1m as at 30/9/2003).

BANKING/ASSET MANAGEMENT/MERCHANT BANKING

Unipol Banca spa

As at 30 September 2004 Unipol Banca had 192 sales outlets, 100 of which were co-located with insurance agencies, 49 finance shops and 456 financial advisers.

As at 30 September 2004 direct customer deposits stood at €3,494m (+75% compared with 30/9/2003) whilst loans to customers, net of securitization schemes of €808m (made in the last three years, including €168m in 2004), were €2,620m (+44% compared with 30/9/2003). In terms of bank lending, worthy of note was the steady growth in the area of mortgage loans, which were very popular with customers and reached approximately €490m at the end of September.

Customer funds (funds under custody and assets under management) amounted to €14,444m at the end of September 2004, an increase of 39% compared with the figure as at 30 September 2003. In particular, the portfolio of assets under management exceeded €1,400m, +27% compared with 30 September 2003.

Marketing activities for Unipol Life policies are producing satisfactory results, income on the date in question having reached €235m.

Business growth enabled the bank to record a **gross operating income** of €123.7m as at 30 September 2004, an increase of +29% compared with 30 September 2003.

The number of Unipol Banca employees as at 30 September 2004 was 1,314, 977 of whom (74.4%) were employed in the peripheral network, 308 (23.4%) at Head Office and 29 (2.2%) were seconded.

The subsidiary **Unipol Fondi Ltd** had achieved a total portfolio of more than €582m, an increase of 11.7% compared with 31 December 2003, despite

the market for assets under management still showing a negative trend.

Unipol Merchant – Banca per le Imprese spa

Unipol Merchant is gradually developing the lending side of its business, and as at 30 September 2004 this reached a level of €110.4m whilst new loans of €52.7m were approved. As at the same date guarantees issued amounted to approximately €9m. Amongst the most significant assignments carried out during the period in consultancy services (Capital Markets, Mergers & Acquisitions, Corporate Finance Advisory and Financial Brokerage), were:

- the financial advice provided to Hera spa relating to the acquisition from ENI Ambiente spa of the ‘Centro Ecologico di Ravenna’, one of the largest waste-disposal plants in Italy;
- the financial advice provided to Unigrana spa (the leading seller of ‘Parmigiano Reggiano’) relating to the acquisition of Parmareggio spa (the third largest operator in this market);
- acting as the co-lead manager of the underwriting syndicate for getting the shares of Greenvision Ambiente spa listed on the Expandi market;
- acting as co-global coordinator and sponsor to Coop Adriatica in getting IGD (Immobiliare Grande Distribuzione) listed on the Milan Stock-Exchange (placement planned for the 1st quarter of 2005);
- assisting Italia Salumi spa to identify opportunities for expansion in the Chinese market.

Unipol Sgr spa

The activities of Unipol Sgr, wholly owned by Unipol Banca, were revived. The company manages the assets of Unipol Fondi direct and is planning to set up both a property investment fund and a securities investment fund.

SIGNIFICANT RECENT EVENTS AND BUSINESS OUTLOOK FOR THE CURRENT FINANCIAL YEAR

Some of the important events were:

- the merger by incorporation of Winterthur Vita into Aurora Assicurazioni took place on 19 October and came into effect on 1 November 2004. This was the final stage in the process of integrating the companies in the former Winterthur Italia Group and the former Meieaurora Assicurazioni;
- on 26 October BNL Vita finalized with RB Vita (RAS Group) the contract to sell the business relating to the Life portfolio of the former financial advisers of BNL Investimenti (now RasBank), and this came into effect on 1 November 2004. This sale, for a price of €49.4m, involved the transfer of approximately €1bn of technical provisions. The goodwill for the business was valued at a total of €34m. It is expected that the drop in income resulting from the sale of this part of the business will be compensated for by the current activities of BNL's sales network;
- 26 October 2004 saw the launch of the procedure for the merger by incorporation of Winterthur Sim and Wintervesa into Aurora Assicurazioni (which holds 100% of their share capital). The integration of Winterthur Sim follows on from the suspension of stockbroking activities, which is the company's business purpose, and the resultant application to CONSOB to revoke authorization to provide investment services and to delete it from the Register;
- on 11 November 2004 Navale Assicurazioni signed the contract to acquire MMI Danni S.p.A. (formerly CAB Assicurazioni S.p.A.), MMI Assicurazioni S.p.A. (formerly Nazionale Assicurazioni S.p.A.) and MMI Vita S.p.A. (formerly La Fiduciaria Vita S.p.A.) from the French group Mutuelles du Mans Assurances. The acquisition price will correspond to the company's adjusted shareholders' equity as at 31 December 2004. (This would have been €52.2m based on the figures as at 31/12/2003.) The vendor has undertaken to guarantee the adequacy of the technical provisions and of all the equity items in the accounts as well as to provide the usual guarantees (relating to tax, social security etc.). The operation will be

finalized after the necessary legal authorization has been obtained. In order to ensure that sufficient funds are available for the acquisition, a proposal to increase the share capital by a maximum of €70m will be put to the meeting of Navale Assicurazioni shareholders on 30 November 2004, as will a proposal to authorize the Board of Directors to carry out the capital increase within the following three years;

- in November Cometa (the supplementary pension fund for the metal and mechanical industry) announced that it had given Unipol Assicurazioni the mandate to manage a portion of its assets. As at 30 September 2004 the total assets of the Cometa fund amounted to €1.9bn;
- on 1 October 2004 Unipol Banca finalized the acquisition of two branches (Milan and Cagliari) from the Antonveneta group. Another 18 branches were due to open once authorization had been obtained from the Banca d'Italia. The acquisition of further branches was being negotiated.

The business activities of the companies in the Group continued normally and in line with expectations.

Provided there are no unusual or exceptional events Group results for the current year are expected to be higher than they were last year and in line with forecasts.

Bologna, 12 November 2004

The Board of Directors

Translation from the original Italian text.

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