Unipol Gruppo Finanziario S.p.A.

Registered and Head Office at Via Stalingrado 45, Bologna – Share capital €2,391,426,100.00 fully paid-up - Tax code and Bologna Companies' Register 00284160371 - R.E.A 160304

Interim Group Management Report as at 30 September 2009

(in accordance with Article 154-ter of Legislative Decree 58/1998)

Bologna, 12 November 2009

Translation from the original Italian text

CONTENTS

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Board of Directors	Chairman	Pierluigi Stefanini
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Board of Statutory Auditors	Chairman	Roberto Chiusoli
	Members	Domenico Livio Trombone Giorgio Picone
	Alternate Auditors	Cristiano Cerchiai Giovanni Battista Graziosi
External auditors		KPMG spa

INTRODUCTION

The macroeconomic background

The overall economic climate shows various signs of improvement, from the trend in macroeconomic variables via the expectations of businesses and consumers to the rise in prices of raw materials and property. This context has led to revised forecasts for economic growth for both 2009 and 2010.

However, it should be emphasised that the substantial upswings in the indices in the main share markets do not appear to be in line with the expected increases in company profits. Moreover both the credit sector and the jobs market are beginning to feel the effects of the increase in doubtful debts and the fall in the number of vacancies respectively.

In Italy retail prices remain at low levels (the average variation over the nine months being +0.8%), manufacturing prices are still well down (-5.7% to August), manufacturing shrank by 21.1% in the first eight months of 2009 and retail sales were down by 2.2% (by August). In light of these trends it is not surprising that ISTAT recorded a fall in employment of 1.2% in the first half of the year.

Despite the understandable prudence of the measures adopted by the Italian Government to tackle the recession, the public deficit accounted for 6.3% of GDP in the first half of the year compared with 3.5% in the first six months of 2008.

Financial markets

After the reduction of a quarter of a point in May the European Central Bank kept the rate in the Eurozone unchanged at 1%. In September and October the 6-month Euribor rate stabilised at around 1%. 10-year gilts experience a rise: in the USA they were up from 2.21% at the beginning of the year to 3.31% at the end of September and in Europe they rose from 2.95% to 3.22% over the same period.

After falling to their lowest level in March share indices rose again significantly: compared with the beginning of the year the S&P 500 USA was up 17%, the FTSE 100 UK rose by 15.8% and the NIKKEI 225 by 14.4%. The Milan stock exchange performed even better, with the Italian FTSE up 26.6% in nine months. The optimism in the markets is the result of better than expected economic performances and of the good quarterly reports submitted by many businesses in the financial sector.

In the Summer dollar prices started to show obvious signs of weakness, which brought the single European currency up to 1.50, a rise of the Euro against the greenback of more than 7% since the beginning of the year.

The insurance sector

This sector is going through a phase characterised by an unusual contrast: on the one hand the performance reported by the financial markets tends to support what insurers are saying, and on the other hand this difficult point in the business cycle is having a negative impact on both Non-Life income and claims. It is expected that in the short term the former factor will prevail. However, in the medium term companies will have to face up to a situation characterised by considerable uncertainty.

As for the figures for premium income in Italy, total Non-Life business and Life business are going in opposite directions. In the first half of 2009 the Non-Life total was 2.6% down on the same period last year whilst Life premium income rose by 27.2%.

Income in MV Non-Life classes was worse than expected, falling even faster (-4.7%) than it had done in 2008 (-3.2%). MV TPL (-4.7%) did badly, with the claims situation giving out contradictory signals in a competitive climate that reduced the average premium to a level that was insufficient to cover the risks typical of this sector. Premium income from Land vehicles – own damage or loss was also down (-4.6%), being affected by the difficulties in the motor vehicle market (registrations were down 6.6% by September). The reduction in fuel consumption for road haulage and in motorway mileage does not appear to have had a positive effect on the insurance loss ratio so far.

Non-MV Non-Life business shows modest overall growth (+0.3%). That leaves General TPL (+2.6%), Other Damage to Property (+1.9%) and several minor classes such as Assistance

(+5.6%) upholding performance in the sector. The sector is expected to continue to stagnate. The crisis has led to a reduction in sums assured (and therefore in premiums) for corporate business, whilst in the case of individuals there has been a reduction in the propensity to consume. The loss ratio in these classes too seems to have begun to rise, partly as a result of the spread of fraud to classes other than the 'usual' MV TPL.
There is news of a different kind from Life business. The latest information from ANIA on new individual Life business up to August indicates growth of 47%. Most of this growth came from banking and postal outlets (+46.5%) and financial advisers (+166.1%), whilst the agency networks recorded a fall of 2%. The memory of the recent turbulence in the financial markets, which also affected some types of Life policy, and the low level of interest rates have had a favourable effect on the sale of Class I products (segregated accounts, specific funding, appropriate funding of assets). New business in this class has risen by 185%. Class V is also up (+134%), whilst Class III shows a substantial fall (-78%). Observers may be puzzled, but the fact is that the technical specifications of the new products and the need to match the rates offered on current accounts by online banks have forced insurers to offer guaranteed yields that are so high that they reduce margins on new business to a minimum. Income in this sector could be affected by the introduction of the tax shield for the return of funds set up illegally abroad: many companies, especially cross-border companies, have been set up in order to offer their services to regularise the foreign status of Italian residents.

Banking and asset management

Italian lenders continued to accumulate direct income (+10.9% year on year up to August) yet to reduce the increase in lending to customers (+2.4%). The most dynamic element of their liabilities was represented by bond issues (+15.4% up to August), whilst as far as their assets were concerned corporate financing all but stagnated (+1%), the latter phenomenon not being helped by the precarious position of financial intermediaries nor by the difficult economic situation, which reduced manufacturers' need for resources.
There was a rise in doubtful debts (the increase in gross bad and doubtful loans in the first eight months of the year being +25.4%). Overall, the ratio between net doubtful debts and lending had reached 1.67% by August. The proportion of net doubtful debts to capital and reserves is now almost 10%.
After gradually falling the bank rate spread tended to stabilise at around 2%. This process was aided by the rapid return of interbank rates that reduced the mark-down, which was not sufficiently offset by the increase in the mark-up. Half-yearly reports submitted by the main Italian lending groups reveal signs of a fall in income from customers, in particular net interest income. However, the upturn in the financial markets enabled good margins to be obtained from trading securities which, in some cases, cancelled out the drop in the more traditional component of income. In addition all the main groups recorded an appreciable improvement in operational efficiency, proved by a general reduction in the cost/income ratio.
The increase in Italians' propensity to save brought about an increase in applications for financial instruments, which led to an influx of new cash. After reaching a low point in March the concomitant upturn in the financial markets created a climate that encouraged savers to return to the main types of managed savings, from which both Life policies and investment funds benefited. If the figure for September is included funds recorded three consecutive months characterised by positive net income. Even though the total since the beginning of the year was still negative (with a net outflow of more than €7.5bn) it is noteworthy that, after nine months, share funds business had made a profit of €1.8bn. Thanks to these performances, and especially to the recovery in the markets, by September total assets managed by investment funds had risen to €422bn (€409bn at the end of 2008).

Pension funds market

After a first quarter dominated by the crisis in the financial markets, during 2009 yields on pensions are once again becoming positive and beating returns on staff-leaving indemnity.
All the sub-funds – guaranteed, balanced and share – ended the first part of the year positively, these last benefiting from the upturn in share markets.

In particular, in more than half of company pension funds and pension funds covering specific categories of worker the overall average performance exceeded the benchmark, the parameter used for comparison purposes when evaluating financial business performance.
The increase in the number of members was modest (approximately 2% since December 2008): after the boom in 2007, which was due to the reform of the staff-leaving indemnity, growth in this sector slowed substantially. Therefore the Ministry of Welfare is working on a series of measures aimed at revitalising the system, and a reintroduction of the period of six months for making a decision on the staff-leaving indemnity, perhaps as early as 2010, cannot be ruled out.

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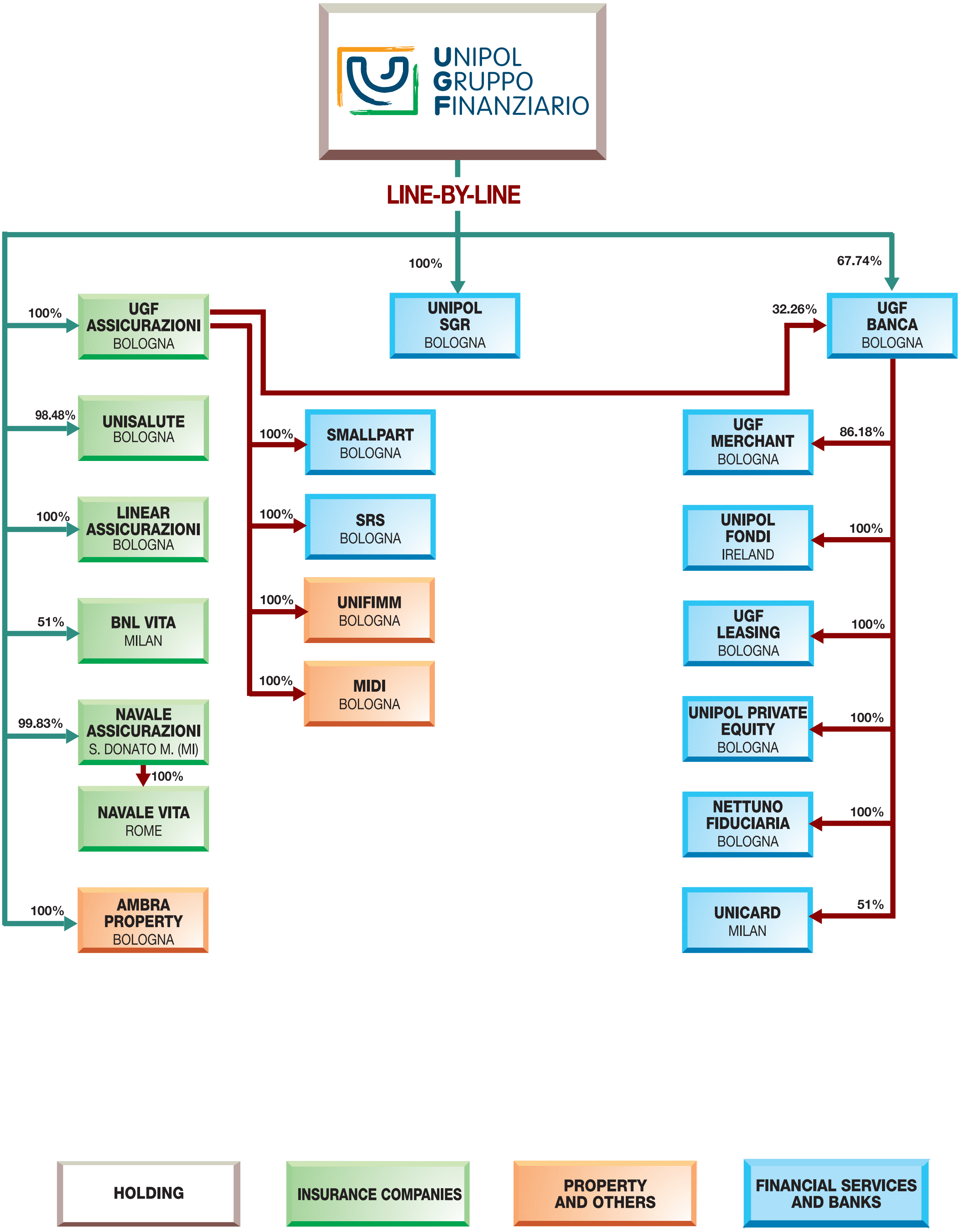
The UGF Group's Interim Management Report as at 30 September 2009 has been drawn up in accordance with Article 154-*ter* of Legislative Decree 58/1998 (TUF).

The unit of account used is the Euro and amounts are given in €m.

There have been no changes in the basis of consolidation since 31 December 2008.

BASIS OF CONSOLIDATION AS AT 30 SEPTEMBER 2009



GROUP HIGHLIGHTS
(amounts in €m)

	30/09/2009	30/09/2008	31/12/2008
Income from Non-Life insurance premiums	3,012	3,072	4,357
% variation	*-1.9 (1)*	*3.8 (1)*	*1.6 (1)*
Income from Life assurance premiums	4,031	2,416	3,519
% variation	*66.9 (1)*	*-30.7 (1)*	*-1.2 (1)*
including income from Life investment products	*12*	*13*	*20*
% variation	*-9.5 (1)*	*30.7 (1)*	*19.3 (1)*
Total insurance business - Direct income	7,043	5,487	7,876
% variation	*28.4 (1)*	*-14.9 (1)*	*0.3 (1)*
Banking business - Direct customer deposits	8,554	7,649	8,728
% variation	*-2.0 (2)*	*-15.9 (2)*	*-4.1 (2)*
Annual Premium Equivalent (APE) Life business - Group share	289	183	273
% variation	*57.7 (1)*	*-27.9 (1)*	*-7.9 (1)*
Loss ratio - Non-Life business - direct business	82.6%	75.4%	76.3%
Combined ratio - Non-Life - direct business	104.7%	98.1%	98.6%
Net income from financial assets and liabilities (excl. assets/liabilities recorded at fair value)	791	564	651
% variation	*40.3 (1)*	*-42.8 (1)*	*-43.5 (1)*
Consolidated profit	31	201	107
% variation	*-84.7 (1)*	*-45.8 (1)*	*-74.5*
Statement of comprehensive income	438	-323	
Investments and liquid assets	39,756	36,999	36,285
% variation	*9.6 (2)*	*-7.0 (2)*	*-8.8 (2)*
Technical provisions	27,712	25,169	25,298
% variation	*9.5 (2)*	*-3.5 (2)*	*-3.0 (2)*
Financial liabilities	11,288	11,095	10,895
% variation	*3.6 (2)*	*-6.1 (2)*	*-7.8 (2)*
Shareholders' equity pertaining to the Group	3,808	3,636	3,433
% variation	*10.9 (2)*	*-27.1 (2)*	*-31.2 (2)*

(1) % variation compared with corresponding quarter of the previous year

(2) % variation compared with 31/12 of the previous year

Annual Premium Equivalent	New Life business expressed in APE is a measure of the turnover of new policies and is the sum of the regular premiums from new business and a tenth of the single premiums. This indicator is used for evaluating business together with the in-force value and the Group's new Life business value.
Loss ratio (direct business)	This is the principal indicator of the profitability of an insurance company's operations. It is the ratio between the cost of direct claims for the period and direct income for the period.
Combined ratio (direct business)	This indicator measures the balance of Non-Life core business and is made up of the sum of the expense ratio (the ratio of total operating expenses to direct income) and the loss ratio.

These indicators (APE, loss ratio, expense ratio and combined ratio) are not laid down in the accounting standards but are calculated in accordance with economic and financial procedure.

MANAGEMENT REPORT

In the first half of the year the Group completed the process of reorganising its companies and departments under the 2006-2009 Business Plan. Having obtained the necessary authorisation UGF Assicurazioni S.p.A. came into existence on 1 February 2009 as a result of the incorporation of Aurora Assicurazioni into Unipol Assicurazioni. The sales networks were kept distinct and continue to benefit from the commercial strength of the Unipol and Aurora brand names.
Thus today the Group is made up of a holding company, UGF S.P.A., which controls one of the largest insurance companies in Italy (UGF Assicurazioni), the single-purpose companies (Linear, Unisalute and Navale), a bancassurance company (BNL Vita) and UGF Banca, the parent company of the banking group of the same name.
At the end of September an advertising campaign was launched to promote the new brand names and to affirm the leading role played by the Group in the Italian insurance and financial markets and is appearing on television, in the press, on the Internet, in cinemas and on posters.
Under the slogan 'LOOKING AFTER YOUR TOMORROW' the campaign sends a message in line with Group values by means of a creative idea and innovative visual language, making the UGF Group increasingly accessible and more responsive to the requirements of millions of people who are facing the current major global changes on a daily basis, are experiencing periods of great uncertainty and find that the Group is capable of listening to and resolving their problems.

The launch of the advertising campaign and the conclusion of the process of internal reorganisation culminated on 26 September in a event that involved more than 10,000 employees and people from the sales networks from all over the country in the ONE 'Conven-show' held in the stadium in Cesena.
It was less of a convention and more of a show that aroused emotions and communicated values as a result of skilful organisation, the presence of numerous performers and the attendance of the Company's top management who, albeit in a period that has not been easy, have reaffirmed their strong desire to pursue the Group's business objectives by responsible means and with a view to achieving sustainability in the long term.

Insurance business continued to record substantial growth in Life direct income, which reached €4,031m as at 30 September 2009 (+67% compared with 30/9/2008). This was due to the growth of both UGF Assicurazioni (+19.4%) and the subsidiary BNL Vita (+128%), the latter having already recorded premiums of €2,418m, far exceeding those it achieved in the whole of 2008 (€1,535m).
New business in terms of APE, net of minority interests, amounted to €289m in the third quarter of 2009, a significant increase (+58%) compared with the third quarter of 2008.
In Non-Life business direct premium income continued to be slightly down (-1.9%) at €3,012m as a result of the negative climate in the economy as a whole and in this sector in particular and of a very selective underwriting policy aimed at restructuring the portfolio. To be specific MV income was down 3.4% whilst the contribution from non-MV classes remained positive (+0.5%).
The figures for Non-Life core business recorded by our main competitors for 2009 so far confirm the general worsening of the loss ratio since the second half of 2008, which has also continued to affect our Group.
The loss ratio for direct business was 82.6% as at 30 September compared with 78.3% in the first half of the year. The effects of the erosion of the average MV TPL premium along with an increase in the cost of claims also continued to be felt in the third quarter even though the latest figures reveal a positive reversal of the trend in claims reported. In the case of all other Non-Life classes the deterioration was linked to the increase in claims for weather damage and natural disasters and, more generally, was the result of the effects of the negative economic situation on sales and the loss ratio and even of an increase in fraud.

The Group had already decided on and implemented higher MV tariffs and more selective underwriting policies, particularly in the case of business from fleets of company vehicles, public authorities and customers who had submitted multiple claims. The positive effects on the loss ratio are expected to be limited in the remaining part of the year and to be more noticeable as from 2010.
The organisational, procedural and IT aspects of claims-handling were reviewed in order to speed up the process even more and measures were taken to reduce the average cost of personal injury claims. Since 1 September Sertel, the call centre that specialises in handling MV TPL claims, has been operating out of a new hub to which all the Group call centres will gradually be transferred. The project is part of the process of technological updating launched by the IT Department to enable the Group to improve the quality of services it offers its customers by making its operations more modern, efficient and reliable.
The expense ratio for direct business as at 30 September was 22.1%, down compared with 22.7% for the same period of 2008 as a result of introducing measures to keep costs down and of paying lower commissions because of the reduction in the proportion linked to performance in core business.
Therefore as at 30 September the Group recorded a combined ratio (direct business) of 104.7% (98.1% in the third quarter of 2008).

By 30 September 2009 UGF Banca had seen a further expansion of banking business in terms of an increase in ordinary customer deposits (+10%) and in lending to customers (+5%), despite a lending policy that had been subjected to careful review with the aim of reducing the proportion of lending to customers, especially corporate financing, the focus being on lending to retail clients and to small and medium-sized enterprises. The good performance of loans to individuals enabled a new securitisation operation to be carried out. It concluded in June 2009 and was for €611m. The ongoing economic crisis continued to mean that there was a significant incidence of net doubtful debts on lending to customers, which also affected the subsidiary UGF Merchant. However, none of this affected UGF Banca's return to profit (more than €10m) after the loss for 2008 as a result of extraordinary amounts being set aside on several receivables.

As for asset management, the third quarter continued to be characterised by a considerable upturn in the financial markets after a very negative first quarter. The Group continued to implement prudent investment policies aimed at safeguarding the portfolio compatible with fulfilling liabilities to policyholders and retaining a firm level of solvency. A high level of liquidity was also retained, though by increasing investments in fixed-rate debt securities and not making new investments in shares.

The following transactions were carried out during the third quarter of the year as part of the process of streamlining the structure of the UGF Group's sources of finance:

- On 1 July 2009 the Parent Company UGF issued a senior bonded loan for €175m, maturing in 2012. It is not listed and pays interest at an annual fixed rate of 5.25%. The issue was placed through UGF Merchant S.p.A. with qualified investors, including the holding companies Finsoe S.p.A. and Holmo S.p.A.
- On 5 August 2009 UGF Assicurazioni replaced UGF as issuer of the UGF 7% fixed/floating callable subordinated bonded loan, maturing in 2021 and issued in 2001 with a nominal value of €300m, having obtained authorisation from ISVAP to include this loan among the elements making up the solvency margin.
- UGF's voluntary public offer for the UGF 5.66% fixed/floating callable subordinate bonded loan, maturing in 2023 and issued in 2003 with a nominal value of €300m, concluded on 9 July 2009. The public offer received applications for a nominal value of €38m or 12.77% of the total.

Moreover on 27 October 2009 the Meeting of Bondholders approved the replacement of UGF by UGF Assicurazioni as issuer of the UGF 5.66% loan by transferring the bondholders' debt.

By the third quarter of 2009 the UGF Group had made a consolidated net profit of €31m and its solvency level was approximately 1.4 times the minimum requirements, higher than it had been at the end of 2008.

INSURANCE BUSINESS

Premium income and investment products

Total income (premiums and investment products) amounted to €7,067m as at 30 September 2009, an increase of 28.3% compared with the situation as at 30 September 2008 owing to the extraordinary increase in Life income of +66.7%, which was entirely attributable to the bancassurance channel (BNL Vita). Non-Life income fell 1.9% during the period.

Policy income as at 30 September 2009 can be broken down as follows:

- Non-Life premiums 42.9% (56.1% as at 30/9/2008)
- Life premiums 56.9% (43.7% as at 30/9/2008)
- Life investment products 0.2% (unchanged since 30/9/2008).

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.
Life investment income as at 30 September 2009 was from Class III (unit- and index-linked policies), Class V (capital redemption policies) and Class VI (Pension Funds).

Consolidated income
Amounts in €m

	30/9/2009	comp. %	30/9/2008	comp. %	var. %
Non-Life direct premium income	3,012		3,072		-1.9
Non-Life inward reinsurance	21		19		7.5
Total Non-Life premium income	3,033	42.9	3,091	56.1	-1.9
Life direct premium income	4,019		2,402		67.3
Life inward reinsurance	4		4		-13.5
Total Life premium income	4,022	56.9	2,407	43.7	67.1
Total Life investment products	12	0.2	13	0.2	-9.5
Total income from Life business	4,034	57.1	2,420	43.9	66.7
Comprehensive consolidated income	7,067	100.0	5,510	100.0	28.3

Almost all the policies issued were subscribed in Italy.

Direct income amounted to €7,043m (+28.4% compared with 30/9/2008), €7,031m of which was premium income and €12m investment products.

The income breakdown according to class (Non-Life premiums, Life premiums and investment products) and the breakdown indices are set out in the table below:

Breakdown of consolidated income per class of business *Amounts in €m*					
	30/9/2009	*comp. %*	30/9/2008	*comp. %*	*var.%*
DIRECT ITALIAN BUSINESS					
Non-Life premium income					
Accident and Health (classes 1 and 2)	493	*7.0*	471	*8.6*	*4.6*
Land vehicles - TPL (class 10)	1,579	*22.5*	1,640	*30.0*	*-3.7*
Land vehicles - Own damage or loss (class 3)	249	*3.5*	252	*4.6*	*-1.2*
Marine, Aviation and Goods in transit (classes 4, 5, 6, 7, 11 and 12)	22	*0.3*	26	*0.5*	*-12.5*
Fire and Other damage to property (classes 8 and 9)	294	*4.2*	298	*5.4*	*-1.3*
General TPL (class 13)	250	*3.6*	254	*4.6*	*-1.6*
Credit and Bond (class 14 and 15)	25	*0.4*	31	*0.6*	*-19.2*
Miscellaneous pecuniary losses (class 16)	42	*0.6*	41	*0.7*	*2.2*
Legal protection (class 17)	21	*0.3*	21	*0.4*	*-0.5*
Assistance (class 18)	38	*0.5*	37	*0.7*	*0.9*
Total Non-Life business	3,012	*42.8*	3,072	*56.1*	*-1.9*
Life premium income					
I - Life assurance, annuities	3,049	*43.4*	1,172	*21.4*	*160.2*
III - Unit-linked/Index-linked products	265	*3.8*	752	*13.7*	*-64.8*
V - Capitalisation operations	404	*5.7*	172	*3.1*	*135.1*
VI - Pension funds	301	*4.3*	307	*5.6*	*-2.0*
Total Life business	4,019	*57.2*	2,402	*43.9*	*67.3*
Total Life and Non-Life direct premium income	7,031	*100.0*	5,474	*100.0*	*28.4*
Life investment products					
III - Unit-linked/Index-linked products	2	*0.0*	3	*0.1*	*-49.8*
V - Capitalisation operations	1	*0.0*	0	*0.0*	*0.0*
VI - Pension funds	9	*0.1*	10	*0.2*	*-8.7*
Total Life investment products	12	*0.2*	13	*0.2*	*-9.5*
Life direct income					
I - Life assurance, annuities	3,049	*43.3*	1,172	*21.4*	*160.2*
III - Unit-linked/Index-linked products	266	*3.8*	755	*13.8*	*-64.7*
V - Capitalisation operations	405	*5.7*	172	*3.1*	*135.8*
VI - Pension funds	310	*4.4*	317	*5.8*	*-2.2*
Total Life direct income	4,031	*57.2*	2,416	*44.0*	*66.9*
Total direct income	7,043	*100.0*	5,487	*100.0*	*28.4*
INWARD REINSURANCE					
Non-Life premium income	21	*84.9*	19	*81.9*	*7.5*
Life premium income	4	*15.1*	4	*18.1*	*-13.5*
Total inward reinsurance	24	*100.0*	23	*100.0*	*3.7*
COMPREHENSIVE INCOME	7,067		5,510		*28.3*

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

Life Business

Life income totalled €4,034m as at 30 September 2009, down 66.7% compared with 30 September 2008.

Direct income amounted to €4,031m (+66.9% compared with 30/9/2008). There was a significant increase in Class I – traditional policies (+160.2%) and Class V – capital redemption policies (+135.8%) and a decrease in Class III – index- and unit-linked policies (-64.7%) and Class VI – pension funds (-2.2%).

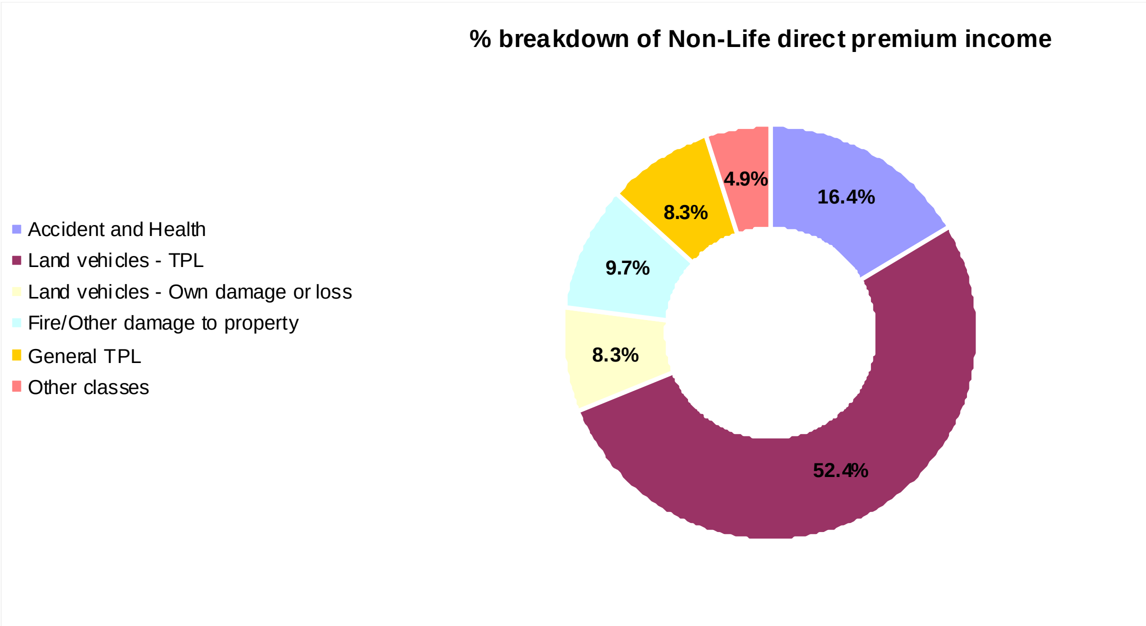
Life direct premiums amounted to €4,019m as at 30 September 2009 whilst investment products amounted to €12m. As at 30 September 2008 Life premiums had been €2,402m and investment products €13m.

New business in terms of APE, net of minority interests, amounted to €289m in the third quarter of 2009, a significant increase (+57.7%) compared with the third quarter of 2008.

The **traditional composite company UGF Assicurazioni** achieved Life direct income of €1,611m, 19.4% up on 30 September 2008. Life premiums amounted to €1,600m (€1,337m as at 30/9/2008) whilst investment products amounted to €12m (€13m as at 30/9/2008). There was a particularly large increase in Class I – traditional policies (+26.9%) and in Class V – capital redemption policies (+123.9%), whilst Class III – unit- and index-linked policies fell by 98.8% and Class VI – pension funds by 2.2%.
Income from Life policies received via UGF Banca banking outlets was €157m as at 30 September 2009 (€107m as at 30/9/2008).
The **bancassurance company BNL Vita** achieved total income of €2,418m compared with €1,060m as at 30 September 2008. Income was well up in all classes with the exception of Class III – unit and index-linked policies, which fell by 57%, and Class VI – pension funds, which continued to be of limited significance.

Non-Life Business

Total premiums in the Non-Life portfolio amounted to €3,033m as at 30 September 2009 (-1.9% compared with 30/9/2008).
Direct premium income alone amounted to €3,012m (-1.9% compared with 30/9/2008). Premium income from inward reinsurance amounted to €21m (+7.5% compared with 30/9/2008).
MV TPL fell by 3.7% as a result of the continuing effects of the unfavourable economic climate. The average premium continued to fall because of the continuing strong competition in the market and the downgrading of the bonus-malus rating as a result of current legislation.
General TPL was down 1.6%, classes linked to additional MV cover by 1.2% and Fire by 1.3% but Accident and Health was up 4.6%.



The composite company UGF Assicurazioni had direct premium income of €2,588m (-3.3%). Health was up (+5.4%) whilst almost all the other classes were down. MV TPL and Land vehicles – own damage or loss recorded decreases of 5% and 2.2% respectively.
The single-purpose companies (Navale Assicurazioni, Linear and Unisalute) wrote direct premiums of €424m (+7.3%).
Navale Assicurazioni had achieved direct premium income of €185m by 30 September 2009, an increase of 5.6% compared with 30 September 2008 thanks to the MV classes, which were 18.1% up whilst the other classes were 9.5% down.
Linear had direct premium income of €120m, a drop of 3.5% largely owing to the decrease in the average premium.
UniSalute achieved direct premium income of €119m, an increase of 24.3%. (By the end of the first half of 2009, the latest date for which figures are available, the market had fallen by 0.42%.)

The loss ratio for Non-Life direct business was 82.6% compared with 75.4% as at 30 September 2008, the increase being mainly due to the negative performance of several inclusive MV TPL policies and to claims linked to cover for bad weather. There was also a significant increase of 'major' claims in the Fire class, some deemed to be fraudulent.
Direct claims, excluding MV TPL, were up 20.5%, and even excluding Health the increase was 3.9%.
In the MV TPL class the companies in the UGF Group had recorded 380,865 claims 'payable' (total non-CARD and debtor CARD claims) by September 2009, a 4.7% increase since the same time last year. Approximately 310,000 claims reported came under the Direct Indemnity Agreement, 81% of the total (debtor CARD + non-CARD).
299,927 handler CARD claims were reported, 52,023 of which were partially dealt with by the counterpart companies (contributory negligence) whilst 258,313 were dealt with solely by the companies in the Group.

The combined ratio for direct business was 104.7% as at 30 September 2009 (98.1% as at 30/9/2008).
This indicator is the sum of two indices, the first being the loss ratio (82.6%) derived from the incidence of charges for the period relating to claims on net premiums for the period and the second, the expense ratio (22.1%), being derived from the ratio between total operating expenses net of investment management expenses and direct premium income. The expense ratio was 22.7% as at 30 September 2008.

The pre-tax profit for insurance business was €104m as at 30 September 2009 (€400m as at 30/9/2008), -€28m of which related to Non-Life business and €132m to Life business (€268m and €132m respectively as at 30/9/2008).

BANKING BUSINESS

Banking business continued to be dominated by the work of UGF Banca, the Group's bank to which UGF Merchant, UGF Leasing, Unipol Fondi, Unipol Private Equity SGR, Nettuno Fiduciaria and Unicard belong. Unicard joined the Group in July 2008 and in September 2009, having completed its internal reorganisation, began to offer its credit cards to UGF Banca customers.

Direct customer deposits amounted to €8.6bn as at 30 September 2009, slightly down compared with 31 December 2008 (-2%) because of the reduction in deposits attributable to the companies in the UGF Insurance Group. On the other hand deposits from ordinary customers were up (+10%), and mention should be made of the placement of €25m of subordinate liabilities (Lower Tier 2) issued by UGF Banca, which were fully subscribed in September. Another €50m will be issued in the final quarter of the year.
Inward reinsurance amounted to €21.7bn as at 30 September 2009, 7.8% up on €20.1bn as at 31 December 2008, the increase relating in particular to assets under administration (+8.5%).
Lending rose to €9.5bn (+4.4%), whilst receivables from banks amounted to €161m compared with €325m at the end of 2008.

The period closed with a net pre-tax profit of €17m (compared with a loss of €28m as at 30/9/2008), with gross operating income being €257m (+3.2%), adjustments for deterioration of financial assets of €47m (€94m as at 30/9/2008) and operating costs of €194m (+5.6%).

GROUP PROPERTY AND FINANCIAL MANAGEMENT

Investments and liquid assets

The first nine months of 2009 were characterised by financial markets going in opposite directions: after a very negative first quarter owing to the after-effects of the international financial crisis resulting from the collapse of Lehman Brothers, the second and third quarters were characterised by a substantial upturn, which led to financial markets ending the year on a positive note.
Standard & Poor's 500 index, which represents the US Stock Exchange, ended the first nine months with a rise of 17% (1st quarter -11.7%, 2nd quarter +15.2%, 3rd quarter +15%). The Eurostoxx50 index, which represents stock markets in the Eurozone, rose 17.4% during the same period (1st quarter -15.4%, 2nd quarter +16%, 3rd quarter +19.6%), whilst the Japanese Nikkei 225 rose 14.4% (1st quarter -8.5%, 2nd quarter +22.8%, 3rd quarter +1.8%).
One of the reasons for the upturn in financial markets was the reversal of the main retail and manufacturing indicators in the principal industrialised economies, leading operators to expect an improvement in the economy and preparing the way for a rise in share prices.
The fact that governments continued to apply expansionary fiscal and monetary policies combined with the improvement in bank profitability provided the final stimulus for the upturn in the financial markets.
The downward trend in rates on Interbank deposits (Euribor) that had begun at the end of 2008 continued in the third quarter, the three-month Euribor rate ending the quarter at 0.71% compared with 1.10% on 30 June, 1.51% at the end of March and 2.89% at the end of 2008.
The origin of this trend was to be found in the strongly expansionary monetary policy maintained by the European Central Bank by:

- reducing the repo rate to 1% from 2.50% at the beginning of the year;
- injecting more cash into the system by carrying out repo operations, including long-term operations.

The yields on long maturity dates remained relatively high because of investors' apprehension about the possible inflationary implications, in the medium term, of the steady expansion in the money supply.
The 10-year swap rate fell from 3.74% to 3.46% in the first nine months whilst the rate on Italian gilts with the same maturity date fell from 4.38% to 4.02% over the same period.
Finally, the credit market was the asset class that turned in the best performance: the 5-year Itraxx index, representing the credit spread relating to the main Euro issuers in the financial and industrial sector, fell from 177.5 to 87.6 in the first nine months.
The corporate bond market benefited from the extra capital pumped into the western banking system, from the improvement in the general macroeconomic situation and, finally, from the extra cash in the financial system.

Investment policies in the bond sector were carried over to the third quarter of 2009 from the first half of the year and were based on strategies aimed at:

1. protecting the portfolio in a climate of extremely volatile and cash-starved markets;
2. keeping it in line with liabilities to policyholders.

Fixed-rate corporate bonds were acquired during the period, mainly with terms of between two and six years, the criteria for selection being diversification of the risk and the quality of the issuer. Where market terms were suitable a process of reducing concentration on some issuers was begun.
The increased exposure to the credit market was the result of limiting proportions and was predominantly in Life portfolios.

Operating in government bonds was focused on reducing the proportion of variable rate securities and acquiring fixed rate securities, mainly Italian, with terms of between three and ten years. This work mainly concerned Life portfolios, the aim being to optimise cash flow matching in line with liabilities to policyholders.
Long-term treasury bonds, the profitability of which is linked to inflation, were purchased for the Non-Life portfolio.
Overall the portfolio duration was slightly longer than at the end of 2008.
A good level of liquidity of approximately €1.5bn was maintained in the Group portfolio at the end of September with a view to managing assets prudently.

In the third quarter management of the **share portfolios** was based on defensive strategies carried out by selling options in order to take advantage of the high level of volatility in the markets and by gradually hedging the market risk. This made it possible to limit the negative effects of falls in share prices. Almost all the transactions in derivatives with underlying shares were terminated in the second quarter.
The third quarter of the year also saw the conclusion of the hedging operation on Banca MPS shares totalling approximately €60m. Some trading activity was also launched with the aim of providing a profit.
The share portfolio was mainly made up of securities belonging to the Eurostoxx50 or to the main European indices, which were characterised by a high level of liquidity and a good profitability profile, albeit not as good as it had been, reflected in the dividends expected.

Exposure in markets other than those in the Eurozone was marginal, with the exchange rate risk mostly being hedged.

The level of the Group's investments and liquid assets had reached a total of €39,756m by 30 September 2009, an increase of €3,472m compared with the position as at 31 December 2008 (+9.6%).

Group investments subdivided according to type and comparisons with the position as at 31 December 2008 are set out in the following table:

Investments and liquid assets
Amounts in €m

	30/9/2009	comp. %	31/12/2008	comp. %	var. %
Buildings (*)	732	*1.8*	742	*2.0*	*-1.4*
Shareholdings in subsidiaries, associates and JVs	44	*0.1*	39	*0.1*	*11.0*
Investments held to maturity	1,791	*4.5*	1,813	*5.0*	*-1.3*
Loans and receivables	14,107	*35.5*	13,712	*37.8*	*2.9*
Debt securities	4,340	*10.9*	4,151	*11.4*	*4.6*
Loans and receivables i.r.o. banking customers	9,505	*23.9*	9,009	*24.8*	*5.5*
Interbanking loans and receivables	81	*0.2*	275	*0.8*	*-70.6*
Deposits with ceding undertakings	22	*0.1*	21	*0.1*	*1.4*
Other loans and receivables	160	*0.4*	255	*0.7*	*-37.3*
Financial assets available for sale	15,204	*38.2*	11,588	*31.9*	*31.2*
Financial assets at fair value through profit or loss	7,661	*19.3*	8,046	*22.2*	*-4.8*
held for trading	309	*0.8*	869	*2.4*	*-64.5*
designated at fair value through profit or loss	7,353	*18.5*	7,177	*19.8*	*2.4*
Cash and cash equivalents	218	*0.5*	345	*0.9*	*-36.6*
Total investments and liquid assets	39,756	*100.0*	36,285	*100.0*	*9.6*

(*) including property for own use and property for sale (IFRS 5)

Investments held to maturity amounted to €1,791m as at 30 September 2009 (-1,3% compared with 31/12/2008).
Loans and receivables amounted to €14,107m compared with €13,712m as at 31 December 2008 (+2.9%).
The main contribution to this item was from banking business, with €9,505m of receivables from customers (+5.5% compared with 31/12/2008) and €81m of receivables from banks (-70.6% compared with 31/12/2008).
Debt securities amounted to €4,340m (+4.6% compared with 31/12/2008).
Financial assets available for sale amounted to €15,204m (+31.2% compared with 31/12/2008).
The compulsory provision for profits or losses on assets available for sale (Group total) was negative to the tune of €995m as at 30 September 2009 (negative to the tune of €1,325m as at 31/12/2008).
Financial assets recorded at fair value through profit or loss amounted to €7,661m as at 30 September 2009 (-4.8% compared with 31/12/2008).
This item was made up of €309m of assets held for trading (-64.5%) and €7,353m of assets designated at fair value, where the investment risk is borne by the policyholder (+2.4%).

Net capital gains and investment income

Net income (excluding that arising out of assets and liabilities on financial instruments recorded at fair value) amounted to €791m (€564m as at 30/9/2008, +40.3%).
Net income from financial assets available for sale included €15m of write-downs on the unlisted holding in Hopa, the value per share of which had fallen from €0.249 to €0.10. The value of the holding in Hopa had been written down by €10m as at 30 September 2008.
It should be mentioned that as regards recording the falls in value of the other share securities classified as Financial assets available for sale, application of Group policy revealed no further objective evidence of impairment.

Net income from financial instruments recorded at fair value amounted to €280m (net loss of €299m as at 30/9/2008).

BUSINESS OUTLOOK FOR THE CURRENT FINANCIAL YEAR

On 31 October 2009 UGF Banca completed the capital increase of €201m in accordance with the resolution passed by UGF's Board of Directors on 21 April.

Since the end of the third quarter of 2009 performance in Life business has continued to accelerate compared with last year, though not as much as expected.

In Non-Life business, UGF Assicurazioni increased both Unipol and Aurora MV TPL tariffs with effect from 1 November as part of a more complex and diverse review of tariffs that will continue in the first half of 2010.
Severe weather continued to affect some areas of Italy in October although the financial impact was not as bad as in the previous few months.
Since September there has been a positive reversal of the trend in MV TPL claims reported, and by the end of October they were down compared with last year.

The economy in general has continued to be uncertain since 30 September.
The results forecast for the end of the year very much depend on Non-Life business performance, where the numerous steps taken, both to raise tariffs and improve the efficiency of the claims-handling procedure, will bring substantial benefits as from next year.

In compliance with the principle of maintaining a sufficient level of capital and reserves, the overall result for the 2009 financial year is expected to be positive.

Bologna, 12 November 2009

The Board of Directors

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENT

Statement of financial position - Assets
Amounts in €m

		30/9/2009	31/12/2008
1	INTANGIBLE ASSETS	1,912	1,819
2	PROPERTY AND EQUIPMENT	582	572
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	488	534
4	INVESTMENTS	39,005	35,422
4.1	Investments in property	199	224
4.2	Shareholdings in subsidiaries, associates and joint ventures	44	39
4.3	Investments held to maturity	1,791	1,813
4.4	Loans and receivables	14,107	13,712
4.5	Financial assets available for sale	15,204	11,588
4.6	Financial assets recorded at fair value through profit or loss	7,661	8,046
5	SUNDRY RECEIVABLES	1,234	1,663
6	OTHER ASSETS	982	1,147
7	CASH AND CASH EQUIVALENTS	218	345
	TOTAL ASSETS	44,422	41,501

Statement of financial position - Shareholders' equity and liabilities
Amounts in €m

		30/9/2009	31/12/2008
1	SHAREHOLDERS' EQUITY	4,047	3,705
1.1	pertaining to the Group	3,808	3,433
1.1.1	Capital	2,391	2,391
1.1.3	Capital reserves	1,420	1,420
1.1.4	Accumulated earnings and other reserves	929	833
1.1.5	(Own shares)	0	0
1.1.7	Profits or losses on financial assets available for sale	-955	-1,325
1.1.8	Other profits or losses recorded in the equity direct	10	21
1.1.9	Profit (loss) for the year pertaining to the Group	13	93
1.2	pertaining to minority interests	238	273
2	AMOUNTS SET ASIDE	88	81
3	TECHNICAL PROVISIONS	27,712	25,298
4	FINANCIAL LIABILITIES	11,288	10,895
4.1	Financial liabilities recorded at fair value through profit or loss	2,203	2,377
4.2	Other financial liabilities	9,085	8,517
5	PAYABLES	397	412
6	OTHER LIABILITIES	891	1,110
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	44,422	41,501

SUMMARY OF THE CONSOLIDATED INCOME STATEMENT

Separate income statement

Amounts in €m

		30/9/2009	30/9/2008
1.1	Net earned premiums	7,141	5,430
1.1.1	*Gross earned premiums*	*7,248*	*5,643*
1.1.2	*Earned premiums ceded*	*-106*	*-213*
1.2	Commissions and fees receivable	79	77
1.3	Income and charges arising out of financial instruments recorded at fair value through profit or loss	303	-414
1.4	Income arising out of shareholdings in subsidiaries, associates and JVs	1	28
1.5	Income arising out of other financial instruments and investments in property	1,072	1,147
1.6	Other income	81	82
1	TOTAL INCOME AND PROCEEDS	8,676	6,349
2.1	Net charges relating to claims	7,171	4,458
2.1.1	*Amounts paid and changes in technical provisions*	*7,237*	*4,604*
2.1.2	*Reinsurers' share*	*-66*	*-145*
2.2	Commissions and fees payable	20	25
2.3	Charges arising out of shareholdings in subsidiaries, associates and JVs	0	0
2.4	Charges arising out of other instruments and investments in property	304	495
2.5	Operating expenses	993	921
2.6	Other costs	112	142
2	TOTAL COSTS AND CHARGES	8,600	6,042
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	76	307
3	Taxation	45	106
	CONSOLIDATED PROFIT (LOSS)	31	201
	pertaining to the Group	13	179
	pertaining to minority interests	18	22

Statement of comprehensive income

Amounts in €m

		30/9/2009	30/9/2008
	CONSOLIDATED PROFIT (LOSS)	31	201
	Other items on the statement of comprehensive income net of tax	407	-524
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	438	-323
	pertaining to the Group	*373*	*-351*
	pertaining to minority interests	*65*	*28*

Summary of consolidated income statement by business sector

Amounts in €m

	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE TOTAL			BANKING BUSINESS			Holding & Services and Intersector eliminations			CONSOLIDATED TOTAL		
	Sep-09	Sep-08	var.%	Sep-09	Sep-08	var.%	Sep-09	Sep-08	var.%	Sep-09	Sep-08	var.%	Sep-09	Sep-08	var.%	Sep-09	Sep-08	var.%
Net earned premiums	3,131	3,036	3.1	4,011	2,393	67.6	7,141	5,430	31.5							7,141	5,430	31.5
Net income from commissions and fees	0	0		1	2	-51.6	1	2	-48.7	67	60	12.0	-9	-9	-6.9	59	52	13.4
Financial income/charges (excl. assets/liabilities recorded at fair value)	148	229	-35.3	511	307	66.2	659	536	22.9	143	82	75.5	-11	-54	79.8	791	564	40.3
Net claims charges	-2,606	-2,304	13.1	-4,285	-2,459	74.3	-6,892	-4,763	44.7				0	5		-6,892	-4,758	44.9
Operating expenses	-681	-662	3.0	-86	-90	-4.4	-768	-752	2.1	-193	-175	10.2	-32	7		-993	-921	7.8
Other income/charges	-19	-31	-40.0	-19	-22	-14.4	-38	-53	-29.3	0	6	-104.0	7	-13		-31	-60	-48.5
Profit (loss) before taxation	-28	268	-110.3	132	132	0.0	104	400	-74.0	17	-28	-159.7	-45	-64	-30.2	76	307	-75.2
Taxation																-45	-106	-57.3
Consolidated profit (loss)																31	201	-84.7
Profit (loss) - minority interests																18	22	-19.5
Profit (loss) - Group																13	179	-92.6

DECLARATION OF THE SENIOR EXECUTIVE RESPONSIBLE FOR DRAWING UP THE COMPANY ACCOUNTS

RE: Interim Management Report of Unipol Gruppo Finanziario S.p.A. as at 30 September 2009

The undersigned Maurizio Castellina, the Senior Executive responsible for drawing up Unipol Gruppo Finanziario S.p.A.'s accounts

DECLARES

In accordance with Article 154-bis, para. 2, of the 'Single text of the Provisions relating to Financial Brokerage' that the Interim Management Report as at 30 September 2009 corresponds to the documentary results, the books and the accounting records.

Bologna, 12 November 2009

The Senior Executive responsible for
drawing up the company accounts
Maurizio Castellina